

*In the opinion of Special Counsel, under current law and subject to the conditions described herein under the caption "TAX MATTERS," the portion of the Installment Payments paid by the City under the Installment Sale Agreement as interest (the "Interest Component") (a) will not be included in gross income for federal income tax purposes, (b) will not be an item of tax preference for purposes of the federal alternative minimum income tax and (c) will be exempt from income taxation by the State of Georgia. A holder of the Series 2018 Certificates may be subject to other federal tax consequences as described herein under the caption "TAX MATTERS." See the proposed form of the opinion of Special Counsel in "APPENDIX D - FORM OF OPINION OF SPECIAL COUNSEL" attached hereto.*

**\$43,335,000**



**GEORGIA MUNICIPAL ASSOCIATION, INC.  
CERTIFICATES OF PARTICIPATION  
(CITY OF ATLANTA PUBLIC SAFETY PROJECTS),  
SERIES 2018**

**Dated: Date of Issuance and Delivery**

**Due: December 1, as shown on the inside front cover**

This Official Statement relates to the issuance by the Georgia Municipal Association, Inc. ("GMA," also referred to herein as the "Trustor") of \$43,335,000 in aggregate principal amount of its Certificates of Participation (City of Atlanta Public Safety Projects), Series 2018 (the "Series 2018 Certificates") pursuant to that certain Indenture of Trust and Assignment of Installment Sale Agreement, dated as of February 1, 2018 (the "Indenture"), between GMA and U.S. Bank National Association, as trustee (the "Trustee"). The Series 2018 Certificates are being issued for the purpose of: (a) acquiring various public safety projects in the City of Atlanta (the "City"), more particularly described herein under the caption "PLAN OF FINANCE," and (b) paying certain costs of issuance related to the Series 2018 Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein. All capitalized terms used and not otherwise defined herein will have the meanings assigned thereto in the Indenture and the Installment Sale Agreement (as defined herein). See "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS" attached hereto.

The Series 2018 Certificates are initially being issued as fully registered certificates, without coupons, in denominations of \$5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial ownership interests in the Series 2018 Certificates will be made in book-entry form only and purchasers will not receive physical delivery of certificates representing the beneficial ownership interests in the Series 2018 Certificates so purchased. The portion of the Distributions (as defined herein) representing payments of principal of, premium, if any, and interest on, any Series 2018 Certificate will be made to Cede & Co., as nominee for DTC as registered owner of the Series 2018 Certificates, by U.S. Bank National Association, as registrar and paying agent, to be subsequently disbursed to the Beneficial Owners (as defined herein). See "BOOK-ENTRY ONLY SYSTEM" herein.

Distributions are payable on June 1 and December 1 of each year (each a "Certificate Payment Date"). The portion of the Distributions representing the interest component of the Series 2018 Certificates is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2018. The portion of the Distributions representing the principal component of the Series 2018 Certificates is payable on December 1 of each year. The Series 2018 Certificates will bear interest at the rates and will be payable as to principal in the amounts and on the dates set forth on the inside cover of this Official Statement. See "DESCRIPTION OF THE SERIES 2018 CERTIFICATES - General" herein.

The Series 2018 Certificates are subject to prepayment prior to maturity as more fully described under "DESCRIPTION OF THE SERIES 2018 CERTIFICATES - Prepayment Provisions" herein.

The Series 2018 Certificates evidence assignments of proportionate undivided ownership interests in certain semiannual installment payments (the "Installment Payments") due May 15 and November 15 of each year (each an "Installment Payment Date"), commencing November 15, 2018, to be paid by the City pursuant to that certain Installment Sale Agreement, dated as of February 1, 2018 (the "Installment Sale Agreement"), between GMA and the City. In addition to the Installment Payments, the City has agreed to make certain other payments sufficient to pay certain amounts required under the Installment Sale Agreement (the "Additional Payments"). The initial term of the Installment Sale Agreement will commence as of February 1, 2018, and will expire at midnight on December 31, 2018. The term of the Installment Sale Agreement will automatically renew for additional and consecutive one-year renewal terms ending on December 31 of each successive year thereafter to and including the day following the last Certificate Payment Date (each a "Renewal Term"), subject to the right of the City to terminate the Installment Sale Agreement and to not appropriate the Aggregate Payment Amount (as defined in the Installment Sale Agreement) for the next succeeding Renewal Term. The term of the Installment Sale Agreement will expire or terminate, as appropriate, as to the City as described in the Installment Sale Agreement upon the first to occur of any of the following events: (a) the expiration of any Renewal Term during which there occurs an Event of Nonappropriation (as defined herein), which is not thereafter waived by the Trustee as provided in the Installment Sale Agreement; (b) an Event of Default (as defined herein) and a termination of the term of the Installment Sale Agreement by the Trustee as provided in the Installment Sale Agreement; or (c) discharge of the Indenture as therein provided.

The Installment Sale Agreement provides that the City: (a) will annually request an appropriation for the amount necessary to pay the Installment Payments and the Additional Payments during the next succeeding Renewal Term, and (b) will take such further action (or cause the same to be taken) as may be necessary or desirable to assure the availability of moneys appropriated to pay such Installment Payments and Additional Payments, but solely from funds which have been annually appropriated by the City from its general fund and other lawful sources and for which (at the time a determination is to be made as to the availability of the funds) the appropriation remains in full force and effect and such funds may be legally expended for the purposes appropriated (the "Legally Available Funds"), for each such Renewal Term, including all such actions for such purpose as may be required. The Installment Sale Agreement further provides that if the City fails to pay any such Installment Payments, it must quit and vacate the Projects (as defined herein) and its obligation to make any Installment Payments and Additional Payments will thereupon terminate. No deficiency judgment may be rendered against the City in any action for breach of a contractual obligation under the Installment Sale Agreement, and the taxing power of the City or the State of Georgia (the "State") is not and may not be pledged directly or indirectly to secure the Installment Payments and the Additional Payments. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 CERTIFICATES" herein and "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS" attached hereto. For additional information related to the City and its financial condition generally, see "THE CITY" and "FISCAL OVERVIEW OF THE CITY" herein, and "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

GMA will convey the Projects to the City as part of the issuance of the Series 2018 Certificates and GMA is facilitating the financing of the Projects pursuant to the Installment Sale Agreement. Pursuant to the Installment Sale Agreement, the City is required to pay the Installment Payments in an amount equal to the total amounts to be paid on the Series 2018 Certificates on each Certificate Payment Date representing the principal and interest components of the Installment Payments and premium, if any, on the Series 2018 Certificates. In addition, the City is required to make the Additional Payments to pay certain other expenses in connection with the Projects and the operation thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 CERTIFICATES" herein, and "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS" attached hereto.

Title to the real property portion of the Projects shall remain vested in the City from and after the date of execution and delivery of the Installment Sale Agreement subject to the lien on and security interest in the Projects and the real property related thereto pursuant to that certain Deed to Secure Debt and Security Agreement dated as of February 1, 2018, between GMA and the Trustee, which will be assigned to the Trustee as additional security for the Series 2018 Certificates; provided that title to any portion of the Projects which constitutes personally to the extent required by the Multiyear Lease Statute shall remain in the Trustor until the City shall have paid the purchase price related thereto.

Neither the Series 2018 Certificates nor the Distributions constitute an obligation of GMA. The Distributions payable with respect to the Series 2018 Certificates are limited obligations and are payable solely from the Trust Estate (as defined herein), which is comprised primarily of the Installment Payments. Neither the full faith and credit nor the taxing powers of the State, nor any political subdivision of the State, including the City, is pledged to the payment of the Distributions or other costs appertaining thereto. The Distributions do not now and will never constitute an indebtedness of the State or any political subdivision of the State, including the City, within the meaning of any State constitutional provision or limitation nor give rise to or be a general obligation or liability of nor a charge against the general credit or taxing powers of the State or any political subdivision of the State, including the City.

**THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT IS ANNUALLY RENEWABLE AND MUST BE DERIVED FROM LEGALLY AVAILABLE FUNDS AS PROVIDED THEREIN. THE ISSUANCE OF THE SERIES 2018 CERTIFICATES DOES NOT DIRECTLY OR CONTINGENTLY OBLIGATE THE CITY TO MAKE ANY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS BEYOND THOSE APPROPRIATED FOR THE CITY'S THEN CURRENT CALENDAR YEAR. THE SERIES 2018 CERTIFICATES DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE SERIES 2018 CERTIFICATES DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF GMA. NEITHER THE CITY'S OFFICERS AND AGENTS, NOR ANY PERSONS EXECUTING THE SERIES 2018 CERTIFICATES, WILL BE LIABLE PERSONALLY ON THE SERIES 2018 CERTIFICATES OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF.**

Following the termination of the Installment Sale Agreement, no transfer of the Series 2018 Certificates may be made without an opinion of counsel regarding compliance with the registration provisions of state and federal securities laws. See "CERTAIN INVESTMENT RISKS" herein.

This cover page contains certain limited information for quick reference only. It is not, and is not intended to be, a summary of the matters relating to the Series 2018 Certificates. Potential investors must read the entire Official Statement (including the cover page and all appendices attached hereto) to obtain information essential to the making of an informed investment decision.

*The Series 2018 Certificates are being offered when, as, and if issued by GMA and accepted by the Underwriters, subject to prior sale and to withdrawal or modification of the offer without notice, and subject to the approving opinion of Hunton & Williams LLP, Atlanta, Georgia, Special Counsel. Certain legal matters will be passed upon for GMA by Gray Pannell & Woodward LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the City by the City's Department of Law. Certain legal matters will be passed upon by Greenberg Traurig, LLP and Riddle & Schwartz, LLC, Atlanta, Georgia, Co-Disclosure Counsel to the City. Certain legal matters will be passed on for the Underwriters by D. Seaton and Associates, P.A., Davie, Florida. Hilltop Securities Inc., Dallas, Texas and Grant & Associates LLC, Marietta, Georgia are serving as Co-Financial Advisors. The Series 2018 Certificates are expected to be delivered through the book-entry system of DTC on or about February 22, 2018.*

**RAMIREZ & CO., INC.**

**SECURITY CAPITAL BROKERAGE, INC.**

**MATURITIES, PRINCIPAL COMPONENT, INTEREST RATES,  
YIELDS, PRICES AND INITIAL CUSIP NUMBERS<sup>†</sup>**

**\$43,335,000  
GEORGIA MUNICIPAL ASSOCIATION, INC.  
CERTIFICATES OF PARTICIPATION  
(CITY OF ATLANTA PUBLIC SAFETY PROJECTS),  
SERIES 2018**

<b>Maturity (December 1)</b>	<b>Principal Component</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>Initial CUSIP No.<sup>†</sup></b>
2018	\$ 755,000	3.000%	1.290%	101.313	373283CC2
2019	1,385,000	4.000	1.570	104.235	373283CD0
2020	1,445,000	5.000	1.720	108.848	373283CE8
2021	1,520,000	5.000	1.900	111.238	373283CF5
2022	1,600,000	5.000	2.060	113.301	373283CG3
2023	1,680,000	5.000	2.250	114.811	373283CH1
2024	1,765,000	5.000	2.410	116.096	373283CJ7
2025	1,860,000	5.000	2.580	116.945	373283CK4
2026	1,955,000	5.000	2.730	117.602	373283CL2
2027	2,055,000	5.000	2.850	118.225	373283CM0
2028	2,160,000	5.000	2.930	117.479 <sup>C</sup>	373283CN8
2029	2,270,000	5.000	3.010	116.739 <sup>C</sup>	373283CP3
2030	2,385,000	5.000	3.090	116.003 <sup>C</sup>	373283CQ1
2031	2,510,000	5.000	3.130	115.638 <sup>C</sup>	373283CR9
2032	2,635,000	5.000	3.160	115.365 <sup>C</sup>	373283CS7
2033	2,770,000	5.000	3.210	114.911 <sup>C</sup>	373283CT5
2034	2,915,000	5.000	3.250	114.550 <sup>C</sup>	373283CU2
2035	3,065,000	5.000	3.280	114.279 <sup>C</sup>	373283CV0
2036	3,220,000	5.000	3.310	114.010 <sup>C</sup>	373283CW8
2037	3,385,000	5.000	3.340	113.741 <sup>C</sup>	373283CX6

<sup>†</sup> Initial CUSIP numbers have been assigned to the Series 2018 Certificates by an organization not affiliated with GMA, the City nor the Co-Financial Advisors and are included for the convenience of the owners of the Series 2018 Certificates only at the time of original issuance of the Series 2018 Certificates. Neither GMA, the City nor the Co-Financial Advisors is responsible for the selection, use or accuracy of the CUSIP numbers nor is any representation made as to the accuracy of the CUSIP numbers as to the Series 2018 Certificates indicated above now or at any time in the future.

<sup>C</sup> Priced to the call date of December 1, 2027 at par.

**CITY OF ATLANTA  
ELECTED OFFICIALS**

**Mayor**

Keisha Lance Bottoms

**City Council**

Felicia A. Moore, *President*

Carla Smith, <i>District 1</i>	Dustin Hillis, <i>District 9</i>
Amir Farokhi, <i>District 2</i>	Andrea L. Boone, <i>District 10</i>
Ivory Lee Young, Jr., <i>District 3</i>	Marci Collier Overstreet, <i>District 11</i>
Cleta Winslow, <i>District 4</i>	Joyce M. Sheperd, <i>District 12</i>
Natalyn Mosby Archibong, <i>District 5</i>	Michael Julian Bond, <i>Post 1, At-Large</i>
Jennifer N. Ide, <i>District 6</i>	Matt Westmoreland, <i>Post 2, At-Large</i>
Howard Shook, <i>District 7</i>	Andre Dickens, <i>Post 3, At-Large</i>
J.P. Matzigkeit, <i>District 8</i>	

**FINANCE/EXECUTIVE COMMITTEE OF THE CITY COUNCIL**

Howard Shook, <i>Chair</i>	Jennifer N. Ide, <i>District 6</i>
Natalyn Mosby Archibong, <i>District 5</i>	J.P. Matzigkeit, <i>District 8</i>
Andrea L. Boone, <i>District 10</i>	Matt Westmoreland, <i>Post 2, At-Large</i>
Andre Dickens, <i>Post 3, At-Large</i>	

**APPOINTED OFFICIALS**

J. Anthony "Jim" Beard, Chief Financial Officer	Daniel L. Gordon, Chief Operating Officer
Jeremy T. Berry, Esq., City Attorney	Marva Lewis, Chief of Staff

**SPECIAL COUNSEL**

Hunton & Williams LLP  
Atlanta, Georgia

**CO-DISCLOSURE COUNSEL TO THE CITY**

Greenberg Traurig, LLP Atlanta, Georgia	Riddle & Schwartz, LLC Atlanta, Georgia
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**CO-FINANCIAL ADVISORS TO THE CITY**

Hilltop Securities Inc. Dallas, Texas	Grant & Associates LLC Marietta, Georgia
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**COUNSEL TO GEORGIA MUNICIPAL ASSOCIATION, INC.**

Gray Pannell & Woodward LLP  
Atlanta, Georgia

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This Official Statement does not constitute a contract among GMA, the City or the Underwriters and any one or more owners of the Series 2018 Certificates nor does it constitute an offer to sell or the solicitation of an offer to buy the Series 2018 Certificates in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. No dealer, salesman or any other person has been authorized by GMA, the City or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Series 2018 Certificates, and if given or made, such information or representations must not be relied upon as having been authorized by GMA, the City or any other person. The information and expressions of opinion in this Official Statement are subject to change without notice, and this Official Statement speaks only as of its date. Neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof. Except as otherwise indicated, the information contained in this Official Statement, including in the appendices attached hereto, has been obtained from representatives of GMA, the City, the Underwriters and from public documents, records and other sources considered to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018 CERTIFICATES, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2018 CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2018 CERTIFICATES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2018 CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2018 CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2018 CERTIFICATES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

In making an investment decision, investors must rely on their own examination of GMA and the City and the terms of the offering, including the merits and risks involved. The Series 2018 Certificates have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, GMA has not confirmed the accuracy or determined the

adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

The order and placement of information in this Official Statement, including the appendices attached hereto, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices attached hereto, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section in this Official Statement.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN EITHER BOUND OR PRINTED FORMAT ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: [WWW.MUNIOS.COM](http://WWW.MUNIOS.COM). THIS OFFICIAL STATEMENT MAY BE RELIED ON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT, OR IF IT IS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

References to website addresses presented herein, including the City's website or any other website containing information about the City, are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose including for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

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APPENDIX C	-	SUMMARIES OF THE PRINCIPAL DOCUMENTS
APPENDIX D	-	FORM OF OPINION OF SPECIAL COUNSEL
APPENDIX E	-	FORM OF CONTINUING DISCLOSURE AGREEMENT

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## **OFFICIAL STATEMENT**

*relating to*

**\$43,335,000**

### **GEORGIA MUNICIPAL ASSOCIATION, INC. CERTIFICATES OF PARTICIPATION (CITY OF ATLANTA PUBLIC SAFETY PROJECTS), SERIES 2018**

## **INTRODUCTION**

### **General**

The purpose of this Official Statement, which includes the cover page and the appendices attached hereto, is to provide certain information in connection with the issuance and sale by the Georgia Municipal Association, Inc. ("GMA," also referred to herein as the "Trustor") of \$43,335,000 in aggregate principal amount of its Certificates of Participation (City of Atlanta Public Safety Projects), Series 2018 (the "Series 2018 Certificates").

*This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to the more complete and detailed information contained in the entire Official Statement, including the cover page and the appendices attached hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2018 Certificates to potential investors is made only by means of the entire Official Statement, including the appendices attached hereto. No person is authorized to detach this Introduction from this Official Statement or to otherwise use it without the entire Official Statement including the appendices attached hereto.*

All capitalized terms used and not otherwise defined herein will have the meanings assigned thereto in the hereinafter defined Indenture and the Installment Sale Agreement. See "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS" attached hereto.

### **GMA**

GMA is a non-profit corporation, organized and existing under the laws of the State of Georgia (the "State"), particularly the Georgia Nonprofit Corporation Code, O.C.G.A. § 14-3-101, et seq. See "GEORGIA MUNICIPAL ASSOCIATION, INC." herein.

### **The City**

The City of Atlanta (the "City") is a municipal corporation of the State created by an Act of the General Assembly of the State in 1843. See "THE CITY" herein, and "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE

CITY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

### **The Projects**

The Series 2018 Certificates will be used to acquire various public safety projects in the City, more particularly described herein under the caption "PLAN OF FINANCE."

### **Authority for Issuance**

The Series 2018 Certificates are being issued by GMA in accordance with and pursuant to the laws of the State, including particularly the Multiyear Lease Statute, the Georgia Nonprofit Corporation Code, O.C.G.A. § 14-3-101, et seq., and the articles of incorporation and bylaws of GMA. See "GEORGIA MUNICIPAL ASSOCIATION, INC." herein. In addition, the execution and delivery of the Installment Sale Agreement and certain other matters relating to the Series 2018 Certificates have been authorized by the City pursuant to the laws of the State, including Ordinance No. 17-O-1660 adopted by the City Council on December 4, 2017 and approved by operation of law on December 13, 2017.

### **Purpose of the Series 2018 Certificates**

The Series 2018 Certificates are being issued for the purpose of: (a) acquiring the hereinafter defined Projects; and (b) paying certain costs of issuance related to the Series 2018 Certificates. See "PLAN OF FINANCE" and "ESTIMATED SOURCES AND USES OF FUNDS" herein.

### **Description of the Series 2018 Certificates**

The Series 2018 Certificates are initially being issued as fully registered certificates, without coupons, in denominations of \$5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Purchases of beneficial ownership interests in the Series 2018 Certificates will be made in book-entry form only and purchasers will not receive physical delivery of certificates representing the beneficial ownership interests in the Series 2018 Certificates so purchased. The portion of the Distributions (as defined herein) representing payments of principal of, premium, if any, and interest on, any Series 2018 Certificate will be made to Cede & Co., as nominee for DTC as registered owner of the Series 2018 Certificates, by U.S. Bank National Association, as registrar and paying agent, to be subsequently disbursed to the Beneficial Owners (as defined herein) of the Series 2018 Certificates. See "BOOK-ENTRY ONLY SYSTEM" herein.

Distributions are payable on June 1 and December 1 of each year (each a "Certificate Payment Date"). The portion of the Distributions representing the interest component of the Series 2018 Certificates is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2018. The portion of the Distributions representing the principal component of the Series 2018 Certificates is payable on December 1 of each year. The Series 2018 Certificates will bear interest at the rates and will be payable as to principal in the amounts

and on the dates set forth on the inside cover of this Official Statement. See "DESCRIPTION OF THE SERIES 2018 CERTIFICATES - General" herein.

The Series 2018 Certificates are subject to prepayment prior to maturity as more fully described under "DESCRIPTION OF THE SERIES 2018 CERTIFICATES - Prepayment Provisions" herein.

See "DESCRIPTION OF THE SERIES 2018 CERTIFICATES" herein for a more complete description of the Series 2018 Certificates.

### **Security and Sources of Payment for the Series 2018 Certificates**

The Series 2018 Certificates evidence assignments of proportionate undivided ownership interests in the Installment Payments (as defined herein) due on the Installment Payment Dates (as defined herein), commencing November 15, 2018 to be paid by the City pursuant to the Installment Sale Agreement (as defined herein). In addition to the Installment Payments, the City has agreed to make the Additional Payments (as defined herein). The initial term of the Installment Sale Agreement will commence as of February 1, 2018, and will expire at midnight on December 31, 2018. The term of the Installment Sale Agreement will automatically renew for each Renewal Term (as defined herein), subject to the right of the City to terminate the Installment Sale Agreement and to not appropriate the Aggregate Payment Amount for the next succeeding Renewal Term. The term of the Installment Sale Agreement will expire or terminate, as appropriate, as to the City as described in the Installment Sale Agreement upon the first to occur of any of the following events: (a) the expiration of any Renewal Term during which there occurs an Event of Nonappropriation (as defined herein), which is not thereafter waived by the Trustee as provided in the Installment Sale Agreement; (b) an Event of Default (as defined herein) and a termination of the term of the Installment Sale Agreement by the Trustee as provided in the Installment Sale Agreement; or (c) discharge of the Indenture as therein provided.

The Installment Sale Agreement provides that the City: (a) will annually request an appropriation for the amount necessary to pay the Installment Payments and the Additional Payments during the next succeeding Renewal Term, and (b) will take such further action (or cause the same to be taken) as may be necessary or desirable to assure the availability of moneys appropriated to pay such Installment Payments and Additional Payments, but solely from Legally Available Funds (as defined herein), for each such Renewal Term, including all such actions for such purpose as may be required. The Installment Sale Agreement further provides that if the City fails to pay any such Installment Payments, it must quit and vacate the Projects and its obligation to make any Installment Payments will thereupon terminate. No deficiency judgment may be rendered against the City in any action for breach of a contractual obligation under the Installment Sale Agreement, and the taxing power of the City or the State is not and may not be pledged directly or indirectly to secure the Installment Payments and the Additional Payments.

See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 CERTIFICATES" herein and "APPENDIX C - SUMMARIES OF THE PRINCIPAL

DOCUMENTS - THE AGREEMENT" attached hereto. For additional information related to the City and its financial condition generally, see "THE CITY" and "FISCAL OVERVIEW OF THE CITY" herein, and "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

GMA will convey the Projects to the City as part of the issuance of the Series 2018 Certificates and GMA is facilitating the financing of the Projects pursuant to the Installment Sale Agreement. Pursuant to the Installment Sale Agreement, the City is required to pay the Installment Payments in an amount equal to the total amounts to be paid on the Series 2018 Certificates on each Certificate Payment Date. In addition, the City is required to make the Additional Payments to pay certain other expenses in connection with the Projects and the operation thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 CERTIFICATES" herein, and "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS" attached hereto.

Title to the real property portion of the Projects shall remain vested in the City from and after the date of execution and delivery of the Installment Sale Agreement subject to the lien on and security interest in the Projects and the real property related thereto pursuant to that certain Deed to Secure Debt and Security Agreement, dated as of February 1, 2018 between GMA and the Trustee (the "Security Agreement"), which will be assigned to the Trustee as additional security for the Series 2018 Certificates; provided that title to any portion of the Projects which constitutes personalty to the extent required by the Multiyear Lease Statute, shall remain in the Trustor until the City shall have paid the purchase price related thereto.

Neither the Series 2018 Certificates nor the Distributions constitute an obligation of GMA. The Distributions payable with respect to the Series 2018 Certificates are limited obligations and are payable solely from the Trust Estate (as defined herein), which is comprised primarily of the Installment Payments. Neither the full faith and credit nor the taxing powers of the State, nor any political subdivision of the State, including the City, is pledged to the payment of the Distributions or other costs appertaining thereto. The Distributions do not now and will never constitute an indebtedness of the State or any political subdivision of the State, including the City, within the meaning of any State constitutional provision or limitation nor give rise to or be a general obligation or liability of nor a charge against the general credit or taxing powers of the State or any political subdivision of the State, including the City.

**THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT IS ANNUALLY RENEWABLE AND MUST BE DERIVED FROM LEGALLY AVAILABLE FUNDS AS PROVIDED THEREIN. THE ISSUANCE OF THE SERIES 2018 CERTIFICATES DOES NOT DIRECTLY OR CONTINGENTLY OBLIGATE THE CITY TO MAKE ANY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS BEYOND THOSE APPROPRIATED FOR THE CITY'S THEN CURRENT CALENDAR YEAR. THE SERIES 2018 CERTIFICATES DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL OR**

**STATUTORY DEBT LIMITATION OR RESTRICTION. THE SERIES 2018 CERTIFICATES DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF GMA. NEITHER THE CITY'S OFFICERS AND AGENTS, NOR ANY PERSONS EXECUTING THE SERIES 2018 CERTIFICATES, WILL BE LIABLE PERSONALLY ON THE SERIES 2018 CERTIFICATES OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF.**

### **Continuing Disclosure**

GMA has determined that no financial or operating data concerning GMA is material to any decision to purchase, hold, or sell the Series 2018 Certificates, and GMA will not provide any such information. In order to assist the Underwriters (as defined herein) in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC") promulgated pursuant to the Securities Exchange Act of 1934, as in effect on the date hereof (the "Rule"), simultaneously with the issuance of the Series 2018 Certificates, the City, as an "obligated person" under the Rule, will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement") with Digital Assurance Certification, L.L.C. ("DAC"), as initial dissemination agent, under which the City will undertake to provide continuing disclosure for the benefit of the holders of the Series 2018 Certificates with respect to the Series 2018 Certificates. See "CONTINUING DISCLOSURE" herein and "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

### **Other Information**

This Official Statement speaks only as of its date and the information contained herein is subject to change. This Official Statement and the appendices attached hereto contain brief descriptions of, among other matters, GMA, the City, the Series 2018 Certificates, and the security and sources of payment for the Series 2018 Certificates, the Indenture, the Installment Sale Agreement, and the Disclosure Agreement. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Indenture, the Installment Sale Agreement, the Disclosure Agreement, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2018 Certificates are qualified in their entirety to the form thereof included in the Indenture. Copies of the Indenture, the Installment Sale Agreement, the Disclosure Agreement, and other relevant documents and information are available, upon written request and payment of a charge for copying, mailing and handling, from the City's Chief Financial Officer, Department of Finance, 68 Mitchell Street, S.W., Suite 11100, South Tower, Atlanta, Georgia 30303, telephone (404) 330-6430.

## PLAN OF FINANCE

The Series 2018 Certificates are being issued for the purpose of: (a) acquiring various public safety projects in the City, including: (i) computer automated dispatch equipment for use in its Emergency E-911 Communications Center, (ii) real property improvements for use as a Zone 3 police precinct, (iii) real property renovations and improvements at the City of Atlanta Detention Center, including roof repairs and elevator installations, (iv) real property and improvements for use as the Ben Hill Fire Station, (v) real property renovations and improvements to the City's Public Safety Annex parking lot, and (vi) real property renovations and improvements to the City's municipal court facility, including common areas and offices, as more particularly described in the Installment Sales Agreement (such real property, as applicable, are collectively referred to herein as the "Sites" and the facilities and/or equipment to be constructed and/or installed thereon which are collectively herein referred to as the "Facilities" and, together with Sites, the "Projects"); and (b) paying certain costs of issuance related to the Series 2018 Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The City expects that a portion of the Sites will be conveyed to the City after the issuance of the Series 2018 Certificates. The Indenture requires that prior to the disbursement from the Acquisition Fund for any costs of construction upon such portion of the Sites, the Trustee must receive a recorded copy of the deed conveying such property to the City and an amendment to the Security Agreement subjecting such property to the security for the repayment of Series 2018 Certificates. Prior to such conveyance, the Series 2018 Certificates will be secured by amounts held in the Acquisition Fund for such portion of the Sites.

## ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2018 Certificates are expected to be applied as follows:

### Sources of Funds:

Par Amount of the Series 2018 Certificates.....	\$43,335,000.00
Premium.....	<u>6,274,442.35</u>
Total Sources of Funds .....	<u>\$49,609,442.35</u>

### Uses of Funds:

Deposit to Delivery Costs Fund <sup>(1)</sup> .....	\$ 636,692.35
Deposit to the Project Fund.....	45,500,000.00
Deposit to the Reserve Fund .....	<u>3,472,750.00</u>
Total Uses of Funds .....	<u>\$46,609,442.35</u>

<sup>(1)</sup> Includes Underwriters' discount, legal and accounting fees, Co-Financial Advisors' and other consultant fees, initial registrar and paying agent fees, rating agency fees, printing costs, and other miscellaneous fees and costs.



## **GEORGIA MUNICIPAL ASSOCIATION, INC.**

GMA is a non-profit corporation, organized and existing under the laws of the State, particularly the Georgia Nonprofit Corporation Code, O.C.G.A. § 14-3-101, et seq. GMA was organized for the purpose of promoting and assisting municipalities in the State. GMA may exercise all power not prohibited to non-profit corporations by the laws of the State and may engage in any activity related to or necessary and convenient to the carrying out of its purposes, including the acquisition and construction of buildings, facilities and equipment for use by municipalities in the State. GMA is governed by a Board of Directors of variable size. The actual number of directors fluctuates each year depending on how many former GMA Presidents hold municipal elected office and how many members hold overlapping offices within GMA. Typically, the Board of Directors is comprised of 62-65 directors in any given year.

GMA will enter into the Installment Sale Agreement and the Indenture solely for the purpose of facilitating the financing of the Projects. GMA is not liable for payment of the Installment Payments or Additional Payments under the Installment Sale Agreement, and the owners of Series 2018 Certificates will have no right to look to GMA for payment of the Installment Payments, the Additional Payments or Distributions. The obligations of GMA with respect to the Series 2018 Certificates and the Projects will be limited to those specifically provided for in the Installment Sale Agreement and the Indenture as described herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 CERTIFICATES" herein, and "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS" attached hereto. GMA will have no responsibility as to the use of the proceeds from the sale of the Series 2018 Certificates or the sufficiency of funds for repayments of the Series 2018 Certificates.

## **THE CITY**

### **General**

Under the Charter of the City of Atlanta of 1996, as amended (the "Charter"), all legislative powers of the City are vested in the City Council and all executive and administrative powers of the City are vested in the Mayor.

The City Council consists of 15 members who serve four year terms of office. The City is divided into 12 City Council districts. Twelve members of the City Council are elected by district, and three members of the City Council are elected at large. The three at large members of the City Council are required to reside, respectively, in District No. 1, 2, 3 or 4; District No. 5, 6, 7 or 8; and District No. 9, 10, 11 or 12.

The Charter establishes the office of the President of the City Council. The President of the City Council is elected from the City at large for a term of four years. The President of the City Council presides at meetings, but is not a member of the City Council, and votes only in the case of a tie vote of the City Council. Under the Charter, the President of the City Council exercises all powers and discharges all duties of the Mayor in the case of a vacancy in the Office of the Mayor or during the disability of the Mayor. Under the Charter, the Mayor is elected from the City at large for a term of four years. The Charter does not allow any Mayor who has been

elected for two consecutive terms to be eligible to be elected for the next succeeding term. The Mayor is the chief executive officer of the City and has the power to direct and supervise the administration of all departments of the City. The Charter grants the Mayor the power to veto any ordinance or resolution adopted by the City Council, which veto may be overridden only upon the vote of two thirds of the total membership of the City Council. The Charter also grants the Mayor the power to veto any item or items of any ordinance or resolution making appropriations, which veto may be overridden only upon the vote of two thirds of the total membership of the City Council. The current fiscal year of the City is the 12-month period beginning July 1 and ending on June 30 (the "Fiscal Year").

For additional information related to the City and its financial condition generally, see "FISCAL OVERVIEW OF THE CITY" herein, and "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

## **DESCRIPTION OF THE SERIES 2018 CERTIFICATES**

### **General**

The Series 2018 Certificates will be dated the date of issuance and delivery thereof. The portion of the Distributions representing the principal component of each Series 2018 Certificate will bear interest from June 1 and December 1 of each year, commencing on December 1, 2018, next preceding the date of registration and authentication thereof, unless such Series 2018 Certificate is registered as of a Certificate Payment Date, in which event the portion of the Distributions representing the principal component thereof will bear interest from the date thereof, or unless such Series 2018 Certificate is registered prior to the first Certificate Payment Date, in which event the portion of the Distributions representing the principal component thereof will bear interest from the dated date of the Series 2018 Certificate, or unless, as shown by the records of the Trustee, the portion of the Distributions representing the interest component thereon is in default, in which event the portion of the Distributions representing the principal component thereof will bear interest from the date to which such interest component has been paid in full, or unless no portion of the Distributions representing the interest component has been paid, in which event the portion of the Distributions representing the principal component thereof will bear interest from the dated date of the Series 2018 Certificate; provided, however, that if the date of the registration and authentication is after a Record Date and prior to the next succeeding Certificate Payment Date, then the portion of the Distributions representing the principal component thereof will bear interest from the next succeeding Certificate Payment Date. The portion of the Distributions representing the interest component on the Series 2018 Certificates will be payable on each Certificate Payment Date and will be calculated on the basis of a year of 360 days consisting of twelve 30-day months. The portion of the Distributions representing the principal component of the Series 2018 Certificates is payable on December 1 of each year. The Series 2018 Certificates will bear interest at the rates and will be payable as to principal in the amounts and on the dates set forth on the inside cover of this Official Statement.

The portion of the Distributions representing the principal of and premium, if any, on the Series 2018 Certificates will be payable at the principal corporate trust office of the Trustee in Atlanta, Georgia, upon presentation and surrender thereof. The portion of the Distributions representing the interest on the Series 2018 Certificates will be paid to the person who is the registered owner thereof as of the close of business on the Record Date notwithstanding any transfer after such Record Date and prior to the Certificate Payment Date and will be paid by check or draft drawn on the Trustee or its successor and mailed to the registered owner thereof at the address on the Register or at such other address as is furnished to the Trustee in writing by such registered owner; provided, however, if the owner of the Series 2018 Certificates in an aggregate principal amount of at least \$1,000,000 will provide wire transfer instructions to the Trustee prior to any Record Date, then the interest on such Series 2018 Certificates will be paid by wire transfer on the Certificate Payment Date succeeding such Record Date in accordance with such instructions.

The Series 2018 Certificates are initially being issued as fully registered certificates, without coupons, in denominations of \$5,000 or any integral multiple thereof and initially will be registered in the name of Cede & Co., as nominee of DTC. Purchases of beneficial ownership interests in the Series 2018 Certificates will be made in book-entry form only and purchasers will not receive physical delivery of certificates representing the beneficial ownership interests in the Series 2018 Certificates so purchased. The portion of the Distributions representing payments of principal of, premium, if any, and interest on, any Series 2018 Certificate will be made to Cede & Co., as nominee for DTC and registered owner of the Series 2018 Certificates, by U.S. Bank National Association, as registrar and paying agent, to be subsequently disbursed to the Beneficial Owners. See "BOOK-ENTRY ONLY SYSTEM" herein.

## **Prepayment Provisions**

*Optional Prepayment.* The Series 2018 Certificates maturing on or before December 1, 2027 are not subject to prepayment prior to their maturity. The Series 2018 Certificates maturing on and after December 1, 2028, are subject to prepayment prior to their maturity, in whole or in part, at any time on or after December 1, 2027. Prepayment will be made by payment of 100% of the principal amount of such Series 2018 Certificates being prepaid, plus accrued interest thereon to (but not including) the prepayment date.

*Mandatory Prepayment in the Event of Damage, Destruction, Condemnation.* The Series 2018 Certificates are subject to mandatory prepayment in whole or in part from time to time ratably among each Series of Certificates, on such date as the Trustee will determine as provided in the Indenture, at the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium, in the event that (a) the Projects or any portion thereof is damaged or destroyed, in whole or in part, or taken in a condemnation proceeding, or certain events occur with respect to the Projects or any portion thereof as described in the Installment Sale Agreement or any additional agreement, and (b) the Net Proceeds of any insurance policy (reduced by the amount withheld by reason of any deductible clause), performance bond or condemnation award, or the Net Proceeds received as a consequence of defaults under any Construction Contract, made available by reason of one or more such occurrences, will be insufficient to pay in full the cost of rebuilding or repairing the Projects or

any portion thereof, and (c) the City elects to apply such Net Proceeds to the prepayment of the then outstanding Series 2018 Certificates in accordance with the Installment Sale Agreement and any additional agreement. If called for prepayment pursuant to the Indenture, the Series 2018 Certificates will be subject to prepayment on the next date for which timely notice of prepayment may be given by the Trustee pursuant to the Indenture.

***Mandatory Prepayment After an Event of Default or Event of Nonappropriation.*** In addition to mandatory prepayment pursuant to the Indenture, the Series 2018 Certificates are subject to mandatory prepayment in whole or in part from time to time, on any date as the Trustee will determine as hereinafter provided, at the principal amount to be prepaid, together with accrued interest to the date fixed for prepayment, but without premium, from the Net Proceeds of a sale or reletting of the Projects or any portion thereof upon the occurrence of any Event of Nonappropriation or an Event of Default, but only upon the prior written direction of the Credit Enhancer (if any). Upon the termination of the term of the Installment Sale Agreement as to the City by reason of the occurrence of an Event of Nonappropriation or an Event of Default, the Trustee will commence proceedings to relet or sell the Projects or any portion thereof as provided in the Installment Sale Agreement and the Indenture. If called for prepayment pursuant to the Indenture, the Series 2018 Certificates will be subject to prepayment on the next date for which timely notice of prepayment may be given by the Trustee pursuant to the Indenture; provided, however, that nothing in the Indenture will be construed to terminate the obligations of the Trustee with respect to the holders of the Series 2018 Certificates and the receipt and disbursement of funds, which will continue until the lien of the Indenture is discharged as provided therein and nothing contained therein will obligate the Trustee to expend its own funds in protecting the interests of the Series 2018 Certificate holders.

### **Partial Prepayment of Series 2018 Certificates**

With respect to any partial prepayment of Distributions on the Series 2018 Certificates, the amount of each Series of Certificates to be prepaid and the maturities of the Certificates within each Series of Certificates to be prepaid will be as directed by the Trustee at the instruction of the City. If less than all the Series 2018 Certificates of a maturity of a Series of Certificates are to be redeemed, the Series 2018 Certificates to be redeemed will be selected by lot by the Trustee. In the case of a partial prepayment of Distributions on the Series 2018 Certificates when Series 2018 Certificates of denominations greater than \$5,000 are then outstanding, then for all purposes in connection with such partial prepayment, each \$5,000 of face value will be treated as though it were a separate Series 2018 Certificate of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any fully registered Series 2018 Certificate is to be called for prepayment, then upon notice of intention to prepay such \$5,000 unit or units (given by the Trustee), the owner of such fully registered Series 2018 Certificate will forthwith surrender such Certificate to the Trustee (a) for payment of the prepayment price (including the premium, if any, and interest to the date fixed for prepayment) of the \$5,000 unit or units of face value called for prepayment and (b) for exchange, without charge to the owner thereof, for a new Series 2018 Certificate or Series 2018 Certificates of the aggregate principal amount of the unpaid balance of the principal amount of the Distributions on such Series 2018 Certificate. If the owner of any such Series 2018 Certificate of a denomination greater than \$5,000 will fail to present such

Series 2018 Certificate to the Trustee for payment and exchange as aforesaid, the Distributions to be prepaid on such Series 2018 Certificate will, nevertheless, become due and payable on the prepayment date to the extent of the \$5,000 unit or units of face value called for prepayment (and to that extent only); interest will cease to accrue on the portion of the principal amount of the Distributions on such Series 2018 Certificate represented by such \$5,000 unit or units of face value on and after the prepayment date and (provided that funds sufficient for the payment of the prepayment price having been deposited with the Trustee, and being available for the prepayment of said unit or units on the prepayment date) such Series 2018 Certificate will not be entitled to the benefit or security of the Indenture to the extent of the portion of its principal amount (and accrued interest thereon) represented by such \$5,000 unit or units of face value nor will new Series 2018 Certificates be thereafter issued corresponding to said unit or units. Series 2018 Certificates will be prepaid only in the principal amount of \$5,000 each or any integral multiple thereof.

### **Notice of Prepayment; Deposit of Moneys; Written Designation**

Notice of the call for any prepayment, identifying the Series of Certificates (or the portions thereof) to be prepaid and specifying the terms of such prepayment, will be given by the Trustee (upon being satisfactorily indemnified as to expenses) by mailing a copy of the prepayment notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for prepayment to the registered owner of each Series of Certificate to be prepaid in whole or in part at the address shown on the Register; provided, however, that failure to give such notice by mailing, or any defect therein, will not affect the validity of the proceedings for the prepayment of any Certificate (inclusive of any Series 2018 Certificate) or portion thereof with respect to which no such failure has occurred. Any notice mailed as provided in the Indenture will be conclusively presumed to have been duly given, whether or not the registered owner receives the notice.

If at the time of mailing of notice of prepayment there will not have been deposited with the Trustee moneys sufficient to prepay all the Certificates (inclusive of the Series 2018 Certificates) called for prepayment, which moneys are or will be available for prepayment of Certificates (inclusive of the Series 2018 Certificates), such notice will state that it is conditional upon the deposit of the prepayment moneys with the Trustee not later than the opening of business on the prepayment date, and such notice will be of no effect unless such moneys are so deposited.

On or prior to the date fixed for any prepayment of any Series of Certificates, the moneys required for such prepayment will be deposited with the Trustee by the City in accordance with the Installment Sale Agreement. All such Series of Certificates (inclusive of the Series 2018 Certificates) called for prepayment will cease to bear interest after the specified prepayment date, provided that sufficient funds for prepayment are on deposit with the Trustee.

In the event that the principal component of the Distributions on all outstanding Certificates is to be prepaid, the Trustee will, without further authorization, deposit into the Redemption Fund all amounts then remaining in the Acquisition Fund, the Insurance Fund and

the Reserve Fund, with advice to the City of such action, such deposit to be made on the date fixed for prepayment.

### **Transfer and Exchange of Series 2018 Certificates**

The Series 2018 Certificates are transferable by the registered owner thereof in person or by his attorney duly authorized in writing on the Register maintained by the Trustee upon surrender of the Series 2018 Certificates together with a duly executed written instrument of transfer satisfactory to the Trustee; provided, however, that the Trustee will not be required to transfer or exchange any Series 2018 Certificate (a) after an Event of Nonappropriation and a termination of the Installment Sale Agreement as to the City, unless the Trustee will have received an opinion of counsel satisfactory to it to the effect that such transfer or exchange complies with any applicable requirements of the Securities Act of 1933, as amended, (b) for the period from the Record Date for a Certificate Payment Date to such Certificate Payment Date or (c) for the period after mailing of notice calling such Series 2018 Certificate for prepayment has been given or during the 15 days next preceding the giving of such notice or prepayment. Upon such transfer, a new Series 2018 Certificate or Series 2018 Certificates in the same aggregate principal amount will be issued to the transferee in exchange therefor, all subject to the terms and conditions set forth in the Indenture.

### **BOOK-ENTRY ONLY SYSTEM**

*The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and neither GMA, the City nor the Underwriters make any representation or warranty or take any responsibility for the accuracy or completeness of such information.*

DTC will act as securities depository for the Series 2018 Certificates. The Series 2018 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2018 Certificate will be issued for each maturity of the Series 2018 Certificates as set forth on the inside front cover of this Official Statement, each in the aggregate principal amount of such maturity and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust

companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants" and, together with the Direct Participants, the "Participants"). The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2018 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2018 Certificate ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Certificates are to be accomplished by entries made on the books of the Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2018 Certificates, except in the event that use of the book-entry system for the Series 2018 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2018 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2018 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018 Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2018 Certificates may wish to ascertain that the nominee holding the Series 2018 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Series 2018 Certificates within a series or maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018 Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to GMA as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2018 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2018 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from GMA or the Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or GMA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Series 2018 Certificates, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of GMA and/or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018 Certificates at any time by giving reasonable notice to GMA or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Series 2018 Certificates are required to be printed and delivered.

So long as there is a Securities Depository for the Series 2018 Certificates (a) it or its nominee will be the registered owner of the Series 2018 Certificates, (b) notwithstanding anything to the contrary in the Indenture, determinations of persons entitled to payment of principal, premium, if any, and interest, transfers of ownership and exchanges and receipt of notices will be the responsibility of the Securities Depository and will be effected pursuant to rules and procedures established by such Securities Depository, (c) GMA and the Trustee will not be responsible or liable for maintaining, supervising or reviewing the records maintained by the Securities Depository, its participants or persons acting through such participants, (d) references in the Indenture to registered owners of the Series 2018 Certificates will mean such Securities Depository or its nominee and will not mean the Beneficial Owners and (e) in the event of any inconsistency between the provisions of the Indenture and the provisions of the Letter of Representations such provisions of the Letter of Representations, except to the extent set forth in the Indenture, will control.



## PRINCIPAL AND INTEREST REQUIREMENTS

The following table presents the estimated principal and interest payment requirements with respect to the Series 2018 Certificates.

Fiscal Year	Series 2018 Certificates		
	Principal	Interest	Total
2019	\$ 755,000	\$ 2,714,370	\$ 3,469,370
2020	1,385,000	2,087,450	3,472,450
2021	1,445,000	2,023,625	3,468,625
2022	1,520,000	1,949,500	3,469,500
2023	1,600,000	1,871,500	3,471,500
2024	1,680,000	1,789,500	3,469,500
2025	1,765,000	1,703,375	3,468,375
2026	1,860,000	1,612,750	3,472,750
2027	1,955,000	1,517,375	3,472,375
2028	2,055,000	1,417,125	3,472,125
2029	2,160,000	1,311,750	3,471,750
2030	2,270,000	1,201,000	3,471,000
2031	2,385,000	1,084,625	3,469,625
2032	2,510,000	962,250	3,472,250
2033	2,635,000	833,625	3,468,625
2034	2,770,000	698,500	3,468,500
2035	2,915,000	556,375	3,471,375
2036	3,065,000	406,875	3,471,875
2037	3,220,000	249,750	3,469,750
2038	3,385,000	84,625	3,469,625
	<u>\$43,335,000</u>	<u>\$26,075,945</u>	<u>\$69,410,945</u>

Source: Hilltop Securities Inc.

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## **SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 CERTIFICATES**

### **General**

The amounts payable on the Series 2018 Certificates on each Certificate Payment Date representing the principal and interest components of the Installment Payments, to be made by the City pursuant to the Installment Sale Agreement on each corresponding Installment Payment Date and premium, if any, on the Series 2018 Certificates (the "Distributions") are limited obligations and are payable solely from the Trust Estate, which is comprised primarily of the Installment Payments. GMA, for the benefit of the holders of the Series 2018 Certificates, will: (a) absolutely, unconditionally and irrevocably assign the Installment Payments without recourse (such assignment will be absolute and is not given as an assignment for the performance of obligations under the Indenture or under the Installment Sale Agreement or the Security Agreement), and (b) grant, bargain, sell, transfer, convey, mortgage, assign, pledge and hypothecate unto the Trustee, its successors in trust and assigns, forever, and grants to the Trustee, its successors in trust and assigns, forever, a security interest in, all and singular the following described properties, rights, interests and privileges (collectively, the "Trust Estate"): (i) all right, title, interest, claims and demands of GMA in and to the Installment Sale Agreement (except for its right to certain fees and expense reimbursements provided for in the Installment Sale Agreement, and indemnification as provided in the Installment Sale Agreement), and (ii) any and all other moneys and obligations which at such time are deposited or are required to be deposited with, or are held or are required to be held by or on behalf of, the Trustee in trust under any of the provisions of the Indenture, including without limitation moneys required to be deposited with the Trustee as Additional Payments pursuant to the Installment Sale Agreement, and any other right, title, and interest which at such time is subject to the lien of the Indenture.

### **Installment Sale Agreement**

The Series 2018 Certificates evidence assignments of proportionate undivided ownership interests in certain semiannual installment payments (the "Installment Payments") due May 15 and November 15 of each year (each an "Installment Payment Date"), commencing November 15, 2018 to be paid by the City pursuant to that certain Installment Sale Agreement, dated as of February 1, 2018 (the "Installment Sale Agreement"), between GMA and the City. In addition to the Installment Payments, the City has agreed to make certain other payments sufficient to pay certain amounts required under the Installment Sale Agreement (the "Additional Payments"). The initial term of the Installment Sale Agreement will commence as of February 1, 2018, and will expire at midnight on December 31, 2018. The term of the Installment Sale Agreement will automatically renew for additional and consecutive one-year renewal terms ending on December 31 of each successive year thereafter to and including the day following the last Certificate Payment Date (each a "Renewal Term"), subject to the right of the City to terminate the Installment Sale Agreement and to not appropriate the Aggregate Payment Amount for the next succeeding Renewal Term. The term of the Installment Sale Agreement will expire or terminate, as appropriate, as to the City as described in the Installment Sale Agreement upon the first to occur of any of the following events: (a) the expiration of any Renewal Term during which there occurs an Event of Nonappropriation (as defined herein), which is not thereafter waived by the Trustee as provided in the Installment Sale Agreement; (b) an Event of Default

and a termination of the term of the Installment Sale Agreement by the Trustee as provided in the Installment Sale Agreement; or (c) discharge of the Indenture as therein provided. An "Event of Nonappropriation" will be deemed to have occurred in the event that: (a) sufficient funds are not appropriated by the City Council pursuant to the Installment Sale Agreement (or a written notice to that effect has been given to the Trustee pursuant to the Installment Sale Agreement) for the payment of the Installment Payments and reasonably estimated Additional Payments payable during such Renewal Term, or are otherwise not available for such purpose or (b) the Trustee receives written notice from the City pursuant to the Installment Sale Agreement that the City has declared an Event of Nonappropriation and is terminating the Installment Sale Agreement.

Any of the following shall be an "Event of Default" under the Installment Sale Agreement: (a) failure by the City to pay any Installment Payments required to be paid under the Installment Sale Agreement within five days after the times specified therein as the respective due dates therefor; or (b) failure by the City to pay any Additional Payments during the term of the Installment Sale Agreement for a period of 30 days after written notice specifying such failure and requesting that it be remedied shall be received by the City from the Trustee; or (c) failure by the City to vacate the Projects by the expiration of the Initial Term or Renewal Term during which an Event of Nonappropriation occurs; or (d) failure by the City to observe and perform any covenant, condition, or agreement under the Installment Sale Agreement on its part to be observed or performed, other than as provided in the Installment Sale Agreement, for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the City by the Trustee, unless the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold, condition or delay its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected. Notwithstanding the foregoing, a breach of covenant relating to continuing disclosure shall not constitute an Event of Default; or (e) the City shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within 30 days after the institution thereof; or (f) a receiver or liquidator of the City or of any substantial portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within 30 days after the entry thereof.

The Installment Sale Agreement provides that the City: (a) will annually request an appropriation for the amount necessary to pay the Installment Payments and the reasonably estimated Additional Payments for the Projects during the next succeeding Renewal Term, and (b) will take such further action (or cause the same to be taken) as may be necessary or desirable to assure the availability of moneys appropriated to pay such Installment Payments and Additional Payments which have been annually appropriated by the City from its general fund and other lawful sources and for which (at the time a determination is to be made as to the availability of the funds) the appropriation remains in full force and effect and such funds may be legally expended for the purposes appropriated (the "Legally Available Funds"), for each such Renewal Term, including all such actions for such purpose as may be required. The Installment Sale Agreement further provides that if the City fails to pay any such Installment Payments, it must quit and vacate the Projects and its obligation to make any Installment Payments will

thereupon terminate. No deficiency judgment may be rendered against the City in any action for breach of a contractual obligation under the Installment Sale Agreement, and the taxing power of the City or the State is not and may not be pledged directly or indirectly to secure the Installment Payments and the Additional Payments.

See "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS - THE AGREEMENT" attached hereto. For additional information related to the City and its financial condition generally, see "THE CITY" and "FISCAL OVERVIEW OF THE CITY" herein, and "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

GMA will convey the Projects to the City as part of the issuance of the Series 2018 Certificates and GMA is facilitating the financing of the Projects by the City pursuant to the Installment Sale Agreement. Pursuant to the Installment Sale Agreement, the City is required to pay the Installment Payments in an amount equal to the total amounts payable pursuant to the Series 2018 Certificates on each Certificate Payment Date representing the principal and interest components of the Installment Payments and premium, if any, on the Series 2018 Certificates to be paid on the Series 2018 Certificates under the Indenture. In addition, the City is required to make the Additional Payments to pay certain other expenses in connection with the Projects and the operation thereof. See "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS" attached hereto.

Title to the real property portion of the Projects shall remain vested in the City from and after the date of execution and delivery of the Installment Sale Agreement subject to the lien on and security interest in the Projects pursuant to the Security Agreement, which will be assigned to the Trustee as additional security for the Series 2018 Certificates; provided that title to any portion of the Projects which constitutes personalty to the extent required by the Multiyear Lease Statute, shall remain in the Trustor until the City shall have paid the purchase price related thereto.

The City expects that a portion of the Sites will be conveyed to the City after the issuance of the Series 2018 Certificates. The Indenture requires that prior to the disbursement from the Acquisition Fund for any costs of construction upon such portion of the Sites, the Trustee must receive a recorded copy of the deed conveying such property to the City and an amendment to the Security Agreement subjecting such property to the security for the repayment of Series 2018 Certificates. Prior to such conveyance, the Series 2018 Certificates will be secured by amounts held in the Acquisition Fund for such portion of the Sites.

### **Limited Obligations**

Neither the Series 2018 Certificates nor the Distributions constitute an obligation of GMA. The Distributions payable with respect to the Series 2018 Certificates are limited obligations and are payable solely from the Trust Estate, which is comprised primarily of the Installment Payments. Neither the full faith and credit nor the taxing powers of the State, nor any political subdivision of the State, including the City, is pledged to the payment of the Distributions or other costs appertaining thereto. The Distributions do not now and will never

constitute an indebtedness of the State or any political subdivision of the State, including the City, within the meaning of any State constitutional provision or limitation nor give rise to or be a general obligation or liability of nor a charge against the general credit or taxing powers of the State or any political subdivision of the State, including the City.

**THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS AND ADDITIONAL PAYMENTS UNDER THE INSTALLMENT SALE AGREEMENT IS ANNUALLY RENEWABLE AND MUST BE DERIVED FROM LEGALLY AVAILABLE FUNDS AS PROVIDED THEREIN. THE ISSUANCE OF THE SERIES 2018 CERTIFICATES DOES NOT DIRECTLY OR CONTINGENTLY OBLIGATE THE CITY TO MAKE ANY INSTALLMENT PAYMENTS OR ADDITIONAL PAYMENTS BEYOND THOSE APPROPRIATED FOR THE CITY'S THEN CURRENT CALENDAR YEAR. THE SERIES 2018 CERTIFICATES DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE SERIES 2018 CERTIFICATES DO NOT CONSTITUTE AN INDEBTEDNESS OR OBLIGATION OF GMA. NEITHER THE CITY'S OFFICERS AND AGENTS, NOR ANY PERSONS EXECUTING THE SERIES 2018 CERTIFICATES, WILL BE LIABLE PERSONALLY ON THE SERIES 2018 CERTIFICATES OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF.**

#### **Remedies for an Event of Default or Event of Nonappropriation**

Upon the occurrence and continuance of any Event of Default or Event of Nonappropriation, the Trustee may, or at the written request of the owners of not less than a majority in aggregate principal amounts of the Series 2018 Certificates shall give immediate notice to the City to vacate the Projects in accordance with the Installment Sale Agreement immediately and shall without any further demand or notice: (a) terminate the Installment Sale Agreement and the City's possessory rights hereunder, reenter the Projects and eject all parties in possession thereto therefrom, and use its best efforts to relet or sell the Projects or any portion thereof subject to the Trustee's giving preference to those lessees or buyers whose use or ownership would preserve the exemption from federal income taxation of the interest on the interest component of the Installment Payments so long as such preferred reletting or sale is under the best terms and conditions for Series 2018 Certificate holders or (b) to take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Projects.

#### **Reserve Fund**

The Indenture establishes a City of Atlanta Series 2018 Reserve Fund (the "Reserve Fund"). The moneys held in the Reserve Fund shall be transferred into the Certificate Payment Fund on any Certificate Payment Date to the extent necessary to have on deposit therein the full amount of the Distributions payable on such date. The Trustee shall promptly advise the City in writing of any transfer of funds made pursuant to the immediately preceding sentence and the amount thereof. Notwithstanding anything in the Indenture to the contrary, no amount held in the Reserve Fund shall be available or used to fund a deficiency (or for any other purpose) in any fund or account other than the Certificate Payment Fund, except as otherwise expressly provided

in the Indenture. Moneys and securities in the Reserve Fund shall be used in their entirety before the Trustee makes a claim under any surety bond or letter of credit or similar financial instrument and all amounts available to be drawn under any such surety bond or letter of credit shall be used before the Trustee makes a claim under any insurance policy; provided that if the Trustee determines that there shall be insufficient moneys in the Reserve Fund to make up any shortfall in the Certificate Payment Fund, then the Trustee shall, at least five days prior to the Certificate Payment Date, make a claim under any surety bond in accordance with the terms thereof in the amount of such shortfall; provided, further, that if any letter of credit is then in place, the Trustee shall draw pro rata on any surety bond and any such letter of credit (calculated by reference to the coverage then available thereunder).

Any balance remaining in the Reserve Fund on the Certificate Payment Date on which the final Distribution is to be paid shall be transferred into the Certificate Payment Fund. If, but only so long as, the amounts available in the Certificate Payment Fund and Reserve Fund are equal at any time to the amount of the Distributions to be payable under the Indenture, together with all other amounts payable pursuant to the Indenture, the Trustee shall transfer all such amounts then held in such Reserve Fund into the Certificate Payment Fund, and the City shall be deemed to have paid the Distributions under the Indenture.

Upon receipt by the Trustee of any late Installment Payments for which moneys had theretofore been withdrawn from the Reserve Fund and deposited into the Certificate Payment Fund as provided in the Indenture, the Trustee shall apply such late Installment Payments first to the payment of any surety bond costs due (and to the reimbursement of amounts with respect to any letter of credit, if any, on a pro rata basis), and second to the replenishment of the Reserve Fund by depositing a portion or all of such Installment Payments into the Reserve Fund in an amount equal to the amount so withdrawn therefrom.

### **Parity of Certificates**

Each Series of Certificates, including the Series 2018 Certificates, issued pursuant to the Indenture or a Supplemental Indenture will be equally and ratably secured under the Indenture, without preference, priority or distinction, provided, however, that any Series of Certificates may have other security pledged to its payment. In connection with the issuance of each Series of Certificates, the Trustee may create additional accounts and subaccounts within any Fund or Account established by the Indenture. Nothing herein will be construed, however, as (a) requiring that any Certificates bear interest at the same rate or in the same manner as any other Certificates, have the same, or an earlier or later, maturity, or be subject to optional or extraordinary redemption prior to maturity on the same basis as any other Certificates, (b) prohibiting GMA from entering into financial arrangements designed to assure that moneys will be available for the payment of certain Certificates at their maturity or (c) prohibiting GMA from pledging moneys or assets of GMA other than those pledged under the Indenture for the benefit of certain Certificates.

### **Insurance on the Projects**

The City will agree in the Installment Sale Agreement to carry policies of insurance, including, but not limited to, "All Risk" property insurance covering the Facilities, against loss or

damage due to insured casualty risks covered by insurance generally available on commercially reasonable terms including business interruption, extra expense coverage and terrorism, in an amount equal to the replacement value for the facility and all equipment, furniture, fixtures, machinery and/or personal property, with appropriate sub-limits. Such insurance shall be maintained in an amount not less than the full aggregate principal amount of Series 2018 Certificates outstanding, subject to deductible conditions not to exceed \$150,000 for any loss. The Installment Sale Agreement also requires the City to obtain, among other types of insurance, commercial general liability insurance and umbrella/excess liability insurance for bodily injury and property damage in the amounts and of the types set forth in such Installment Sale Agreement. The City may insure the Projects to the same extent under a blanket insurance policy or policies which cover not only the Projects, but other properties. All policies of insurance must list GMA and the Trustee as additional insureds, and must be with an insurance company authorized to do business in the State of Georgia with an A.M. Best rating of "A" or better. The City is required to provide the Trustee with a duly issued and authorized certificate or certificates of insurance evidencing the insurance coverage required to be obtained and maintained by the City under the Installment Sale Agreement. See "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS - THE AGREEMENT - Insurance" attached hereto for a summary of the coverage amounts, conditions and other terms relating to the policies of insurance which the City is required to maintain in respect of the Projects.

If, during the term of the Installment Sale Agreement, (a) the Projects will be destroyed, in whole or in part, or damaged by fire or other casualty or event; or (b) title to, or the temporary or permanent use of, the Projects or any portion thereof or the estate of the City, GMA, or the Trustee in the Projects or any portion thereof will be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; or (c) a material defect in construction of the Projects will become apparent; or (d) title to or the use of all or any portion of the Projects will be lost by reason of a defect in title; then, subject to the Installment Sale Agreement, the City will continue to pay Installment Payments and Additional Payments and to take such action as it will deem necessary or appropriate to repair and replace the Projects.

In accordance with the Indenture, the Trustee will cause the Net Proceeds of any insurance policies received by the Trustee, performance bonds or condemnation awards with respect to the Projects, or Net Proceeds received by the Trustee as a consequence of defaults under Construction Contracts for the Facilities, to be deposited into the Insurance Fund to be applied as provided in the Installment Sale Agreement and the Indenture, and, so long as no Event of Default or Event of Nonappropriation exists, all Net Proceeds so deposited will be applied to the prompt repair, restoration, modification, improvement or replacement of the Projects by the City, except as otherwise provided in the Installment Sale Agreement. The balance of any Net Proceeds remaining after the repair, restoration, modification, improvement or replacement has been completed are to be deposited into the Acquisition Fund, if received prior to the Completion Date and, if received thereafter, are to be deposited into the Certificate Payment Fund.

If an Event of Default or an Event of Nonappropriation exists, the Trustee will direct in writing the application of the Net Proceeds.

If in the judgment of the City such Net Proceeds will be insufficient to pay in full the cost of any such repair, restoration, modification, improvement or replacement, the City will, within 90 days after the occurrence of the event giving rise to such Net Proceeds, either:

(a) With the consent of the Trustee, which consent will not be unreasonably withheld, commence and thereafter complete the work and pay any cost in excess of the Net Proceeds, in which case the City agrees that it will not be entitled to any reimbursement therefor from the Trustee or the holders of the Series 2018 Certificates, nor will it be entitled to any diminution of the Installment Payments or Additional Payments; or

(b) Discharge its obligation to repair or replace the Projects by causing such Net Proceeds to be deposited into the Redemption Fund for the purpose of causing the mandatory prepayment of the Series 2018 Certificates in accordance with the Indenture. If such Net Proceeds are sufficient to prepay all outstanding Series 2018 Certificates and all Additional Payments due and owing by the City, upon such deposit the Installment Sale Agreement will no longer apply to the Projects, and all obligations of the City with respect to the Projects will terminate. See "DESCRIPTION OF THE SERIES 2018 CERTIFICATES - Prepayment Provisions - *Mandatory Prepayment in the Event of Damage, Destruction, Condemnation*" herein.

## **FISCAL OVERVIEW OF THE CITY**

In addition to the information regarding the City set forth in "THE CITY" herein, and "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto, the City has provided the following financial information regarding the City. A complete review of this Official Statement, including each of the appendices attached hereto, is essential to the making of an informed investment decision by any potential purchaser of the Series 2018 Certificates. In the making of an informed investment decision relating to the Series 2018 Certificates, a potential purchaser should not conclude that the presentation of information in the body of this Official Statement, versus the presentation of information in Appendix A or Appendix B attached hereto, denotes that the information related to the City so provided in the body of this Official Statement is of more relevance or importance than the information set forth in Appendix A or Appendix B attached hereto.

### **Management's Discussion and Analysis**

The following management's discussion and analysis presents a narrative overview and analysis of the financial activities of the City's General Fund for Fiscal Year 2017 compared against Fiscal Year 2016 on an unaudited basis. For additional information relating to the management's discussion and analysis of the financial activities of the City's General Fund for Fiscal Year 2017 compared against Fiscal Year 2016, see "FISCAL OVERVIEW OF THE CITY - Statement of Revenues, Expenditures and Changes in General Fund Balances" herein.

Revenues. Budgeted General Fund revenues, excluding fund balance appropriations, were \$607.4 million for Fiscal Year 2017 compared to \$593.1 million for Fiscal Year 2016.



Total actual revenues for Fiscal Year 2017 were \$572.9 million or 8% greater than Fiscal Year 2016. Property taxes collected on a cash basis for Fiscal Year 2017 were \$198.1 million or 2.5% greater than the property taxes collected on a cash basis during Fiscal Year 2016. Local Option Sales Taxes ("LOST") revenues collected for Fiscal Year 2017 were approximately \$103.4 million or .16% less than LOST revenues collected for Fiscal Year 2016. Public utility, alcoholic beverage, and other taxes (collectively, "Other Taxes") collected during Fiscal Year 2017 were \$101.0 million or 7.1% less than Other Taxes collected for Fiscal Year 2016 due primarily to timing differences of public utility franchise payments and insurance premium taxes. Licenses and permits revenues collected for Fiscal Year 2017 were \$117.0 million or 49.0% greater than the licenses and permits revenues collected for Fiscal Year 2016 due primarily to the permitting function being rolled under the general fund during Fiscal Year 2017. Fines and forfeiture revenues collected for Fiscal Year 2017 were \$22.8 million or 6.6% lower than fines and forfeiture revenues collected for Fiscal Year 2016 due primarily to lower traffic citations and reduced pre-trial intervention revenues. Building rental income collected for Fiscal Year 2017 was \$11.4 million or 53.4% greater than the building rental income collected for Fiscal Year 2016 due primarily to an increase in the number of county inmates resulting in increased jail rental income paid to the City by the County.

Expenditures. The General Fund expenditures budget adopted for Fiscal Year 2017 was \$607.4 million, an increase of \$14.3 million or 2.41% greater than the General Fund expenditures budget for Fiscal Year 2016 of \$593.1 million. The General Fund expenditures budget for Fiscal Year 2017 includes 2.4% or \$14.8 million, which was reserved at the beginning of Fiscal Year 2017 for any contingencies or unanticipated expenditures and is not available for spending at the departmental level (the "Reserves"). Total actual expenditures for Fiscal Year 2017 were \$597.2 million, which was \$38.8 million or 6.9% more than the original budgeted expenditures. Total expenditures increased 9.2% over Fiscal Year 2016. The increase in actual total expenditures was primarily due to increases in: Department of Police Services ("Police Department") of \$8.2 million; General Government of \$25.0 million; Department of Public Works of \$17.6 million; Department of Fire of \$2.2 million; Department of Parks, Recreation and Cultural Affairs (the "Parks Department") of \$1.8 million. The increase in the Police Department expenditures for Fiscal Year 2017 compared to Fiscal Year 2016 was primarily due to salary adjustments and increased overtime costs. The increase in the General Government expenditures for Fiscal Year 2017 compared to Fiscal Year 2016 was primarily due to salary increases as the result of moving the permits and licenses office into the General Fund. The increase in the Department of Public Works expenditures for Fiscal Year 2017 compared to Fiscal Year 2016 was primarily due to increased consulting expenditures relating to various projects. The increase in the Department of Fire expenditures for Fiscal Year 2017 compared to Fiscal Year 2016 was primarily due to employer contributions to the defined benefit plan. The increase in the Parks Department expenditures for Fiscal Year 2017 compared to Fiscal Year 2016 was primarily related to consulting fees.

For a summary of the City's general fund trends for Fiscal Years 2013 through 2017, see "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY - CITY FINANCIAL INFORMATION - General Fund Trends" attached hereto.

## Statement of Revenues, Expenditures and Changes in General Fund Balances

The following table presents the City's statement of revenues, expenditures and changes in general fund balances for Fiscal Years 2013 through 2017.

### City of Atlanta, Georgia Statement of Revenues, Expenditures and Changes in Fund Balances General Fund (Dollars in thousands)

	Fiscal Years				
	2013	2014	2015	2016	2017
<b>REVENUES</b>					
Property taxes	\$180,229	\$184,436	\$191,015	\$193,217	\$198,105
Local and municipal option sales taxes	99,872	99,708	102,224	103,515	103,354
Public utility, alcoholic beverage and other taxes	96,781	101,417	105,197	108,686	101,005
Licenses and permits	55,641	67,075	69,681	78,447	116,965
Charges for current services	5,293	8,476	10,087	10,230	6,563
Fines, forfeitures and penalties	22,202	24,206	26,670	24,392	22,788
Investment income	(312)	2,546	2,030	2,311	(671)
Building rentals and concessions	6,600	7,036	7,808	7,411	11,369
Other	2,958	3,690 <sup>(1)</sup>	2,354	2,101	13,430
Total revenues	\$469,264	\$498,590	\$517,066	\$530,310	\$572,908
<b>EXPENDITURES</b>					
Current:					
General government	\$110,733	\$119,177	\$125,658	\$153,949	\$179,931
Police	159,943	170,058	177,971	187,437	195,601
Fire	72,730	78,989	82,104	78,521	80,688
Corrections	25,311	30,140	33,457	34,756	34,597
Public works	25,515	36,787	33,328	39,939	57,531
Parks, recreation and cultural affairs	32,237	29,050	32,103	35,689	37,531
Debt Service:					
Principal payments	18,492	15,456	11,094	11,585	9,507
Interest payments	8,957	7,401	4,394	3,931	1,785
Other <sup>(2)</sup>	9	31	15	15	9
Total expenditures	\$453,927	\$487,089	\$500,124	\$545,822	\$597,180
Excess (deficiency) of revenues over expenditures	15,337	11,501	16,942	(15,512)	(24,272)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	\$ 109	\$ 2,547	\$ 2,119	\$ 1,278	\$ 380
Proceeds from capital leases	-	363	-	7,779	-
Transfers in	\$ 36,457	\$ 36,553	\$ 39,134	\$ 41,361	110,117
Transfers out	(40,459)	(47,143)	(49,166)	(32,771)	(39,292)
Total Other Financing Sources (Uses)	(3,893)	(7,680)	(7,913)	17,647	71,205
Net change in fund balances	\$ 11,444	\$ 3,821	\$ 9,029	\$ 2,135	\$ 46,933
FUND BALANCE, BEGINNING OF PERIOD	126,720	138,164	141,985	151,014	153,149
FUND BALANCE, END OF PERIOD	\$138,164	\$141,985	\$151,014	\$153,149	\$200,082

<sup>(1)</sup> Includes \$2,000,000 presented in the City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2014 as "Intergovernmental revenues and contributions."

<sup>(2)</sup> Includes amounts presented in the City of Atlanta, Georgia Comprehensive Annual Financial Report as "Paying agent fees."

Source: City of Atlanta, Department of Finance.

For more complete information, see "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

### **General Obligation Bonds**

Authorization and Debt Limit. The Constitution of the State of Georgia of 1983 (the "State Constitution") requires approval from a majority of the qualified voters of the City ("Voter Approval") prior to the issuance of general obligation bonds (the "General Obligation Bonds"); provided, however, that the City may issue: (a) not more than \$4 million dollars in aggregate principal amount of general obligation bonds for lawful public purposes other than for school purposes in any Fiscal Year (the "Public Purpose General Obligation Bonds"), and (b) not more than \$4 million dollars in aggregate principal amount of general obligation bonds for school purposes in any Fiscal Year (the "School Purpose General Obligation Bonds" and, together with the Public Purpose General Obligation Bonds, the "Annual General Obligation Bonds"), without Voter Approval. The General Obligation Bonds and the Public Purpose General Obligation Bonds are supported by the City's bond levy and the School Purpose General Obligation Bonds are supported by the City's school bond levy. For additional information related to the City's bond levy and the City's school bond levy, see "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY - AD VALOREM TAXATION, COLLECTION AND ENFORCEMENT - Ad Valorem Taxation" attached hereto.

Pursuant to the State Constitution, the total General Obligation Bonds and Annual General Obligation Bonds, shall never exceed 12% of the assessed value of all the taxable property in the City (the "Debt Limit"), provided that the Public Purpose General Obligation Bonds shall never exceed 8% of the assessed value of all the taxable property in the City and the School Purpose General Obligation Bonds shall never exceed 4% of the assessed value of all the taxable property in the City. See "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY - CITY DEBT STRUCTURE - Legal Debt Margin" attached hereto. Certain other indebtedness of the City may be: (a) payable from the City's General Fund, including the hereinafter defined Additional General Fund Backed Debt, Non-Major Proprietary Fund Debt, and Other Debt, or (b) property tax supported, including the hereinafter defined Limited Obligation Tax Allocation District Bonds, but such indebtedness does not require Voter Approval and is not applicable to the Debt Limit. See "FISCAL OVERVIEW OF THE CITY - Additional General Fund Backed Debt, Non-Major Proprietary Fund Debt, and Other Debt" herein.

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Outstanding General Obligation Bonds. The following table presents the City's outstanding General Obligation Bonds and Annual General Obligation Bonds (collectively, the "Outstanding General Obligation Bonds"), which are secured by the full faith and credit of the City as of June 30, 2017 and January 22, 2018.

<b>Outstanding General Obligation Bonds<sup>(1)</sup></b>	<b>Outstanding as of June 30, 2017</b>	<b>New Debt Issues</b>	<b>Balance as of January 22, 2018</b>
<b><u>General Obligation Bonds</u></b>			
City of Atlanta (Georgia) General Obligation Public Improvement Bonds, Series 2008A	\$ 6,080,000	-	\$ 3,155,000
City of Atlanta, Georgia General Obligation Refunding Bonds, Series 2009	33,530,000	-	28,295,000
City of Atlanta, Georgia General Obligation Refunding Bonds, Series 2014A	15,365,000	-	15,365,000
City of Atlanta, Georgia Taxable General Obligation Refunding Bonds, Series 2014B	40,025,000	-	32,490,000
City of Atlanta, Georgia General Obligation Public Improvement Bonds, Series 2015	252,000,000	-	243,150,000
<b><u>Annual General Obligation Bonds</u></b>			
City of Atlanta Various Purpose General Obligation Bonds, Series 2016	3,285,000	-	2,975,000
Total	<u>\$350,285,000</u>	<u>-</u>	<u>\$325,430,000</u>

<sup>(1)</sup> Excludes deferred amount on bond premiums.

Source: City of Atlanta, Department of Finance.

For additional information regarding the Outstanding General Obligation Bonds, see "FISCAL OVERVIEW OF THE CITY - Ratio of General Bonded Debt Outstanding" herein and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

Proposed Issuance of General Obligation Bonds and Annual General Obligation Bonds. The City presently does not anticipate issuing any additional General Obligation Bonds or Annual General Obligation Bonds in Fiscal Year 2018. However, the City may pursue financing or refinancing opportunities that: (a) lower costs of borrowing and/or maximize savings in accordance with long-term planning objectives, and/or (b) provide funding for projects approved by the City Council.

### **Additional General Fund Backed Debt, Non-Major Proprietary Fund Debt, and Other Debt**

In addition to the Outstanding General Obligation Bonds, the City has other indebtedness, which may be payable from the City's General Fund, including the hereinafter defined Additional General Fund Backed Debt, Non-Major Proprietary Fund Debt, and Other Debt.

Additional General Fund Backed Debt. The following table presents certain of the City's outstanding debt which may be payable from the City's General Fund (collectively, the "Additional General Fund Backed Debt") as of June 30, 2017 and January 22, 2018.

<b>Additional General Fund Backed Debt</b>	<b>Outstanding as of June 30, 2017</b>	<b>New Debt Issues</b>	<b>Balance as of January 22, 2018</b>
<b><u>Certificates of Participation</u></b>			
Georgia Municipal Association, Inc. Installment Sale Program Certificates of Participation (City Court of Atlanta Project), Refunding Series 2016 (the "Certificates of Participation")	\$ 29,780,000	-	\$ 27,350,000
<b><u>Solid Waste Management Authority</u></b>			
Solid Waste Management Authority of the City of Atlanta Refunding Revenue Bonds, Series 2008 (the "SWMA Revenue Refunding Bonds")	9,360,000	-	7,665,000
<b><u>Atlanta Public Safety and Judicial Facilities Authority</u></b>			
Atlanta Public Safety and Judicial Facilities Authority Revenue Refunding Bonds (Public Safety Facility Project), Series 2016 (the "APSJFA Revenue Bonds")	27,150,000	-	24,850,000
<b><u>Intergovernmental Agreements</u></b>			
City of Atlanta and Fulton County Recreation Authority Revenue Bonds, Zoo Series 2007A	8,197,500	-	6,993,750
Atlanta Urban Redevelopment Agency Taxable Recovery Zone Economic Development Bonds, Series 2010	16,065,000	-	14,805,000
City of Atlanta and Fulton County Recreation Authority Park Improvement Revenue and Refunding Bonds, Series 2014A	57,555,000	-	55,645,000
City of Atlanta and Fulton County Recreation Authority Park Improvement Revenue and Refunding Bonds, Taxable Series 2014B	6,395,000	-	4,845,000
The Atlanta Development Authority Revenue Bonds (New Downtown Atlanta Stadium Project), Senior Lien Series 2015A-1	167,530,000	-	167,530,000
The Atlanta Development Authority Revenue Bonds (New Downtown Atlanta Stadium Project), Senior Lien Taxable Series 2015A-2	16,740,000	-	13,200,000
The Atlanta Development Authority Revenue Bonds (New Downtown Atlanta Stadium Project), Second Lien Series 2015B	40,385,000	-	39,615,000
The Urban Residential Finance Authority of the City of Atlanta, Georgia Taxable Revenue Bonds (Housing Opportunity Program), Series 2017A	63,685,000	-	60,305,000
Atlanta Development Authority Revenue Bonds (Homeless Opportunity Project), Taxable Series 2017	-	\$ 25,700,000	25,700,000
City of Atlanta and Fulton County Recreation Authority Revenue Bonds (Zoo Atlanta Parking Facility Project), Series 2017)	-	30,390,000	30,390,000
City of Atlanta and Fulton County Recreation Authority Taxable Revenue Refunding and Improvement Bonds, (Downtown Arena Project), Senior Lien Series 2017A	-	106,505,000	106,505,000
City of Atlanta and Fulton County Recreation Authority Taxable Revenue Improvement Bonds (Downtown Arena Project), Senior Lien Series 2017B	-	43,285,000	43,285,000
City of Atlanta and Fulton County Recreation Authority Revenue Refunding and Improvement Bonds (Downtown Arena Private Improvements Project), Taxable Series 2018	-	152,000,000	152,000,000*
<b><u>Notes Payable</u></b>			
Atlanta Public Safety and Judicial Facilities Authority Public Safety Annex Loan (2008) (the "Notes Payable")	2,053,935	-	1,038,668
<b><u>Other Long-Term Debt</u></b>			
Georgia Municipal Association Certificate of Participation Lease Pool (the "1998 GMA Lease Pool")	32,444,000	-	32,444,000
Certificates of Participation (City of Atlanta, Georgia Detention Center, Municipal Court and City Hall East Projects), Series 1998 (the "1998 Installment Sale Program")	15,330,000	-	10,025,000
<b><u>Capital Leases</u></b>			
Motorola Radio System (2016, P-25 Upgrade) (the "2016 Lease")	8,734,736	-	7,047,387
Digital Radio Upgrade (2015) (the "2015 Lease")	14,808,614	-	10,247,993
Ameresco Guaranteed Energy Savings Performance Contract (the "Ameresco Lease")	-	7,710,209	7,710,209
Johnson Control Energy Performance (the "Johnson Control Lease" and, together with the 2016 Lease, the 2015 Lease and the Ameresco Lease, the "Capital Leases"))	-	12,400,000	12,400,000
	<b>\$516,213,785</b>	<b>\$377,990,209</b>	<b>\$861,597,007</b>

Source: City of Atlanta, Department of Finance.

\* Issued on January 31, 2018.

For additional information regarding the Additional General Fund Backed Debt, see "FISCAL OVERVIEW OF THE CITY - Ratio of General Bonded Debt Outstanding" herein and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

*Proposed Issuance of Additional General Fund Backed Debt.* Other than the Series 2018 Certificates, the City presently does not anticipate incurring any Additional General Fund Backed Debt in Fiscal Year 2018. The City may incur other indebtedness in Fiscal Year 2018 relating to other financing or refinancing opportunities that: (a) lower costs of borrowing and/or maximize savings in accordance with long term planning objectives, and/or (b) provide funding for projects approved by the City Council.

*Non-Major Proprietary Fund Debt.* The following table presents certain of the City's contractual obligations which the City currently anticipates paying from the applicable non-major proprietary fund but may be payable from the City's General Fund (together, the "Non-Major Proprietary Fund Debt") as of June 30, 2017 and January 22, 2018.

<b>Non-Major Proprietary Fund Debt</b>	<b>Outstanding as of June 30, 2017</b>	<b>New Debt Issues</b>	<b>Balance as of January 22, 2018</b>
<u><i>Intergovernmental Agreements</i></u>			
Downtown Development Authority of the City of Atlanta Revenue Bonds (City Plaza Redevelopment Project), Series 2016	\$ 9,230,000	-	\$ 8,915,000
Atlanta Urban Redevelopment Agency Revenue Refunding Bonds (Downtown Parking Deck Project), Series 2017	15,605,000	-	14,850,000
	<u><b>\$24,835,000</b></u>	<u><b>-</b></u>	<u><b>\$23,765,000</b></u>

Source: City of Atlanta, Department of Finance.

For additional information regarding the Non-Major Proprietary Fund Debt, see "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

*Proposed Issuance of Non-Major Proprietary Fund Debt.* The City presently does not anticipate incurring any additional Non-Major Proprietary Fund Debt in Fiscal Year 2018. However, the City may pursue financing or refinancing opportunities that: (a) lower costs of borrowing and/or maximize savings in accordance with long-term planning objectives, and/or (b) provide funding for projects approved by the City Council.

*Other Debt.* The following table presents certain of the City's outstanding loans which may be payable from the City's General Fund (the "Other Debt" and, together with the 1998 GMA Lease Pool and the 1998 Installment Sale Program, the "Other Long-Term Debt") as of June 30, 2017 and January 22, 2018.

<b>Other Debt</b>	<b>Outstanding as of June 30, 2017</b>	<b>New Debt Issues</b>	<b>Balance as of January 22, 2018</b>
<u><i>Other Long-Term Debt</i></u>			
Section 108 Loan (MMPH II and Mechanicsville)	\$660,000	-	\$440,000
	<u><b>\$660,000</b></u>	<u><b>-</b></u>	<u><b>\$440,000</b></u>

Source: City of Atlanta, Department of Finance.

For additional information regarding the Other Debt, see "FISCAL OVERVIEW OF THE CITY - Ratio of General Bonded Debt Outstanding" herein and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

*Proposed Other Debt.* The City presently does not anticipate incurring any additional Other Debt in Fiscal Year 2018. However, the City may pursue financing or refinancing opportunities that: (a) lower costs of borrowing and/or maximize savings in accordance with long-term planning objectives, and/or (b) provide funding for projects approved by the City Council.

### **Property Tax Supported Debt**

In addition to the Outstanding General Obligation Bonds, certain Additional General Fund Backed Debt, Non-Major Proprietary Fund Debt, and Other Debt, the City has other indebtedness which is property tax supported, including the Limited Obligation Tax Allocation District Bonds.

*Limited Obligation Tax Allocation District Bonds.* The City has issued several series of tax allocation district bonds to promote economic development in undeveloped or underdeveloped areas in the City (the "Limited Obligation Tax Allocation District Bonds"). The Limited Obligation Tax Allocation District Bonds are not secured by the full faith and credit of the City and are not payable from the City's General Fund, but are secured solely by and payable from pledged revenues, including tax allocation increments (the amount of property taxes generated within the tax allocation district that exceeds the amount collected from the same area prior to development). A substantial portion of the ad valorem property taxes collected from property within the tax allocation districts is pledged as security for the Limited Obligation Tax Allocation District Bonds. The City is precluded from creating additional tax allocation districts to the extent that the total taxable value of its existing tax allocation district exceeds 10% of the total value of taxable property in the City. As of July 12, 2017, approximately 15% of the City's estimated actual value of taxable property was located within a tax allocation district. As of January 22, 2018, the City has outstanding Limited Obligation Tax Allocation District Bonds in the aggregate amount of \$478,900,000. For additional information regarding the Limited Obligation Tax Allocation District Bonds, see "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

*Proposed Issuance of Limited Obligation Tax Allocation District Bonds.* The City is currently assessing a potential new money issuance of City of Atlanta Tax Allocation Bonds (Westside Project). The City may pursue financing or refinancing opportunities that: (a) lower costs of borrowing and/or maximize savings in accordance with long-term planning objectives, and/or (b) provide funding for projects approved by the City Council.

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## Ratio of General Bonded Debt Outstanding

The following table presents the City's ratio of general bonded debt outstanding, which: (a) includes the General Obligation Bonds, Annual General Obligation Bonds, Additional General Fund Backed Debt, and Other Debt outstanding in Fiscal Years 2013 through 2017; and (b) excludes any General Obligation Bonds, Annual General Obligation Bonds, Additional General Fund Backed Debt, and Other Debt issued in Fiscal Year 2018, the Non-Major Proprietary Fund Debt, the Limited Obligation Tax Allocation District Bonds, and contractual obligations of the City relating to certain debt issued by the City of Atlanta and Fulton County Recreation Authority and The Atlanta Development Authority (collectively, the "Component Unit Debt"),. For additional information regarding any General Obligation Bonds, Annual General Obligation Bonds, Additional General Fund Backed Debt, and Other Debt issued in Fiscal Year 2018, see "FISCAL OVERVIEW OF THE CITY - General Obligation Bonds," and "- Additional General Fund Backed Debt, Non-Major Proprietary and Other Debt" herein. For additional information regarding the Non-Major Proprietary Fund Debt, the Limited Obligation Tax Allocation District Bonds, and the Component Unit Debt, see "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

### City of Atlanta, Georgia Ratio of General Bonded Debt Outstanding (Unaudited) (dollars in thousands, except per capita)

Fiscal Year	General Obligation Debt <sup>(1)</sup>	Bond Sinking Fund	Net General Obligation Debt	Certificates of Participation <sup>(1)</sup>	SWMA Revenue Refunding Bonds	APSJFA Revenue Bonds <sup>(1)</sup>	Intergovernmental Agreements	Notes Payable	Other Long-Term Debt	Capital Leases	Total	Percentage of Actual Taxable Value of Property <sup>(2)</sup>	Per Capita <sup>(3)</sup>
2013	\$215,320	\$(62,496)	\$152,824	-	\$15,410	\$39,265	\$ 40,841	\$9,394	\$79,070	\$64,120	\$400,924	1.88%	894
2014	199,215	(66,646)	132,569	-	14,005	37,230	133,358	7,683	62,224	57,129	444,198	2.05	974
2015	395,890	(33,756)	362,134	-	12,530	35,110	350,468	5,892	57,639	50,620	874,393	3.89	1,918
2016	357,955	(15,145)	342,810	\$32,160	10,980	32,900	343,455	4,016	53,759	19,261	839,341	3.36	1,809
2017	350,285	33,773	384,058	29,780	9,360	27,150	376,552	2,054	48,434	23,544	900,932	3.52	1,907

<sup>(1)</sup> Excludes deferred amount on bond issuance premiums.

<sup>(2)</sup> See the table entitled "Schedule 6 City of Atlanta, Georgia Assessed Value and Estimated Actual Value of Taxable Property (unaudited) Last Ten Fiscal Periods" in the City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017, which is available on EMMA for the total taxable assessed value.

<sup>(3)</sup> Population data not available for 2017, percentage based on 2016 data. See the table entitled "Schedule 18 City of Atlanta, Georgia Demographic and Economic Statistics (unaudited) Last Ten Years" in the City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017, which is available on EMMA for the population value.

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

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For additional information, see "APPENDIX A - STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY" and "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017" attached hereto.

## **Pension and Other Post-employment Benefits**

Overview of the City's Pension Plans. The City maintains the following separately administered pension plans:

<b>Plan Type</b>	<b>Plan Name</b>
Agent multiple-employer, defined benefit	The General Employees' Pension Plan
Single employer, defined benefit	Firefighters' Pension Plan
Single employer, defined benefit	Police Officers' Pension Plan
Single employer, defined contribution	General Employees' Defined Contribution Plan

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

The City is required to have actuarial estimates produced for its pension and other post-employment benefits ("OPEB") liabilities. Actuarial estimates are "forward looking" information that reflect the judgment of the fiduciaries of the pension plans and are based upon a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and will change with the future experience of the pension plans. Further, this summary of the City's pension and OPEB information is designed to provide an overview of such matters, and is qualified, in its entirety, to the pension plan documents (available as provided below), the pension plan and OPEB valuations and the audited basic financial statements of the City attached to this Official Statement as Appendix B.

A stand-alone audited financial report is issued for the General Employees' Pension Plan, the Firefighters' Pension Plan, and the Police Officers' Pension Plan (collectively, the "Defined Benefit Pension Plans") and can be obtained at the following address: City of Atlanta, 68 Mitchell Street, S.W., Suite 1600, Atlanta, Georgia 30335.

The General Employees' Defined Contribution Plan does not have separately issued financial statements. For a condensed financial statement for the General Employees' Defined Contribution Plan, see "FISCAL OVERVIEW OF THE CITY - Pension and Other Post-employment Benefits - General Employees' Defined Contribution Plan" herein.

The valuation date for the Defined Benefit Pension Plans is July 1, 2015. The measurement date for the Defined Benefit Pension Plans is June 30, 2016. The allocation of the pension liability is based upon Fiscal Year 2016 contributions from the various departments. The City is presenting net pension liability as of June 30, 2016 for its' Fiscal Year 2017 financials.

Membership. The following table presents pension plan membership as of June 30, 2016:

	<b>General Employees' - the City</b>	<b>Firefighters'</b>	<b>Police Officers'</b>
Inactive plan members or beneficiaries currently receiving benefits	3,834	992	1,446
Inactive plan members entitled to, but not yet receiving benefits	241	21	55
Active plan members	3,307	1,042	2,023
Total membership	7,382	2,055	3,524

Source: City of Atlanta, Actuarial Reports for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

### ***The Defined Benefit Pension Plans' Governance***

The General Employees' Pension Plan. The General Employees' Pension Plan is an agent multiple-employer defined benefit plan and was established by a 1924 Act of the State of Georgia Legislature to provide retirement benefits for full time permanent employees of the City, excluding sworn personnel of the Police and Fire Rescue Departments, and the employees of the Atlanta Board of Education (the "School System") who are not covered under the Teachers Retirement System of Georgia. Until 1983, the Georgia Legislature established all requirements and policies of the General Employees' Pension Plan. By a constitutional amendment, effective July 1983, control over all aspects of the General Employees' Pension Plan transferred to the City under the principle of Home Rule. The types of benefits offered by the General Employees' Pension Plan are: retirement, disability, and pre-retirement death benefits. Classified employees and certain nonclassified employees pay grade 18 and below not covered by either the Firefighters' Pension Plan or Police Officers' Pension Plan, and employees hired after September 1, 2005 are required to become members of the General Employees' Pension Plan. A detailed description of the General Employees' Pension Plan benefits terms can be found within "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017 - Notes to Financial Statements - Section V. A." attached hereto.

The funding methods and determination of benefits payable were established by the legislative acts creating the General Employees' Pension Plan, as amended, and in general, provide that funds are to be accumulated from employee contributions, City and School System contributions, and income from the investment of accumulated funds.

The General Employees' Pension Plan is administered as an agent multiple employer defined benefit pension plan by the Board of Trustees. Membership of the Board of Trustees includes the Mayor or her designee, the City's Chief Financial Officer, a member of the City Council, two active City employee representatives, one retired City representative, one active School System representative, and one retired School System representative. All modifications to the General Employees' Pension Plan must be supported by actuarial analysis and receive the recommendations of the City Attorney, the City's Chief Financial Officer, and the Board of

Trustees. Each pension law modification must be adopted by at least two thirds vote of the City Council and approved by the Mayor.

*The Firefighters' Pension Plan and the Police Officers' Pension Plan.* The Firefighters' Pension Plan and the Police Officers' Pension Plan are single-employer defined benefit plans and were established by a 1924 Act of the State of Georgia Legislature to provide retirement benefits for full time sworn firefighters and police officers' of the City Fire Rescue Department and the Police Department. Until 1983, the Georgia Legislature established all requirements and policies of the Firefighters' Pension Plan and the Police Officers' Pension Plan. By a constitutional amendment, effective July 1983, control over all aspects of the Firefighters' Pension Plan and the Police Officers' Pension Plan transferred to the City under the principle of Home Rule. The types of benefits offered by the Firefighters' Pension Plan and the Police Officers' Pension Plan are: retirement, disability, and pre-retirement death benefits. Under the principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Board of Trustees has the authority to establish and amend benefit terms and contributions. A detailed description of the Firefighters' Pension Plan and the Police Officers' Pension Plan benefits terms can be found within "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017 - Notes to Financial Statements - Section V. A." attached hereto.

The Firefighters' Pension Plan and the Police Officers' Pension Plan are administered as a single employer defined benefit plan by separate Boards of Trustees with each Board of Trustees including an appointee of the Mayor or her designee, the City's Chief Financial Officer, a member of City Council, two active employee representatives and one retired employee representative. All modifications to the Firefighters' Pension Plan and the Police Officers' Pension Plan must be supported by actuarial analysis input and receive the recommendations of the City Attorney, the City's Chief Financial Officer, and the pertinent Board of Trustees. Each pension law modification must be adopted by at least two thirds vote of the City Council and approved by the Mayor.

### ***The Defined Benefit Pension Plans' Contributions***

*The General Employees' Pension Plan.* Under the Georgia Legislature principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Board of Trustees has the authority to administer the General Employees' Pension Plan. The funding methods and determination of benefits payable were established by the Atlanta Code of Ordinances, Part 1, Section 6 legislative acts creating the General Employees' Pension Plan, as amended, and in general, provide that funds are to be accumulated from employee contributions, City contributions, and income from the investment of accumulated funds.

Employees hired on or after September 1, 2011 who are below pay grade 19 or its equivalent are required to participate in a hybrid defined benefit plan with a mandatory defined contribution component. The defined benefit portion of the General Employees' Pension Plan includes a 1% multiplier, which includes a mandatory employee contribution of 3.75% of salary which is matched 100% by the City.

Additionally, these employees may voluntarily contribute up to an additional 4.25% of salary, which is also matched 100% by the City. Employees vest in the amount of the City's contributions at a rate of 20% per year and become fully vested in the City's contribution after five years of participation.

Beginning on November 1, 2011, employees participating in the General Employees' Pension Plan and hired before September 1, 2011, or after January 1, 1984, had an increase of 5% in their mandatory contributions into the General Employees' Pension Plan fund in which they participate. The contribution is such that the new contribution is 12% of salary (without a designated beneficiary) or 13% of salary (with a designated beneficiary).

Beginning in Fiscal Year 2012, there is a cap on the maximum amount of the City's contribution to the General Employees' Pension Plan measured as a percentage of payroll. The City's annual contribution to the General Employees' Pension Plan may not exceed 35% of payroll of the participants in the Defined Benefit Pension Plans. In the event that this 35% cap is reached, the City will fund any overage for the first 12-month period from its reserves. During that period, the City's management must agree on an alternative method to reduce the overage. If no alternative is reached, beginning in the second 12-month period, the City and the participants will equally split the cost of the coverage, subject only to a provision that employee contributions may not increase more than 5%. During Fiscal Year 2017, the City had an actuarial assessment conducted to review the pay cap. The assessment determined the City was at 21.1%, which is well within the cap. The 35% cap is not projected to be reached until fiscal year 2039 based on the updated results projected forward with Pension Reform. During the Fiscal Year ended June 30, 2017 the City contributions were \$53,817,000.

*The Firefighters' Pension Plan and the Police Officers' Pension Plan.* Under the Georgia Legislature principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Board of Trustees has the authority to administer the Firefighters' Pension Plan and the Police Officers' Pension Plan including establishing and amending contribution requirements. The funding methods and determination of benefits payable were established by the Atlanta Code of Ordinances, Section 6 legislative acts creating the Firefighters' Pension Plan and the Police Officers' Pension Plan, as amended, and in general, provide that funds are to be accumulated from employee contributions, City contributions, and income from the investment of accumulated funds.

Sworn personnel employed by the Fire Rescue Department and Police Department are required to contribute to the Firefighters' Pension Plan and the Police Officers' Pension Plan. Employees must contribute either 8% of base pay, if hired after August 31, 2011, 12% of base pay if hired before September 1, 2011 without an eligible beneficiary, or 13% of base pay if hired before September 1, 2011 with an eligible beneficiary.

On November 1, 2011, the sworn personnel of the Fire Rescue Department and Police Department participating in the Firefighters' Pension Plan and the Police Officers' Pension Plan and hired before September 1, 2011, or after January 1, 1984, had an increase of 5% in their mandatory contributions into the Firefighters' Pension Plan and the Police Officers' Pension Plan. The contribution is such that the new contribution is 12% of salary (without a designated beneficiary) or 13% of salary (with a designated beneficiary).

Beginning in Fiscal Year 2012, there is a cap on the maximum amount of the City's contribution to the defined benefit pension funds measured as a percentage of payroll. The City's annual contribution to the funds may not exceed 35% of payroll of the participants in the General Employees' Pension Plan, the Firefighters' Pension Plan and the Police Officers' Pension Plan. In the event that this 35% cap is reached, the City will fund any overage for the first 12 month period from its reserves. During that period, the City's management must agree on an alternative method to reduce the overage. If no alternative is reached, beginning in the second 12-month period, the City and the participants will equally split the cost of the overage, subject only to a provision that employee contributions may not increase more than five percent. During Fiscal Year 2017 the City had an actuary assessment conducted to review the pay cap. The assessment determined the City was at 21.1%, well within the cap.

Employees hired on or after September 1, 2011 who are sworn members of the Fire Rescue Department and Police Department are required to participate in a hybrid defined benefit plan with a mandatory defined contribution component. The defined benefit portion of this plan includes a one percent multiplier. The retirement age increased to age 57 for participants in the Firefighters' Pension Plan and the Police Officers' Pension Plan. Early retirement age is changed from any age (as long as vested) with penalty to age 52 for hires after September 1, 2011. Upon retirement, these participants will receive an annually calculated cost of living increase to their pension benefit that may not exceed one percent and is based upon the Consumer Price Index. Sick and vacation leave are no longer applied to retirement benefits for hires after September 1, 2011. Contributions to the Firefighters' Pension Plan and the Police Officers' Pension Plan during the year ended June 30, 2017 were \$17,901,000 and \$27,493,000 respectively.

*The Defined Benefit Pension Plans' Investments.* The investments for the Defined Benefit Pension Plans are made within the Public Retirement Systems Investment Authority Law of the Georgia Code (O.C.G.A. § 47-20-80). Each Board of Trustees has been granted the authority by City ordinance to establish and amend the respective Defined Benefit Pension Plan investment policy. Each Board of Trustees is responsible for making all decisions with regard to the administration of its respective Defined Benefit Pension Plan, including the management of the respective Defined Benefit Pension Plans assets, establishing the investment policy and carrying out the policy on behalf of the respective Defined Benefit Pension Plan.

Each Defined Benefit Pension Plan's investments are managed by various investment managers under contract with the respective Board of Trustees who have discretionary authority over the assets managed by them and within the Defined Benefit Pension Plan's investment guidelines as established by the Board of Trustees. The investments are held in trust by each Defined Benefit Pension Plan's custodian in the Defined Benefit Pension Plan's name. These assets are held exclusively for the purpose of providing benefits to members of the respective Defined Benefit Pension Plan's and their beneficiaries.

State of Georgia Code and City statutes authorize the Defined Benefit Pension Plans to invest in U.S. government obligations, U.S. government agency obligations, State of Georgia obligations, obligations of a corporation of the U.S. government, the Georgia Fund 1 (a government investment pool maintained by the State of Georgia), and alternative investments. The Defined Benefit Pension Plans invest in repurchase agreements only when they are collateralized by U.S. government or agency obligations. The Defined Benefit Pension Plans are

also authorized to invest in collateralized mortgage obligations (CMOs) to maximize yields. These securities are based on cash flows from interest payments on underlying mortgages. CMOs are sensitive to prepayment by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and mortgagees refinance their mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if mortgagees pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

In the development of the current asset allocation plan, each of the Board of Trustees reviews the long term performance and risk characteristics of various asset classes, balancing the risks and rewards of market behavior, and reviewing state legislation regarding investments options. There were no changes to the policy in Fiscal Year 2017. The policy may be amended by the Board of Trustees with a majority vote of its members.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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The following tables present a summary of the estimates of real rates of return for each major asset class included in the Defined Benefit Pension Plans' target asset allocation as of June 30, 2017:

#### General Employees' Pension Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	50%	6.7%
International equity	20	8.1
Fixed income	25	2.1
Alternative investments	5	6.2
	100%	

#### Firefighters' and Police Officers' Pension Plans

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad equity market	7%	6.01%
Domestic large-cap equity	30	6.91
Domestic mid-cap equity	15	8.91
Domestic small-cap equity	9	5.01
International equity	9	3.31
Fixed income	25	0.81
Alternative investments	5	7.51
	100%	

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

Net Pension Liability. The total pension liability is based on the July 1, 2015 actuarial valuation rolled forward to June 30, 2016 using standard roll-forward techniques (table shows dollars in thousands):

	General Employees' - the City	Firefighters'	Police Officers'	Total
Total pension liability	\$1,915,577	\$861,493	\$1,317,840	\$4,094,910
Plan fiduciary net position	(1,122,786)	(612,637)	(950,415)	(2,685,838)
Net pension liability	\$ 792,791	\$248,856	\$ 367,425	\$1,409,072
Plan fiduciary net position as a percentage of the total pension liability	58.61%	71.11%	72.12%	65.59%

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

The following table presents the net pension liability of the Defined Benefit Pension Plans' allocated among the general government, the Department of Aviation, the Department of Watershed Management and Other Non-major Enterprise Funds as June 30, 2017 (table shows dollars in thousands):

	<b>General Employees'</b>	<b>Percent Allocated</b>	<b>Firefighters'</b>	<b>Percent Allocated</b>	<b>Police Officers'</b>	<b>Percent Allocated</b>	<b>Total<sup>(1)</sup></b>
General Government	\$385,296	48.6%	\$188,384	75.7%	\$338,766	92.1%	\$ 912,446
Department of Airport	91,092	11.5	60,472	24.3	28,659	7.9	180,223
Department of Watershed Management	-	-	-	-	-	-	-
Other Non-Major Enterprise	259,718	32.7	-	-	-	-	259,718
	56,685	7.2	-	-	-	-	56,685
<b>Total</b>	<b>\$792,791</b>	<b>100.0%</b>	<b>\$248,856</b>	<b>100.0%</b>	<b>\$367,425</b>	<b>100.0%</b>	<b>\$1,409,072</b>

<sup>(1)</sup> Numbers may not add due to rounding.

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

***Changes in Net Pension Liability.*** The City is presenting net pension liability for Fiscal Year June 30, 2017 based on the June 30, 2016 measurement date, as follows (tables show dollars in thousands):

**General Employees' - the City**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
Balances at June 30, 2015	\$1,873,213	\$1,153,715	\$719,498
Changes for the year:			
Service Cost	20,230	-	20,230
Interest Expense	136,155	-	136,155
Demographic experience	1,610	-	1,610
Contributions - employer	-	54,236	(54,236)
Contributions - employee	-	19,173	(19,173)
Net investment income	-	12,257	(12,257)
Benefit payments and refunds	(115,631)	(115,631)	-
Administrative expenses	-	(964)	964
Net changes	42,364	(30,929)	73,293
Balances at June 30, 2016	\$1,915,577	\$1,122,786	\$792,791

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.



**Firefighters'**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
Balances at June 30, 2015	\$853,690	\$644,649	\$209,041
Changes for the year:			
Service Cost	12,013	-	12,013
Interest Expense	62,584	-	62,584
Demographic experience	(22,794)	-	(22,794)
Assumption changes	-	-	-
Contributions - employer	-	16,454	(16,454)
Contributions - employee	-	5,667	(5,667)
Net investment income	-	(9,895)	9,895
Benefit payments and refunds	(44,000)	(44,000)	-
Administrative expenses	-	(238)	238
Net changes	7,803	(32,012)	39,815
Balances at June 30, 2016	\$861,493	\$612,637	\$248,856

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

**Police Officers'**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
Balances at June 30, 2015	\$1,294,907	\$983,385	\$311,522
Changes for the year:			
Service Cost	21,573	-	21,573
Interest Expense	95,436	-	95,436
Demographic experience	(34,253)	-	(34,253)
Contributions - employer	-	25,441	(25,441)
Contributions - employee	-	11,825	(11,825)
Net investment income	-	(10,177)	10,177
Benefit payments and refunds	(59,823)	(59,823)	-
Administrative expenses	-	(236)	236
Net changes	22,933	(32,970)	55,903
Balances at June 30, 2016	\$1,317,840	\$950,415	\$367,425

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

**Discount Rate.** The discount rates used to measure the total pension for the Defined Benefit Pension Plans is as indicated below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the actuarial determined contributions rates from employers and employees. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the discount rates as of June 30, 2016:

<b>General Employees' Plan</b>			
<b>City</b>	<b>School System</b>	<b>Firefighters</b>	<b>Police Officers</b>
7.50%	7.50%	7.41%	7.41%

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate.** The following table presents the net pension liability of the Defined Benefit Pension Plans, calculated using the discount rates for each Defined Benefit Pension Plan as of June 30, 2016, as well as what the Defined Benefit Pension Plans net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (table shows dollars in thousands):

	<b>1% Decrease 6.50%</b>	<b>Current discount rate 7.50%</b>	<b>1% Increase 8.50%</b>
General Employees - the City	\$1,010,358	\$792,791	\$609,869
General Employees - School System	559,931	500,583	449,684
	6.41%	7.41%	8.41%
Firefighters' Pension	\$357,411	\$248,856	\$159,048
Police Officers' Pension	547,233	367,425	220,715

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

**Actuarial Assumptions.** The total pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to the June 30, 2016 measurement date, using the following actuarial assumptions, applied to all periods included in the measurement.

	<b>Inflation</b>	<b>Salary Increases</b>	<b>Investment Rate of Return</b>
General Employees'	2.75%	3.5%	7.50%
Firefighters'	2.25	4.0	7.41
Police Officers'	2.25	4.0	7.41

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

The General Employees' Pension Plan last experience study was conducted in 2017. The assumed interest (or discount) rate for the future was decreased from 7.5 percent per annum to 7.25 percent per annum. The Firefighters' and Police Officers' last experience study was conducted in 2011. The assumed interest (or discount) rate was decreased from 7.75 percent per annum to 7.41 percent per annum for the Firefighters' Pension Plan and the Police Officers' Pension Plan.

The actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the Fiscal Year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rates are as follows:

	<b>General Employees' - the City</b>	<b>Firefighters'</b>	<b>Police Officers'</b>
Valuation Date	July 1, 2015	July 1, 2015	July 1, 2015
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percentage, closed	Level percentage, closed	Level percentage, closed
Remaining amortization period	25 years	25 years	25 years
Asset valuation method	Market value	Market value	Market value

Source: City of Atlanta Pension Actuarial Reports dated July 1, 2017 and City of Atlanta Department of Finance.

For the General Employees' Pension Plan, the mortality rates were based on the RP-2000 Combined Healthy Mortality Table set to reasonably reflect future mortality improvement based on a seven and a half year review of mortality experience for the 2003 - 2011 period. The mortality will be assessed again at the time of the next review, and further adjustment or expected improvement in life expectancy will be made if warranted.

The Firefighters' Pension Plan and the Police Officers' Pension Plan mortality rates were based on the sex-distinct rates set forth in the RP-2000 Mortality Table projected to 2015 by Scale AA, as published by the Internal Revenue Code (IRC) Section 430; future generational improvements in mortality have not been reflected.

General Employees' Defined Contribution Plan. The General Employees' Defined Contribution Plan provides funds at retirement for employees of the City and in the event of death, provides funds for their beneficiaries, through an arrangement by which contributions are made to the General Employees' Defined Contribution Plan by employees and the City. The current contribution of the City is 6% of employee payroll. Employees also make a mandatory pretax contribution of 6% plus have the option to contribute amounts up to the amount legally limited for retirement contributions.

All modifications to the General Employees' Defined Contribution Plan, including contribution requirements, must receive the recommendations and advice from the offices of the City's Chief Financial Officer and the City Attorney, respectively. Each pension law modification must be adopted by at least two-thirds vote of the City Council and approved by the Mayor.

As of June 30, 2017, there were 1,733 participants in the General Employees' Defined Contribution Plan. The covered payroll for employees in the General Employees' Defined Contribution Plan was approximately \$128,606,000. Employer contributions for the year ended June 30, 2017, were approximately \$11,056,000 and employee contributions were approximately \$10,979,000, totaling 17.2% of covered payroll. In addition, there were another 3,267 Defined Contribution Plan participants in the hybrid plans.

Condensed financial statement information for the General Employees' Defined Contribution Plan for the year ended June 30, 2017 is shown below (table shows dollars in thousands):

Current assets:

Investment

Domestic fixed income securities	\$ 37,317
Domestic equities	29,509
Alternative partnerships	-
Commingled funds	70,281
Other assets	8,054
Total	<u>\$145,161</u>

Current Liabilities:

Accounts Payable	<u>26</u>
Total net position held in trust for pension benefits	<u>\$145,135</u>

Additions:

Employer contributions	\$ 11,056
Employee contributions	10,979
Refunds and other	12,686
Total additions	<u>\$ 34,721</u>

Deductions:

Benefits payments	\$ 8,168
Administrative expenses	48
Total deductions	<u>\$ 8,216</u>

Change in Net Assets held in trust for pension benefits	<u><u>\$ 26,505</u></u>
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Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

*Annual Pension Cost.* The City's annual pension cost and net pension obligation for the Fiscal Year ending June 30, 2017 and each of the six preceding Fiscal Years are provided in the Schedule of Employer Contributions for the years ended June 30 below.

Funded Status and Funding Progress. The following table is a summary by plan of funding status and funding progress (table shows dollars in thousands):

**Unaudited**

Plan/Valuation Date	Value of Assets	Actuarial Accrued Percentage Liability (AAL)	Actuarial Accrued Percentage Funded	Unfunded Accrued Liabilities	Current Year Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll
General						
Employees -						
The City						
07/01/2010	\$ 866,906	\$1,614,267	53.7%	\$747,361	\$142,597	524.10%
07/01/2011	868,799	1,697,083	51.2	828,284	135,636	610.70
07/01/2012	917,486	1,798,404	51.0	880,918	139,107	633.30
07/01/2013	954,965	1,863,532	51.2	908,567	133,069	682.80
07/01/2014	1,016,486	1,831,581	55.5	815,095	142,493	572.02
07/01/2015	1,084,010	1,874,710	57.8	790,700	146,498	539.74
07/01/2016	1,146,863	1,898,995	60.4	752,132	165,320	454.95
Firefighters						
01/01/2010	\$ 422,791	\$ 699,175	60.5%	\$276,386	\$ 43,910	629.40%
01/01/2011	481,640	732,357	65.8	250,717	42,963	583.60
07/01/2011	509,590	730,535	69.8	220,945	39,482	559.60
07/01/2012	505,692	727,803	69.5	222,111	42,797	519.00
6/30/2013	561,450	788,355	71.2	226,905	42,797	530.20
6/30/2014	658,508	846,325	77.8	156,339	47,181	331.40
07/01/2015	644,649	822,923	78.3	178,274	46,918	380.00
07/01/2016	612,637	852,337	71.9	239,700	44,818	534.80
Police Officers						
01/01/2010	\$ 591,981	\$ 990,600	59.8%	\$398,619	\$ 78,520	507.70%
01/01/2011	697,668	1,056,240	66.1	358,572	83,551	429.20
07/01/2011	735,470	1,036,001	71.0	300,531	73,688	407.80
07/01/2012	733,546	1,059,362	69.2	325,816	88,297	369.00
07/01/2013	828,815	1,170,414	70.8	341,599	92,245	370.30
07/01/2014	987,507	1,224,046	80.7	236,539	93,836	252.10
07/01/2015	983,385	1,247,458	78.3	264,073	92,965	284.10
07/01/2016	950,415	1,300,184	73.1	349,769	94,653	369.50

Source: City of Atlanta, Department of Finance.

See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017 - Notes to Financial Statements - Section V. A." attached hereto.

City of Atlanta Retiree Healthcare Plan. The City of Atlanta Retiree Healthcare Plan (the "Retiree Healthcare Plan") is a single-employer defined benefit healthcare plan which provides OPEB to eligible retirees, dependents and their beneficiaries. The Retiree Healthcare Plan was established by legislative acts and functions in accordance with existing City laws. OPEB of the City includes health, dental, and vision care and life insurance. Separate financial statements are not prepared for the Retiree Healthcare Plan.

Funding Policy. The City is not required by law or contractual agreement to provide funding for OPEB other than the pay-as-you-go amounts necessary to provide current benefits to

retirees, eligible dependents and beneficiaries. For the Fiscal Year ended June 30, 2017, the City made \$48.9 million in "pay-as-you-go" payments on behalf of the Retiree Healthcare Plan. Retiree contributions vary based on the plan elected, dependent coverage and Medicare eligibility. Eligible retirees receiving benefits contributed \$41.7 million through their required contributions.

***Annual OPEB Cost and Net OPEB Obligation.*** The City's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC") of the employer; an amount actuarially determined using the "Projected Unit Credit Actuarial Cost Method." The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table presents the elements of the City's OPEB cost for the year, the amount actually contributed on behalf of the Retiree Healthcare Plan, and changes in the City's net OPEB obligation to the Retiree Healthcare Plan for the Fiscal Year ended June 30, 2017 (table shows dollars in thousands):

	<b>City-Wide</b>	<b>DWM</b>	<b>DOA</b>	<b>Other Business Type</b>	<b>General Government</b>
Annual Required Contribution	\$ 81,414	\$ 14,820	\$10,389	\$ 4,321	\$ 51,884
Interest on Net OPEB Obligation	17,924	3,262	2,287	951	11,424
Adjustment to Annual Required Contribution	(21,338)	(3,884)	(2,723)	(1,132)	(13,599)
Annual OPEB Cost (expense)	78,000	14,198	9,953	4,140	49,709
"Pay As You Go" Payments made	(48,947)	(8,261)	(6,258)	(5,179)	(29,249)
Increase in Net OPEB Obligation	29,053	5,937	3,695	(1,039)	20,460
Net OPEB Obligation - Beginning of Year	448,099	106,924	60,465	27,501	253,209
Net OPEB Obligation - End of Year	\$477,152	\$112,861	\$64,160	\$26,462	\$273,669

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

The following table presents the City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Retiree Healthcare Plan, and the net OPEB obligation for the Fiscal Years ended June 30, 2015 through 2017 (table shows dollars in thousands):

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Paid</b>	<b>Net OPEB Obligation</b>
June 30, 2015	\$74,141	58.4%	\$415,658
June 30, 2016	76,158	57.4	448,099
June 30, 2017	78,000	62.8	477,152

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

***Funded Status and Funding Progress.*** As of June 30, 2016, the most recent actuarial valuation date, the Retiree Healthcare Plan was not funded. The unfunded actuarial accrued liability ("UAAL") for benefits was \$1.14 billion. The covered payroll was \$384.5 million, and the ratio of the UAAL to the covered payroll was 297.36%. The Retiree Healthcare Plan membership as of July 1, 2016, was 14,898; consisting of 7,603 current retirees, beneficiaries

and dependents and 7,295 current active participants. There are no terminated participants entitled but not yet eligible.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB provided under the Retiree Healthcare Plan incorporated the use of various assumptions including demographic and salary increases among others. Amounts determined regarding the funded status of the Retiree Healthcare Plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presents multi-year trend information on the actuarial value of plan assets relative to the actuarial accrued liability for benefits. Under the provisions of GASB 45, Accounting and Financial reporting by employers for postemployment benefits other than pensions, the City elected to use the June 30, 2016, actuarial report as the basis for determining the current year ARC requirement.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016, actuarial valuation, the Entry Age Normal Level percent of payroll actuarial cost method was used. It is amortized as a level percent of payroll over a 21-year period and a closed amortization method. The actuarial assumptions included 4.0 percent investment rate of return (net of administrative expenses) and an annual medical cost trend rate of seven percent initially, graded down to 4.5 percent over five years. Both rates include a three percent inflation assumption. Currently there are no assets set aside that are legally held exclusively for OPEB.

See "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017 - Notes to Financial Statements - Section V. B." attached hereto.

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**Schedule of Changes in Net Pension Liability for the General Employees' Pension Plan for the years ended June 30**  
**(Dollars in thousands)**

	<b>General Employees'</b>			<b>Firefighters'</b>			<b>Police Officers'</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability	\$1,915,577	\$1,873,213	\$1,832,883	\$861,493	\$853,690	\$846,325	\$1,317,840	\$1,294,907	\$1,270,494
Plan fiduciary net position	1,122,786	1,153,715	1,145,333	612,637	644,649	658,508	950,415	983,385	987,507
Employers net pension liability	\$ 792,791	\$ 719,498	\$ 687,550	\$248,856	\$209,041	\$187,817	\$ 367,425	\$ 311,522	\$ 282,987
Plan fiduciary net position as a percentage of total pension liability	58.61%	61.59%	62.49%	71.11%	75.51%	77.81%	72.12%	75.94%	77.73%
Covered-employee payroll	\$ 151,625	\$ 145,654	\$ 142,494	\$ 46,918	\$ 47,181	\$ 44,508	\$ 92,965	\$ 93,836	\$ 91,840
Percentage of covered-employee payroll	522.86%	493.98%	482.51%	530.41%	443.06%	421.98%	395.23%	331.99%	308.13%

Sources: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

Note: GASB 68 requires the schedule to report 10 years of information. Additional years will be displayed as the information becomes available.

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**Schedule of Changes in Net Pension Liability  
for the General Employees' Pension Plan  
for the years ended June 30  
(Dollars in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 20,230	\$ 20,191	\$ 19,644
Interest	136,155	133,276	130,279
Demographic experience	1,610	-	-
Differences between expected and actual experience	-	(1,399)	-
Benefit payments, including refunds of member contributions	(115,631)	(111,738)	(108,175)
Net change in total pension liability	42,364	40,330	41,748
Total pension liability - beginning	1,873,213	1,832,883	1,791,135
Total pension liability - ending	<u>\$1,915,577</u>	<u>\$1,873,213</u>	<u>\$1,832,883</u>
Plan fiduciary net position:			
Contributions - employer	54,236	48,015	42,145
Contributions - member	19,173	16,975	17,366
Net investment income	12,257	56,575	188,381
Benefit payments, including member refunds	(115,631)	(111,738)	(108,175)
Administrative expenses	(964)	(1,445)	(8,813)
Net change in plan fiduciary net position	(30,929)	8,382	130,904
Plan fiduciary net position - beginning	1,153,715	1,145,333	1,014,429
Plan fiduciary net position - ending	1,122,786	1,153,715	1,145,333
Plan net pension liability - ending	<u>\$ 792,791</u>	<u>\$ 719,498</u>	<u>\$ 687,550</u>

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

Note: GASB 68 requires the schedule to report 10 years of information. Additional years will be displayed as the information becomes available.

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**Schedule of Changes in Net Pension Liability  
for the Firefighters' Pension Plan  
for the years ended June 30  
(Dollars in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 12,013	\$ 12,612	\$ 13,783
Interest	62,584	60,396	59,473
Differences between expected and actual experience	-	-	10,092
Demographic experience	(22,794)	(23,053)	-
Changes of assumptions	-	-	16,251
Benefit payments, including refunds of member contributions	(44,000)	(42,590)	(41,629)
Net change in total pension liability	7,803	7,365	57,970
Total pension liability - beginning	853,690	846,325	788,355
Total pension liability - ending	<u>\$861,493</u>	<u>\$853,690</u>	<u>\$846,325</u>
Plan fiduciary net position:			
Contributions - employer	16,454	20,866	20,656
Contributions - member	5,667	5,637	5,670
Net investment income (loss)	(9,895)	2,651	112,374
Other	150	4	
Benefit payments, including member refunds	(44,000)	(42,590)	(41,268)
Administrative expenses	(388)	(427)	(374)
Net change in plan fiduciary net position	(32,012)	(13,859)	97,058
Plan fiduciary net position - beginning	644,649	658,508	561,450
Plan fiduciary net position - ending	<u>612,637</u>	<u>644,649</u>	<u>658,508</u>
Plan net pension liability - ending	<u>\$248,856</u>	<u>\$209,041</u>	<u>\$187,817</u>

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

Note: GASB 68 requires the schedule to report 10 years of information. Additional years will be displayed as the information becomes available.

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**Schedule of Changes in Net Pension Liability  
for the Police Officers' Pension Plan  
for the years ended June 30  
(Dollars in thousands)**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability:			
Service cost	\$ 21,573	\$ 22,387	\$ 23,755
Interest	95,436	91,326	89,442
Changes of benefit terms	(34,253)	(33,047)	
Differences between expected and actual experience			36,363
Changes of assumptions			13,373
Benefit payments, including refunds of member contributions	(59,823)	(56,253)	(51,070)
Net change in total pension liability	22,933	24,413	111,863
Total pension liability - beginning	1,294,907	1,270,494	1,158,631
Total pension liability - ending	<u>\$1,317,840</u>	<u>\$1,294,907</u>	<u>\$1,270,494</u>
Plan fiduciary net position:			
Contributions - employer	25,441	32,693	30,197
Contributions - member	11,825	11,224	11,157
Net investment income	(10,177)	8,734	168,964
Other	193	4	
Benefit payments, including member refunds	(59,823)	(56,253)	(51,299)
Administrative expenses	(429)	(524)	(327)
Net change in plan fiduciary net position	(32,970)	(4,122)	158,692
Plan fiduciary net position - beginning	983,385	987,507	828,815
Plan fiduciary net position - ending	950,415	983,385	987,507
Plan net pension liability - ending	<u>\$ 367,425</u>	<u>\$ 311,522</u>	<u>\$ 282,987</u>

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

Note: GASB 68 requires the schedule to report 10 years of information. Additional years will be displayed as the information becomes available.

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**Schedule of Employer Contributions for the years ended June 30**  
**(Dollars in thousands)**

<b>General Employees'</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Actuarially determined contributions	\$ 53,817	\$ 54,236	\$ 48,015	\$ 42,145	\$ 38,688	\$ 35,237	\$ 46,068	\$ 51,762	\$ 69,991	\$ 59,780
Contributions in relation to the actuarially determined contribution	53,817	54,236	48,015	42,145	38,688	35,237	46,068	51,762	69,991	59,780
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	171,107	151,625	145,654	142,494	133,069	139,107	135,636	142,597	150,312	179,982
Contributions as a percentage of covered-employee payroll	31.5%	35.8%	33.0%	29.6%	29.1%	25.3%	34.0%	36.3%	46.6%	33.2%
<b>Firefighters'</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Actuarially determined contributions	\$ 17,901	\$ 16,454	\$ 20,866	\$ 20,656	\$ 17,491	\$ 21,092	\$ 24,912	\$ 25,865	\$ 28,752	\$ 26,373
Contributions in relation to the actuarially determined contribution	17,901	16,454	20,866	20,656	17,491	21,092	24,912	25,865	28,752	26,373
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	47,479	46,918	47,181	44,508	42,797	39,482	42,963	43,910	43,275	45,561
Contributions as a percentage of covered-employee payroll	37.7%	35.1%	44.2%	46.4%	40.9%	53.4%	58.0%	58.9%	66.4%	57.9%
<b>Police Officers'</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Actuarially determined contributions	\$ 27,493	\$ 25,441	\$ 32,693	\$ 30,197	\$ 26,525	\$ 33,748	\$ 19,568	\$ 40,422	\$ 41,213	\$ 44,434
Contributions in relation to the actuarially determined contribution	27,493	25,441	32,693	30,197	26,525	33,748	19,568	40,422	41,213	44,434
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	104,788	92,965	93,836	91,840	88,297	73,688	83,551	78,519	82,030	84,015
Contributions as a percentage of covered-employee payroll	26.2%	27.4%	34.8%	32.9%	30.0%	45.8%	23.4%	51.5%	50.2%	52.9%

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Twelve Months Ended June 30, 2017 and City of Atlanta, Department of Finance.

## **CERTAIN INVESTMENT RISKS**

### **General**

The purchase of the Series 2018 Certificates involves certain investment risks which are described throughout this Official Statement and certain of these risks are further described below. Such investment risks could affect each potential purchaser's investment decision relating to the Series 2018 Certificates. Accordingly, each potential purchaser of any Series 2018 Certificates should make an independent evaluation of all of the information presented in this Official Statement, including the risk factors described below, in order to make an informed investment decision.

### **Limited Obligations**

The Series 2018 Certificates represent proportionate and undivided ownership interests in GMA's right to receive the Installment Payments paid by the City under the Installment Sale Agreement (which right is assigned to the Trustee pursuant to the Indenture).

Neither the Series 2018 Certificates nor the Distributions constitute an obligation of GMA. The Distributions payable with respect to the Series 2018 Certificates are limited obligations and are payable solely from the Trust Estate, which is comprised primarily of the Installment Payments. Neither the full faith and credit nor the taxing powers of the State, nor any political subdivision of the State, including the City, is pledged to the payment of the Distributions or other costs appertaining thereto. The Distributions do not now and will never constitute an indebtedness of the State or any political subdivision of the State, including the City, within the meaning of any State constitutional provision or limitation nor give rise to or be a general obligation or liability of nor a charge against the general credit or taxing powers of the State or any political subdivision of the State, including the City.

### **Funds Restricted to Legally Available Funds; Factors Affecting Appropriations**

The source of funds from which the Mayor and the City Council may appropriate moneys for the Installment Payments and the Additional Payments due under the Installment Sale Agreement is restricted to Legally Available Funds. For additional information related to the City and its financial condition generally, see "FISCAL OVERVIEW OF THE CITY" herein. The City may not make the Installment Payments and the Additional Payments from any other sources of funds.

The City will make the following representations in the Installment Sale Agreement: (a) the Projects are essential to the proper, efficient and economic operation of the City, and serves an essential governmental function of the City, and (b) subject to O.C.G.A. § 36-60-13, as amended, the City reasonably believes that Legally Available Funds will be available for the payment of all Installment Payments and Additional Payments through the last Certificate Payment Date. Notwithstanding the foregoing, there is no assurance that sufficient Legally Available Funds will be generated by the City to make the Installment Payments and the Additional Payments in each of the Renewal Terms. Further, there is no assurance that the City will, in its sole discretion, exercise its option to extend the term of the Installment Sale

Agreement for each of the Renewal Terms of the Installment Sale Agreement. Accordingly, the likelihood that the Mayor and the City Council will continue to appropriate funds to pay the Installment Payments and the Additional Payments during each Renewal Term of the Installment Sale Agreement and that sufficient funds will be available to pay the Installment Payments and the Additional Payments under the Installment Sale Agreement (representing the Distributions with respect to the Series 2018 Certificates) depends upon a number of factors which are beyond the control of the Owners of the Series 2018 Certificates, including, but not limited to, (a) the continuing need of the City for the Projects, (b) economic and demographic conditions in the City and the ability of the City to generate sufficient Legally Available Funds to pay the Installment Payments and the Additional Payments coming due under the Installment Sale Agreement, and (c) the value of the Projects.

### **Limited Value of Projects Upon Lease or Sale**

Upon the termination of the Installment Sale Agreement as a result of an Event of Nonappropriation or an Event of Default by the City, the Trustee's sole remedy will be to repossess the Projects as provided in the Installment Sale Agreement and the Security Agreement. In the event that the Trustee is entitled to repossess the Projects for the reasons described in the preceding sentence, the obligation of the City to pay the Installment Payments and the Additional Payments under the Installment Sale Agreement and its right to use and operate the Projects will continue through the Renewal Term then in effect, but not thereafter. In the event that the term of the Installment Sale Agreement is terminated as described above, the Trustee will be entitled to repossess the Projects and lease or sell the Projects as provided in the Installment Sale Agreement and the Indenture. However, the Projects will be used by the City as court and public safety facilities, and the facilities included in the Projects may depreciate rapidly during normal use and may not be suitable for any other purpose. No assurance can be given that the Trustee could lease or sell the Projects for the amount necessary to pay the Distributions due with respect to the Series 2018 Certificates. Furthermore, no assurance can be given that any amount realized upon any liquidation of the Projects will be available to provide for the payment of the Series 2018 Certificates on a timely basis.

### **Limitation on Remedies**

A termination of the City's right of possession of the Projects under the Installment Sale Agreement as a result of an Event of Default under the Installment Sale Agreement or expiration of the term of the Installment Sale Agreement at the end of any Renewal Term will give the Trustee the right to repossess, and the right to lease or foreclose upon and sell, the Projects in accordance with the provisions of the Installment Sale Agreement and the Indenture. However, the enforceability of the Installment Sale Agreement, the Indenture and the Security Agreement is subject to applicable bankruptcy laws, equitable principles affecting the enforcement of creditor's rights generally and liens securing such rights, the police powers of the State, the exercise of judicial authority by state or federal courts and the exercise by the United States of America of the powers delegated to it by the federal Constitution. See "ENFORCEABILITY OF REMEDIES" herein. Further, the Projects will be used by the City as court and public safety facilities. Because of the essential governmental use of the Projects and the delays inherent in obtaining foreclosure upon real property and other judicial remedies, no assurance can be given

that any moneys realized by the Trustee upon an exercise of any remedies would be sufficient to pay the principal and interest due with respect to the Series 2018 Certificates. Any delays in the ability of the Trustee to obtain possession of the Projects, of necessity, will result in delays in any payment of principal or interest with respect to the Series 2018 Certificates.

### **Depreciation and Lack of Residual Value**

Certain items of the Projects which have relatively short useful lives may depreciate in value during the time that the Series 2018 Certificates are outstanding. In addition, various components of the Projects may be difficult to remove from their points of service or use. Consequently, following an Event of Default under the Installment Sale Agreement or Indenture or termination of the Installment Sale Agreement for any reason, it is possible that (a) there would not be sufficient revenues from any sale of the Projects to pay in full the Distributions payable with respect to all outstanding Certificates and (b) if the Trustee were to lease the Projects, the rentals available from such leasing may not be sufficient to pay in full the Distributions payable with respect to all outstanding Certificates.

### **Completion of the Projects**

Although the City is obligated under the Installment Sale Agreement to make the Installment Payments from Legally Available Funds which the Mayor and the City Council will annually appropriate for such purpose, in the event the construction and equipping are not completed as planned, there is no assurance that the Mayor and the City Council will continue to annually appropriate funds to make the Installment Payments. In the event the City terminates the Installment Sale Agreement or the Mayor and the City Council do not appropriate sufficient funds to make the Installment Payments, and the Installment Sale Agreement thereby expires by its terms at the end of the Initial Term or any Renewal Term prior to the completion of construction of certain of the Projects, the City will have no further payment obligation under the Installment Sale Agreement, except for the Installment Payments which are payable prior to the expiration of such Initial Term or Renewal Term. Upon such expiration and the Trustee may exercise one or more of the rights provided in the Installment Sale Agreement, the Security Agreement and the Indenture. See "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS - THE AGREEMENT - Remedies of Event of Default or Event of Nonappropriation" attached hereto.

### **Damage, Destruction and Condemnation of the Projects**

The City is required to maintain or cause to be maintained insurance policies in such amounts and in such manner and against such loss, damage and liability, including liability to third parties, as provided in the Installment Sale Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 CERTIFICATES - Insurance on the Projects" herein and "APPENDIX C - SUMMARIES OF THE PRINCIPAL DOCUMENTS - THE AGREEMENT - Insurance" attached hereto.

The Series 2018 Certificates are subject to mandatory prepayment in the event of damage, destruction, or condemnation of the Projects or any portion or certain events occur with

respect to the Projects or any portion thereof as more fully described in the Installment Sale Agreement or any additional agreement, and the Net Proceeds of any insurance policy performance bond or condemnation award, or the Net Proceeds received as a consequence of defaults under any Construction Contract, made available by reason of one or more such occurrences, will be insufficient to pay in full the cost of rebuilding or repairing the Projects or any portion thereof, and the City elects to apply such Net Proceeds to the prepayment of the then outstanding Series 2018 Certificates in accordance with the Installment Sale Agreement and any additional agreement. See "DESCRIPTION OF THE SERIES 2018 CERTIFICATES - Prepayment Provisions - *Mandatory Prepayment in the Event of Damage, Destruction, Condemnation*" herein.

There can be no assurance either as to the adequacy of or timely payment under property damage insurance in effect or condemnation award rendered at the time of the event giving rise to such payments or claims. In addition, there can be no assurance as to whether the City will pay any cost in excess of the Net Proceeds or discharge its obligation to repair or replace the Projects by causing such Net Proceeds to be deposited into the Redemption Fund.

## **Environmental Issues**

Upon the acquisition by the City in 2003 of the property upon which the municipal court facility was constructed (the "Court Facility Land"), environmental studies commissioned by the City indicated that the primary environmental issues identified with respect to the Court Facility Land were related to its historical use as one or more gas stations; namely, the discovery of three abandoned underground storage tanks or "USTs" used by the former gas station(s). The City believes that, at the time of closure of the last gas station which occupied the Court Facility Land, the applicable environmental and other laws, rules and regulations did not require removal of the USTs. As such, upon its acquisition of the Court Facility Land, the City caused its environmental engineering consultant to remove the USTs. The City believes that this work was conducted in accordance with applicable environmental laws, rules and regulations. The City received and retains in its official records the results of confirmatory soil samplings demonstrating that there were no further impacts to the soil in the subject area after the removal of the USTs. The City further believes that the environmental engineering consultant which handled the removal of the USTs sent all the required forms to the Georgia Department of Natural Resources, Environmental Protection Division, and that there is no further remediation required on the Court Facility Land. Accordingly, the City believes that there is no additional environmental work necessary in respect of the Court Facility Land. Generally speaking, under Georgia law, the liability for contamination related to a USTs rests with the owner of the UST itself. At no time was the City the owner of the USTs located on the Court Facility Land for purposes of Georgia law or applicable federal environmental laws, rules or regulations. Other than as specified above, the City is not aware of any other environmental matters affecting the Sites.



## **Tax Effect upon Termination of Installment Sale Agreement; Continuing Compliance with Certain Covenants**

Special Counsel is not rendering an opinion with respect to the tax-exempt status of the interest component of the Installment Payments distributable to owners of the Series 2018 Certificates subsequent to the termination of the Installment Sale Agreement for any reason (including an Event of Default or an Event of Nonappropriation under the Installment Sale Agreement). No assurance can be given that, after termination of the Installment Sale Agreement, payments made to the owners of the Series 2018 Certificates designated as interest will be excludable from gross income for federal income tax purposes.

Failure by the City to comply with certain covenants in the Installment Sale Agreement on a continuous basis, so long as any of the Series 2018 Certificates are outstanding under the Indenture and thereafter as required by such document provisions and applicable law, could result in the interest with respect to such Series 2018 Certificates becoming includable in gross income for federal income tax purposes, retroactive to the date of their original execution and delivery. See "TAX MATTERS" herein.

## **Applicability of Securities Laws**

In the event of the termination of the Installment Sale Agreement, the transfer of a Series 2018 Certificate may be subject to or conditioned upon compliance with the registration provisions of applicable federal and state securities laws. Accordingly, there is no assurance that liquidity of the Series 2018 Certificates will not be impaired following termination of the Installment Sale Agreement.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee, GMA or the owners of Series 2018 Certificates upon an Event of Default under the Indenture or the Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the Federal Bankruptcy Code), the remedies provided in the Indenture and the Installment Sale Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2018 Certificates, the Indenture, and the Installment Sale Agreement will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

Notwithstanding the foregoing, O.C.G.A. § 36-80-5 provides that no authority or municipality created under the State Constitution or the laws of the State will be authorized to file a petition for relief from payment of its debts as they mature or a petition for consolidation of its debts under any federal statute providing for such relief or consolidation or otherwise to take advantage of any federal statute providing for the adjustment of debts of political subdivisions and public agencies and instrumentalities. O.C.G.A. § 36-80-5 also provides that no chief executive, mayor, city council, or other governmental officer, governing body, or organization

shall be empowered to cause or authorize the filing by or on behalf of any authority or municipality created under the Constitution of the State of Georgia of 1983, as amended, or laws of the State of any petition for federal relief from payment of its debts as they mature or a petition for composition of its debts under any federal statute providing for such relief or composition or otherwise to take advantage of any federal statute providing for the adjustment of debts of political subdivisions and public agencies and instrumentalities.

## **TAX MATTERS**

### **Opinion of Special Counsel**

In the opinion of Special Counsel, under current law, the portion of the Installment Payments paid by the City under the Installment Sale Agreement as interest (the "Interest Component") (a) will not be included in gross income for federal income tax purposes, (b) will not be an item of tax preference for purposes of the federal alternative minimum income tax and (c) will be exempt from income taxation by the State of Georgia. No other opinion is expressed by Special Counsel regarding the tax consequences of the ownership of or the receipt or accrual of the Interest Component received by holders of the Series 2018 Certificates.

Special Counsel's opinion will be given in reliance upon certifications by representatives of the City, GMA and other parties as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and is subject to the condition that there is compliance subsequent to the issuance of the Series 2018 Certificates with all requirements of the Code that must be satisfied in order for the Interest Component received by the holders of the Series 2018 Certificates to remain excludable from gross income for federal income tax purposes. The City and GMA have covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2018 Certificates and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2018 Certificates. Failure by the City and GMA to comply with such covenants, among other things, could cause the Interest Component received by the holders of the Series 2018 Certificates to be included in gross income for federal income tax purposes retroactively to their date of issue.

Special Counsel's opinion represents a legal judgment based in part upon the representations and covenants referenced therein and a review of current law, but is not a guarantee of result or binding on the IRS or the courts. Special Counsel assumes no duty to update or supplement the opinion to reflect any facts or circumstances that may thereafter come to Special Counsel's attention or to reflect any changes in law or the interpretation thereof that may thereafter occur or become effective.

Customary practice in the giving of legal opinions includes not detailing in the opinion all the assumptions, exclusions, conditions and limitations which are a part of the conclusions therein. See *Statement on the Role of Customary Practice in the Preparation and Understanding of Third-Party Legal Opinions* in The Business Lawyer, Volume 63, Page 1277 (2008) and *Legal Opinion Principles* in The Business Lawyer, Volume 53, Page 831 (1998). Purchasers of Series

2018 Certificates should seek advice or counsel concerning such matters as they deem prudent in connection with their purchase of Series 2018 Certificates, including with respect to the Special Counsel opinion.

### **Original Issue Premium**

Series 2018 Certificates purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for federal income tax purposes as having amortizable bond premium. A holder's basis in such a Series 2018 Certificate must be reduced by the amount of premium which accrues while such Series 2018 Certificate is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Series 2018 Certificates while so held. Purchasers of such Series 2018 Certificates should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Series 2018 Certificates.

### **Other Tax Matters**

In addition to the matters addressed above, prospective purchasers of Series 2018 Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of Series 2018 Certificates should consult their own tax advisors as to the applicability and impact of such consequences.

Current and future legislative proposals, if enacted into law, may cause the Interest Component received by the holders of the Series 2018 Certificates to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the aggregate amount of interest on state and local government bonds that may be treated as tax exempt by certain individuals.

The IRS has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2018 Certificates, under current IRS procedures, the IRS will treat GMA as the taxpayer and the owners of the Series 2018 Certificates will have only limited rights, if any, to participate.

There are many events which could affect the value and liquidity or marketability of the Series 2018 Certificates after their issuance, including but not limited to public knowledge of an audit of the Series 2018 Certificates by the IRS, a general change in interest rates for comparable securities, a change in federal income tax rates or treatment, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Series 2018 Certificates who purchase Series 2018 Certificates after their issuance may be different from those relevant to

purchasers upon issuance. Neither the opinion of Special Counsel nor this Official Statement purport to address the likelihood or effect of any such potential events or such other tax considerations, and purchasers of Series 2018 Certificates should seek advice from their own tax advisors concerning such matters as they deem prudent in connection with their purchase of Series 2018 Certificates.

Prospective purchasers of the Series 2018 Certificates should consult their own tax advisors as to the status of the Interest Component on the Series 2018 Certificates under the tax laws of any state other than Georgia.

## **LITIGATION**

### **GMA**

There is no litigation now pending or, to the knowledge of GMA, threatened against GMA which restrains or enjoins the issuance or delivery of the Series 2018 Certificates, the execution, delivery or performance of the Installment Sale Agreement, or the use of the proceeds of the Series 2018 Certificates or which questions or contests the validity of the Series 2018 Certificates, the Installment Sale Agreement, the Indenture or the proceedings and authority under which they are to be issued, executed and delivered. Neither the creation, organization, nor existence of GMA, nor the title of the present members or other officials of GMA to their respective offices, is being currently contested or questioned to the knowledge of GMA.

### **The City**

There is no litigation now pending or, to the knowledge of the City, threatened against the City which restrains or enjoins the issuance or delivery of the Series 2018 Certificates, the execution, delivery or performance of the Installment Sale Agreement, or the use of the proceeds of the Series 2018 Certificates or which questions or contests the validity of the Series 2018 Certificates, the Installment Sale Agreement, the Indenture or the proceedings and authority under which they are to be issued, executed and delivered. Neither the creation, organization, nor existence of the City, nor the title of the present members or other officials of the City to their respective offices, is being currently contested or questioned to the knowledge of the City.

The City, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The City, after reviewing the current status of all pending and threatened litigation with the City's Department of Law, believes that, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or, to the knowledge of the City, threatened against the City or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the City.

## **CONTINUING DISCLOSURE**

GMA has determined that no financial or operating data concerning GMA is material to any decision to purchase, hold, or sell the Series 2018 Certificates, and GMA will not provide any such information. The City will undertake all responsibility for providing continuing disclosure with respect to the Series 2018 Certificates and GMA will have no liability to the holders of the Series 2018 Certificates or any other person with respect to the obligations undertaken by the City under the Disclosure Agreement.

In order to assist the Underwriters in complying with the Rule, simultaneously with the issuance of the Series 2018 Certificates, the City will enter into the Disclosure Agreement for the benefit of the holders of the Series 2018 Certificates, substantially in the form attached hereto as "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT." The City, as an "obligated person" under the Rule, will undertake in the Disclosure Agreement to provide: (a) certain financial information and operating data relating to the Series 2018 Certificates in each year (the "Annual Report"); and (b) notice of the occurrence of certain enumerated events (each a "Listed Event Notice"). The Annual Report and each Listed Event Notice, if applicable, will be filed by DAC, on behalf of the City, on the Electronic Municipal Market Access system, a service of the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system. The specific nature and timing of filing the Annual Report and each Listed Event Notice, and other details of the City's undertakings are more fully described in "APPENDIX E - FORM OF CONTINUING DISCLOSURE AGREEMENT" attached hereto.

The following disclosure is being provided by the City for the sole purpose of assisting the Underwriters in complying with the Rule: The City previously entered into continuing disclosure undertakings, as an "obligated person" under the Rule (the "Undertakings"). In the previous five year period beginning on January 22, 2013 and ending on January 22, 2018 (the "Compliance Period"), the City has, on several instances during the Compliance Period, failed to comply with certain provisions of the Undertakings, including: (a) failing to timely file certain annual financial information and/or operating data, (b) failing to provide certain required annual financial information and/or operating data in its annual filings, and (c) failing to file or timely file certain notices.

## **LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance, validity, sale and delivery of the Series 2018 Certificates are subject to the approving opinion of Hunton & Williams LLP, Atlanta, Georgia, Special Counsel, whose approving opinion in substantially the form attached hereto as "APPENDIX D - FORM OF OPINION OF SPECIAL COUNSEL" will be delivered concurrently with the issuance of the Series 2018 Certificates. The legal opinion of Special Counsel will speak only as of its date and subsequent distribution of it by recirculation of this Official Statement or otherwise will not create any implication that subsequent to the date of the legal opinion Special Counsel has affirmed its opinion. The actual legal opinion to be delivered may vary from the text of Appendix D, if necessary, to reflect facts and law on the date of delivery of the Series 2018 Certificates.

Certain legal matters will be passed upon for GMA by Gray Pannell & Woodward LLP, Atlanta, Georgia. Certain legal matters will be passed upon for the City by the City's Department of Law. Greenberg Traurig, LLP and Riddle & Schwartz, LLC, both of Atlanta, Georgia, are serving as Co-Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by D. Seaton and Associates, P.A., Davie, Florida.

## **FINANCIAL STATEMENTS**

The basic financial statements of the City as of June 30, 2017 and for the Fiscal Year then ended have been audited by KPMG LLP, independent auditors (the "Auditor"). The report of the Auditor, together with the basic financial statements, component units' financial statements, and notes to the financial statements for Fiscal Year ended June 30, 2017 are attached hereto as "APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE CITY OF ATLANTA FOR THE FISCAL YEAR ENDED JUNE 30, 2017." KPMG LLP, the City's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not been engaged to perform and has not performed any procedures relating to this Official Statement.

## **CO-FINANCIAL ADVISORS**

Hilltop Securities Inc., Dallas, Texas and Grant & Associates LLC, Marietta, Georgia are serving as Co-Financial Advisors to the City. The Co-Financial Advisors assisted in matters related to the planning, structuring and issuance of the Series 2018 Certificates and provided other advice. The Co-Financial Advisors did not engage in any underwriting activities with regard to the issuance and sale of the Series 2018 Certificates.

## **RATINGS**

Moody's Investors Service, Inc. and Fitch Ratings (together, the "Rating Agencies") have assigned underlying ratings of "Aa2" and "AA," respectively, to the Series 2018 Certificates.

The ratings, including any related outlook with respect to potential changes in such ratings, reflect only the respective views of the Rating Agencies, and an explanation of the significance of such ratings may be obtained from the Rating Agencies furnishing the ratings. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies, and assumptions of its own. There is no assurance that such ratings will remain unchanged for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agency furnishing the same, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings or other actions by the Rating Agencies or either of them, may have an adverse effect on the liquidity and/or market price of the affected Series 2018 Certificates. Neither GMA nor the City has undertaken any responsibility to oppose any such revision, suspension or withdrawal.

## **UNDERWRITING**

Samuel A. Ramirez & Company, Inc. (the "Representative"), on behalf of itself and the other underwriter listed in the cover page of this Official Statement (together, the "Underwriters") have agreed jointly and severally, pursuant to a Certificate Purchase Agreement between the Representative, GMA and the City (the "Certificate Purchase Agreement") to purchase the Series 2018 Certificates at a price equal to \$49,388,061.65 (representing the principal amount of the Series 2018 Certificates of \$43,335,000.00, less an underwriting discount of \$221,380.70, and plus premium of \$6,274,442.35). The Certificate Purchase Agreement provides that the obligations of the Underwriters to accept delivery of the Series 2018 Certificates are subject to various conditions of the Certificate Purchase Agreement, but the Underwriters will be obligated to purchase all of the Series 2018 Certificates, if any are purchased. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2018 Certificates to the public.

The prices and other terms with respect to the offering and sale of the Series 2018 Certificates may be changed from time to time by the Underwriters after such Series 2018 Certificates are released for sale, and the Series 2018 Certificates may be offered and sold at prices other than the initial offering prices, including sales to dealers whom may sell the Series 2018 Certificates into investment accounts.

Certain of the Underwriters have entered into distribution agreements with other broker dealers (that have not been designated by the City as underwriters with respect to the Series 2018 Certificates) for the distribution of the Series 2018 Certificates at the original issue prices set forth on the inside front cover of this Official Statement. Such agreements generally provide that the Underwriters will share a portion of its underwriting compensation or selling concession with such broker-dealers.

## **FORWARD LOOKING STATEMENTS**

Any statements made in this Official Statement, including in the appendices, involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized.

Use of the words "shall" or "will" in this Official Statement or in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled. The statements contained in this Official Statement, including in the appendices, that are not purely historical, are "forward looking statements." Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "budget" or other similar words. Readers should not place undue reliance on forward looking statements. All forward looking statements included or incorporated by reference in this Official Statement are based on information available on the date hereof and neither GMA nor

the City assume any obligation to update any such forward looking statements. It is important to note that the actual results could differ materially from those in such forward looking statements.

The forward looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of GMA and the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward looking statements included in this Official Statement, including in the appendices, will prove to be accurate.

## **MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2018 Certificates, the security for and the source for repayment for the Series 2018 Certificates and the rights and obligations of the holders of Series 2018 Certificates. Copies of such documents may be obtained as specified under "INTRODUCTION - Other Information" herein.

The appendices attached hereto are integral parts of this Official Statement and should be read together with all other parts of this Official Statement.

Any statements made in this Official Statement involving matters of opinion or of estimates or forecasts, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or forecasts will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Holders of the Series 2018 Certificates.

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**AUTHORIZATION OF AND CERTIFICATION  
CONCERNING OFFICIAL STATEMENT**

The execution and delivery of this Official Statement, and its distribution and use by the Underwriters in connection with the original public offer, sale and distribution of the Series 2018 Certificates by the Underwriters, have been duly authorized and approved by GMA and the City.

**GEORGIA MUNICIPAL ASSOCIATION, INC.**

By: /s/ Larry H. Hanson

Larry H. Hanson, Executive Director

**CITY OF ATLANTA**

By: /s/ Keisha Lance Bottoms

Keisha Lance Bottoms, Mayor

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## **APPENDIX A**

### **STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY**

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## APPENDIX A

### STATISTICAL AND FINANCIAL INFORMATION REGARDING THE CITY

In addition to the information provided in the Official Statement, including each of the appendices attached thereto, with respect to the Georgia Municipal Association, Inc. Certificates of Participation (City of Atlanta Public Safety Projects), Series 2018 (the "Series 2018 Certificates"), the City of Atlanta (the "City") has provided the following general information regarding the City: ad valorem taxation; collection and enforcement; financial data; debt structure; and certain economic and demographic trends. A complete review of this Appendix A, together with the body of the Official Statement and all other appendices attached thereto, is essential to the making of an informed investment decision by any purchaser of the Series 2018 Certificates. In the making of an informed investment decision relating to the Series 2018 Certificates, a potential purchaser should not conclude that the presentation of information in this Appendix A, versus presentation of same in the body of the Official Statement, denotes that the information so provided in this Appendix A is of less relevance or importance than the information set forth in the body of the Official Statement.

The City has not authorized anyone to give any information or to make any representations not contained herein or supplemental hereto, and if given or made, such other information or representations must not be relied upon as having been authorized. **All of the following information, estimates, and expressions of opinion are subject to change without notice.** The delivery by the City of the information contained herein shall not, under any circumstances, create any implication that there has been no material change in the affairs of the City since the date of the Official Statement. All capitalized terms used herein and not otherwise expressly defined herein shall have the respective meanings set forth in the Official Statement.

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## THE CITY

### Introduction

The City is a municipal corporation created and existing under the laws of the State of Georgia (the "State"). The City is the seat of government of the State and Fulton County. The City currently has a land area of approximately 136.5 square miles, approximately 93.7% of which is located in Fulton County and 6.3% of which is located in DeKalb County. The City constitutes approximately 23.8% of the land area of Fulton County and 2.6% of the land area of DeKalb County.<sup>1</sup> The City is the core of the ninth largest Metropolitan Statistical Area in the country as of July 1, 2016 according to the U.S. Bureau of the Census, including approximately 5.7 million people.<sup>2</sup>

This economic and demographic information does not purport to be comprehensive. For further economic and demographic information relating to the City, see "CITY ECONOMIC AND DEMOGRAPHIC INFORMATION" herein. In addition, the City's Comprehensive Annual Financial Report for the year ended June 30, 2017 can be obtained through EMMA at <http://emma.msrb.org> or by request to the following address: 68 Mitchell Street, S.W., Suite 11100, South Tower, Atlanta, Georgia 30303, telephone (404) 330-6430.

### City Administration and Officials

For information related to the City's administration and officials, see "THE CITY" in the Official Statement.

### City Services

The City provides a full range of municipal government services to approximately 472,522<sup>3</sup> residents as of July 1, 2016. The City provides police and fire protection, the cost of which is financed by general fund revenues. The City also provides recreational, cultural, traffic control, sanitary code enforcement, pretrial detention, municipal court, planning and zoning, and building and housing code enforcement services and acquires, constructs, and maintains highways, streets, bridges, traffic signals, and other infrastructure, the cost of which is financed by general fund revenues. The City provides residential solid waste removal, the cost of which is financed by fees and charges to the end user. The City also operates the William B. Hartsfield - Maynard H. Jackson Atlanta International Airport ("Hartsfield-Jackson Atlanta International Airport"), the cost of which is financed by landing fees, rental of airport property and concession revenues. In addition, the City is financially accountable as of June 30, 2017 for the City of Atlanta and Fulton County Recreation Authority, the Urban Design Commission (UDC), the Solid Waste Management Authority (SWMA), the Atlanta Public Safety and Judicial Facilities Authority, the Atlanta CoRA Inc., Keep Atlanta Beautiful, Atlanta Housing

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<sup>1.</sup> Sources: City of Atlanta, Georgia, Comprehensive Annual Financial Report for the Year Ended June 30, 2017; U.S. Census Bureau, U.S. Department of Commerce; Bureau of Labor Statistics.

<sup>2.</sup> Sources: U.S. Census Bureau Population Division, Annual Estimates of the Population of Metropolitan and Micropolitan Statistical Areas: April 1, 2010 to July 1, 2016.

<sup>3.</sup> Source: U.S. Census Bureau, Population Division.

Opportunity, Inc. and The Atlanta Development Authority (doing business as Invest Atlanta), all of which are included as part of the City's Comprehensive Annual Financial Report for the year ended June 30, 2017.

## **City Facilities**

The City operates from its main governmental center, located at 55 Trinity Avenue, SW referred to as City Hall. The Office of the Mayor and City Council are located at City Hall.

The City owns a drinking water supply, treatment, and distribution system, which serves approximately 160,428<sup>4</sup> metered connections, including residential, commercial, and industrial customers, as well as the water distribution systems of other governments in the Atlanta area. The population of the water system's service area is estimated to be more than 1,000,000 users, approximately 400,000 of which are located inside of the City's corporate limits. The remaining capacity of the water system is available on a retail and contract basis to surrounding jurisdictions. The City also maintains three treatment plants, one of which is jointly owned with Fulton County, and three initial pumping stations, one of which is jointly owned with Fulton County.

The City owns and operates a wastewater collection and treatment system, including three treatment plants that serve an area of approximately 225 square miles (approximately 54% of which is within the corporate limits of the City), containing an estimated population of 1,500,000. The City treats wastewater for other governments in the Atlanta area under long-term contracts to treat a portion of such governments' wastewater.

As discussed above, the City owns and operates Hartsfield-Jackson Atlanta International Airport, which consistently ranks as one of the busiest airports in the world in total passenger volume according to the Airports Council International. Hartsfield-Jackson Atlanta International Airport is one of the nation's major hub airports and is the primary airport for the southeastern United States. The City exercises exclusive administrative control over the airport through its Department of Aviation.

## **AD VALOREM TAXATION, COLLECTION AND ENFORCEMENT**

Following is a summary of certain ad valorem taxation, collection and enforcement provisions and procedures under the State Constitution, the Official Code of Georgia Annotated ("O.C.G.A." or the "Georgia Code"), the Fulton County Code of Laws (the "Fulton County Code") the Code of DeKalb County, as Revised 1988 (the "DeKalb County Code"), and the Ordinance Code of the City of Atlanta, as such provisions and procedures may be amended from time to time (collectively referred to in this section as the "Georgia Tax Law"). Any references herein to millage rates, exemptions and other matters relating to the assessment and collection of taxes by, or for the benefit of, the Atlanta Board of Education (the "Board of Education") are purely for informational purposes only. This summary of ad valorem tax related provisions and

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<sup>4</sup>. Includes governments and wholesale customers.



procedures is qualified in its entirety by the applicable provisions contained under Georgia Tax Law.

Ad valorem property taxes are an important source of revenue, which the City uses to fund its operations and pay certain long-term debt obligations. See "FISCAL OVERVIEW OF THE CITY - Property Tax Supported Debt" in the Official Statement. Ad valorem property taxes are levied annually in mills (one-tenth of one percent) upon each dollar of assessed value.

The City and the Board of Education are required to provide Fulton County and DeKalb County with the millage rate to be levied on all property subject to ad valorem taxation for purposes of the then current calendar year by June 1 of that year. Fulton County and DeKalb County are required to establish its millage rate to be levied on all property subject to ad valorem taxation for purposes of the then current calendar year by May 15 of that year.

### **Ad Valorem Taxation**

*State and local legislation is enacted from time to time which modifies the ad valorem property tax system, including, without limitation, the type and amount of the homestead exemption, the applicability of other exemptions and the amount of assessments.*

Ad valorem property taxes are levied based upon value, against real property located within the City. There are, however, certain classes of property which are exempt from taxation, including public property, property owned by certain religious entities, property owned by certain charities, property of nonprofit hospitals, nonprofit homes for the aged and nonprofit homes for the mentally handicapped, property owned by colleges and certain educational property, public library property, certain farm products, certain air and water pollution control property, and personal effects.

***Exemptions for City Taxpayers in Fulton County*** – For purposes of calculating ad valorem taxes, City taxpayers who own and reside in their home in Fulton County are allowed a homestead exemption from taxation on the first \$30,000. At age 62, with household income not exceeding \$10,000, City homeowners may receive an additional \$10,000 homestead exemption applicable to taxes levied by the Board of Education. At age 65, with household income not exceeding \$40,000, the City homeowners may receive a \$40,000 homestead exemption from City operating and parks levies, an additional \$25,000 homestead exemption from the Board of Education if household income does not exceed \$25,000, an additional \$4,000 homestead exemption from Fulton County with household income not exceeding \$10,000 and an additional \$10,000 homestead exemption from Fulton County taxes if the applicant and spouse's adjusted gross income does not exceed the maximum amount which may be received under federal social security. Certain disabled veterans, their unremarried surviving spouses or minor children and unremarried surviving spouses of members of the armed forces killed in action may qualify for a homestead exemption from all ad valorem taxes or the maximum amount of \$72,000 from State, Fulton County, City and school tax levies. Unremarried surviving spouses of firefighters or peace officers killed while in the line of duty are granted a full exemption from all ad valorem taxes. Disabled persons and persons over the age of 70, upon meeting certain filing requirements, may qualify for a homestead exemption from Fulton County's ad valorem taxes for the full value of the homestead if such person's adjusted gross income, together with the adjusted gross income

of the resident's spouse who also resides at the homestead, does not exceed the maximum amount which may be received by an individual and an individual's spouse under the federal social security act. Further, the value of residential property owned by persons age 65 or older with annual household income not exceeding \$39,000 for the preceding taxable year is frozen and will remain the property's value as long as the eligible person occupies the residence. In addition, pursuant to legislation enacted in 2004, an additional homestead exemption for Fulton County ad valorem taxes was provided limiting the increase in the assessed value of a taxpayers property to 3% per year or the consumer price index, whichever is lower; provided that this limit shall not apply to increases in assessed value due to improvements to the homestead in a given year. Finally, a tax deferral is also available to citizens 62 years or older meeting certain requirements to the extent deferred taxes, interest and liens do not exceed 85% of the fair market value of the homestead.

***Exemptions for City Taxpayers in DeKalb County*** – For purposes of calculating ad valorem taxes, City taxpayers who own and reside in their home in DeKalb County are allowed a homestead exemption from taxation on the first \$12,500 for DeKalb school tax levies, the first \$10,000 for DeKalb County taxes excluding bond levies, and the first \$30,000 for City tax levies. At age 62 or if permanently disabled, City homeowners may receive a reduction of taxable value of property by \$10,000 from taxes levied by DeKalb County, excluding bond levies, with household income not exceeding \$16,000 in gross income. At age 65 or if permanently disabled, City homeowners may receive an additional \$4,000 homestead exemption from all DeKalb County tax levies with household income not exceeding \$10,000 in net income, or an additional \$4,000 homestead exemption from DeKalb County tax levies with household income not exceeding \$15,000 in net income, or an additional \$4,000 homestead exemption from DeKalb County tax levies with household income not exceeding \$16,000 in gross income. Disabled veterans, their unremarried surviving spouses and unremarried surviving spouses of members of the armed forces killed in action may qualify for a homestead exemption a maximum amount of \$72,965 from school tax levies and in a maximum amount of \$70,465 from all other tax levies. Certain other disabled veterans at the age of 65, with household income not exceeding \$10,000 in net income, their unremarried surviving spouses and unremarried surviving spouses of members of the armed forces killed in action may qualify for a homestead exemption from all school tax levies and in a maximum amount of \$70,465 from all other tax levies. Unremarried surviving spouses of firefighters or peace officers killed while in the line of duty are granted a full exemption from all ad valorem taxes. At age 70, City homeowners may receive a homestead exemption from all DeKalb County school tax levies with household income not exceeding \$84,115 plus income from municipal bonds.

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The following table presents the direct and overlapping property tax rates for certain property located within the City for the last ten fiscal periods.

**Direct and Overlapping Property Tax Rates  
Last Ten Fiscal Periods  
(per \$1,000 of assessed value)**

Fiscal Year	Direct Property Tax Rates						Overlapping Property Tax Rates <sup>(1)</sup>									
	City of Atlanta			Board of Education			Fulton County <sup>(2)</sup>				DeKalb County <sup>(3)</sup>					
	General Operating Levy <sup>(4)</sup>	Bond Levy <sup>(5)</sup>	Parks Levy <sup>(6)</sup>	School Operating Levy <sup>(7)</sup>	School Bond Levy <sup>(8)</sup>	Total Levy	General Operating Levy <sup>(9)</sup>	Bond Levy <sup>(10)</sup>	State of Georgia Levy <sup>(11)</sup>	Total Levy	General Operating Levy <sup>(12)</sup>	Hospital Levy <sup>(13)</sup>	Bond Levy <sup>(14)</sup>	Library Levy <sup>(15)</sup>	State of Georgia Levy <sup>(11)</sup>	Total Levy
2008	7.09	1.33	0.50	21.65	0.05	30.62	10.28	-	0.25	10.53	7.54	0.89	0.53	0.96	0.25	10.17
2009	7.12	1.18	0.50	21.64	0.05	30.49	10.28	-	0.25	10.53	7.99	0.84	0.51	0.83	0.25	10.42
2010	10.24	1.20	0.50	21.64	0.05	33.63	10.28	-	0.25	10.53	8.00	0.96	0.57	1.00	0.25	10.78
2011	10.24	1.20	0.50	21.64	0.05	33.63	10.28	-	0.25	10.53	8.00	0.96	0.57	0.88	0.25	10.66
2012	10.24	1.20	0.50	21.64	0.05	33.63	10.28	0.27	0.25	10.80	9.43	0.88	0.87	1.02	0.25	12.45
2013	10.24	1.20	0.50	21.64	0.10	33.68	10.28	0.27	0.20	10.75	10.43	0.94	0.70	1.22	0.20	13.49
2014	10.05	1.20	0.50	21.64	0.10	33.49	10.21	0.27	0.15	10.63	10.71	0.80	-	1.16	0.15	12.82
2015	9.75	1.20	0.50	21.64	0.10	33.19	11.78	0.27	0.10	12.15	8.22	0.80	0.01	1.06	0.10	10.19
2016	8.89	1.48	0.50	21.64	0.10	32.61	10.50	0.25	0.05	10.80	10.39	0.89	0.01	1.11	0.05	12.45
2017	8.88	1.48	0.50	21.72	0.03	32.61	10.45	0.25	-	10.70	8.76	0.74	0.48	0.97	-	10.95

<sup>(1)</sup> Excludes overlapping property taxes, fees and assessments levied by the governing board of each community improvement district ("CID") formed in the City on real property located within each such CID (the "CID Levies"). The CID Levies are imposed solely on non-residential property uses. In Fiscal Year 2017, the levy, in mills, for: (a) the Downtown CID is 5.00; (b) the Midtown CID is 5.00; (c) the Buckhead CID is 3.00; (d) the Airport West CID is 5.00; and (e) the Little Five Points CID is 3.00.

<sup>(2)</sup> Approximately 93.7% of the City is located in Fulton County.

<sup>(3)</sup> Approximately 6.3% of the City is located in DeKalb County.

<sup>(4)</sup> The general levy is set by the City Council and is used to pay general operating expenses.

<sup>(5)</sup> The bond levy is set by the City Council and is used to pay debt service on general obligation bonds issued for lawful public purposes other than for school purposes.

<sup>(6)</sup> The parks levy is set by the City Council and is used to pay expenses related to the City's parks.

<sup>(7)</sup> The school operating levy is set by the Board of Education and is used to pay general operating expenses of the Board of Education. Includes taxes required under the Quality Basic Education Act.

<sup>(8)</sup> The school bond levy is set by the Board of Education and is used to pay debt service on general obligations bonds issued for school purposes.

<sup>(9)</sup> The general operating levy is set by the Fulton County Board of Commissioners and is used to pay general operating expenses of Fulton County.

<sup>(10)</sup> The bond levy is set by the Fulton County Board of Commissioners and is used to pay debt service on Fulton County's bonds.

<sup>(11)</sup> In Fiscal Years 2007 through 2015, the State set the State levy, which was abolished effective January 1, 2016.

<sup>(12)</sup> The general operating levy is set by the DeKalb County Board of Commissioners and is used to pay general operating expenses of DeKalb County.

<sup>(13)</sup> The hospital levy is set by the DeKalb County Board of Commissioners and is used to pay the expenditures designated in the contract with the Fulton-DeKalb Hospital Authority and the DeKalb Hospital Authority.

<sup>(14)</sup> The bond levy is set by the DeKalb County Board of Commissioners and is used to pay debt service on DeKalb County's bonds.

<sup>(15)</sup> The library levy is set by the City and is used to pay the cost of furnishing library services to City residents.

Source: City of Atlanta, Georgia, Comprehensive Annual Financial Report for the Year ended June 30, 2017 (Statistical Section).

### *Assessed Value*

Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated as a percentage of fair market value of the property being assessed, based on zoning, use, covenants or restrictions, bank sales, conservation easements and other existing factors. Georgia Tax Law requires taxable real and tangible property to be assessed with certain exceptions, at 40% of its fair market value and to be taxed based on a levy made by each respective tax jurisdiction (for purposes hereof, only the City and Fulton County) according to 40% of the property's fair market value.

The Fulton County Board of Tax Assessors (the "Board of Assessors") is the entity charged with the responsibility for determining the tax digest (total assessed value net of applicable exemptions) for Fulton County (inclusive of the City, except as described below). The Board of Assessors is a five-member board appointed by the five-district elected members of the Fulton County Board of Commissioners. The primary function of the Board of Assessors is to estimate the fair market value of all real and personal property within Fulton County as of January 1<sup>st</sup> of each calendar year. This assessment results in the tax digest. The Fulton County Tax Assessor's Office (the "Tax Assessor's Office") is a department of Fulton County that is administered by a Chief Appraiser appointed by the Board of Assessors. The Board of Assessors is required to complete the tax digest by June 1 of each year and provide it to the Fulton County Tax Commissioner for certification and transmittal to the State of Georgia Revenue Commissioner for examination and approval. The State of Georgia Revenue Commissioner has the authority to examine the tax digest for the purpose of determining if the valuations of property are reasonably uniform and equalized between and within counties. Every three years, the Fulton County tax digest is subject to a detailed review by the State of Georgia Revenue Commissioner, and in such years more than half of the residential and commercial properties in the Fulton County must be revalued.

Georgia law requires that owners of real property subject to taxation must file a tax return (a "Tax Return") with the tax receiver or tax commissioner in the county where the property is located. A Tax Return must be filed before April 1 of the year for all real property owned on January 1 of the year. If real property is acquired by transfer and a properly completed real estate transfer tax return is filed and the real estate transfer tax is paid, the property owner will be deemed to have returned the property for taxes. In each succeeding year after the initial return is filed, so long as no improvements were made to the real property, the property owner is not required to file additional returns. Where improvements are made, a new return must be filed.

The Board of Assessors permits commercial property owners to file a temporary assessment or "TPA" stating the fair market value of the property being returned for taxation. It is the policy of the Board of Assessors to review such temporary assessment filings to confirm that the returned value is not less than the value that such property would have been assessed at in the Board of Assessor's valuation process. Valuations that exceed what the Board of Assessors would have determined as the fair market value of the subject property are utilized for purposes of calculating assessed value.

Taxpayers in the State must be notified in writing of increases and decreases in property valuations and have the right to appeal such revaluations. As such, property valuations are

subject to review at various stages by arbitrators, boards of equalization and state courts, with some exceptions and limits, the ability of county boards of assessors, such as the Board of Assessors, to appeal a decision of the applicable county board of equalization or arbitrator or board of arbitrators, as applicable, to the extent the assessment is changed by 20% or less in the proceedings. When property valuations are reduced or unchanged from the value on the initial annual notice of assessment and such valuation is established as the result of either an appeal decision rendered or stipulated by agreement, the valuation so established by appeal decision or agreement may not be increased by the Board of Assessors during the next two successive years, subject to certain exclusions.

In addition, a county's failure to deliver its tax digest to the State, to properly appraise property pursuant to Georgia standards and procedures or to reassess properties can result in delays in the collection of ad valorem taxes on property and/or substantial penalties. To the extent that a county's tax digest is not permitted to be certified by the State of Georgia Revenue Commissioner, a county may, under certain conditions, seek an order from the superior court of such county authorizing immediate and temporary collection of taxes until such time as the matter affecting approval of the tax digest is resolved. In such cases, judges of the superior court have discretion to set the temporary millage rate or valuation based on the previous year's millage rate and valuation.

The following table presents the assessed value and estimated actual value of taxable property located in the City for the last ten fiscal periods.

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**Assessed Value and Estimated Actual Value of Taxable Property  
Last Ten Fiscal Periods<sup>(1)(2)</sup>**

<b>Fiscal Year</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Other Property<sup>(3)</sup></b>	<b>Less: Tax-Exempt Property<sup>(4)</sup></b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>
2008	\$13,980,076,949	\$13,067,992,615	\$1,031,326,231	\$1,615,241,347	\$2,093,949,974	\$27,600,687,168	30.49%
2009	13,872,372,979	11,249,746,299	890,877,231	1,720,999,874	1,910,282,501	25,823,713,882	30.49
2010	12,749,326,810	11,746,535,282	806,421,455	1,542,422,321	2,831,876,995	24,012,828,873	33.63
2011	12,609,751,900	10,924,151,062	775,954,220	1,525,316,851	2,731,195,758	23,103,978,275	33.63
2012	11,506,413,986	11,148,297,009	758,400,890	1,528,992,043	2,880,803,214	22,061,300,714	33.63
2013	10,896,664,314	10,752,062,104	723,400,082	1,658,974,465	2,660,010,749	21,371,090,216	33.68
2014	11,183,385,556	10,556,075,940	687,309,657	1,671,292,251	2,430,432,837	21,667,630,567	33.49
2015	11,687,041,707	11,151,391,836	683,832,400	1,554,353,314	2,599,674,413	22,476,944,844	33.19
2016	12,848,381,757	12,774,083,537	711,630,623	1,503,577,204	2,874,052,314	24,963,620,807	33.49
2017	13,444,916,986	12,741,070,429	746,742,197	1,357,032,493	2,726,925,124	25,562,836,981	32.60

<sup>(1)</sup> Assessed value and estimated actual value figures include property within the City's tax allocation districts. A substantial portion of the ad valorem property taxes collected from property within the tax allocation districts is pledged as security for tax allocation district bonds. The City is precluded from creating additional tax allocation districts to the extent that the total taxable value of its existing tax allocation district exceeds 10% of the total value of taxable property in the City. As of February 1, 2017, approximately 14% of the City's estimated actual value of taxable property was located within a tax allocation district.

<sup>(2)</sup> Assessed values are established by the Fulton County and DeKalb County Boards of Tax Assessors on January 1 of each year at 40% of the market value as required by State law.

<sup>(3)</sup> Other property consists of Historical, Agricultural, Conservation, Utility, Motor Vehicle, Heavy Equipment, Timber, Mobile Homes, etc.

<sup>(4)</sup> Tax exempt property consists of data from non-taxable property such as the Basic Homestead, Elderly, Disabled Veteran, Freeport, etc.

Source: City of Atlanta, Georgia, Comprehensive Annual Financial Report for the Year ended June 30, 2017 (Statistical Section).

## **Annual Tax Levy**

Ad valorem tax rates for debt service on direct general obligation bonds of the City, Fulton County and DeKalb County are not limited. Amounts received for that purpose are accounted for separately from other funds. In addition, the State Constitution allows the board of education of each school system to impose a school tax of not greater than 20 mills per dollar for the operation and maintenance of education, unless such limitation is increased or removed by a majority of the qualified voters in the school district. The Board of Education, however, has both the constitutional and statutory authority to levy more than 20 mills for school tax purposes pursuant to the grandfather clause in the pertinent provisions of the State Constitution applicable to independent school systems that levied at a tax rate greater than the uniform 20-mill rate prior to the enactment of the constitutional limitation.

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The distribution of the City's 2016 millage rate (tax rate per \$1,000 assessed taxable value) to its funds and to the Atlanta Independent School System (which operates as a separate legal entity and is not included in the City's financial reporting entity) is as follows:

Millage Rates:	
General Fund	\$8.880
General Obligation Bond Sinking Fund:	
City Bonds	1.480
School Bonds	0.025
Park Improvement Fund (included in Capital Projects Funds)	0.500
Board of Education (operations)	21.715
Special Tax District DeKalb County	0.965
	<hr/>
	33.565

For additional information regarding millage rates for the City, Fulton County, and DeKalb County, see the table entitled "Direct and Overlapping Property Tax Rates" under "AD VALOREM TAXATION, COLLECTION AND ENFORCEMENT - Ad Valorem Taxation" herein.

No assurance can be provided that the current ad valorem property tax system or millage rates will remain unchanged during the term of the Series 2018 Certificates. State and local laws governing the assessment, collection and administration of property taxes are subject to change at the discretion of the State, City, the Board of Education, Fulton County, DeKalb County and other taxing jurisdictions. The City, the Board of Education, Fulton County and DeKalb County retain discretion with respect to the determination of the millage rate levy imposed each year, and are subject to State and local law which establishes procedures allowing and, in certain cases requires, such millage rates to be decreased (e.g., equalization of millage rates to adjust for sales tax collections).

### **Collection and Enforcement**

As of July 1, 2017, delinquent taxes bear interest at an annual rate equal to the bank prime loan rate as an annual rate equal to the bank prime loan rate as posted by the Board of Governors of the Federal Reserve System in statistical release H.15 or any publication that may supersede it, plus 3% to accrue monthly. Interest accrued prior to July 1, 2017 will remain at 1% per month. In Fulton County and the City, an additional rate of interest 1% per month will accrue on the amount of such delinquent taxes, fees service charges and assessments exceeding \$1,000.00, not to exceed 12% per year.

Also as of July 1, 2017, a penalty is charged for late payment of ad valorem taxes, and if such delinquent taxes are not paid within 120 days after the due date, then a first penalty of 5% of the amount the tax due and unpaid is assessed; and if such delinquent taxes are not paid within 120 days of the date of imposition of the first penalty, a second penalty of 5% of any tax amount remaining due is imposed; and if such delinquent taxes are not paid within 120 days of the date of imposition of the second penalty, a third penalty of the 5% of any tax amount remaining due is imposed; and if such delinquent taxes are not paid within 120 days of the date of imposition of the third penalty, a fourth penalty of 5% of any tax amount remaining due is imposed.

The Fulton County Tax Commissioner and DeKalb County Tax Commissioner, respectively, bill and collect the ad valorem taxes for Fulton County and DeKalb County.

The Fulton County Tax Commissioner and DeKalb County Tax Commissioner also bill and collect the ad valorem taxes for the City and the Board of Education and remit tax receipts to the City and the Board of Education as received. The City and Board of Education taxes are due 45 days after the billing date. The late interest payment and penalty provisions applicable to the Counties ad valorem taxes also apply to the City and Board of Education ad valorem taxes. Pursuant to an agreement between the City, the Board of Education and the Counties, the City and the Board of Education pay the Fulton County Tax Commissioner and the DeKalb County Tax Commissioner a tax collection fee based upon the costs of operating the Fulton County Tax Commissioner's and DeKalb County Tax Commissioner's offices. Penalties collected in connection with late filings and late payments of taxes are remitted to the respective county. Interest on delinquent ad valorem taxes are required to be shared, pro rata, by each taxing jurisdiction based on each jurisdiction's share of the total tax on which such penalties and interest are computed.

The State, counties and municipalities are provided with the power to issue a writ of execution ("Executions") for the collection of any tax, fee, license, penalty, interest, or collection costs due from a taxpayer. Immediately after the last day for payment of taxes has elapsed, the tax commissioner is required to give notice in writing to the taxpayer that taxes are delinquent and that an Execution will be issued for unpaid taxes. Tax collectors and tax commissioners are required to issue Executions for nonpayment of taxes at any time after 30 days have elapsed from the giving of notice to the taxpayer of the delinquent taxes and to enter such taxpayer's name on the Execution docket required to be maintained by each tax collector or tax commissioner. In certain circumstances where the property within a county or municipality is insufficient to cover the tax payment delinquency, a county or municipality may levy upon property of a taxpayer that is not within such county or municipality. Executions for taxes and assessments (for permanent improvements of streets, sewers or otherwise) bear interest at a rate of 1% per month. Once the Execution has been issued the tax commissioner may use in rem judicial tax foreclosure ("Judicial Foreclosure") procedures provided for in O.C.G.A. § 48-4-76 through § 48-4-81, the tax sales procedures provided for in O.C.G.A. § 48-4-1 through § 48-4-7 ("Nonjudicial Foreclosure") or the tax commissioner may sell or assign the tax Executions (an "Execution Sale") to a third party as provided in O.C.G.A. § 9-13-36.

If the taxing jurisdiction determines that it will proceed with Judicial Foreclosure, the jurisdiction must wait until the taxes are delinquent for 12 months. After taxes have been delinquent for twelve months, the tax commissioner must file a petition with the superior court of the county in which the property is located. The petition is filed against the property subject to taxation and does not constitute an action for personal liability of the owner(s) of the property. Copies of the petition must be mailed to all interested parties whose identities and addresses are reasonably ascertainable and to the property address to the attention of the occupants of the property. Notice of the hearing must also be published twice in the official organ of the respective county. Not sooner than 30 days after the petition is filed, a judicial hearing on the petition will be held, and if the judge finds that the petition is accurate and no interested parties express an intent to pay the delinquent taxes, the judge will order that the property be sold on the courthouse steps not earlier than 45 days after the order is issued and that the sale will become



final and binding 60 days after the date of the sale. The minimum sales price (the "Minimum Sales Price") for which property may be sold under a Judicial Foreclosure is the delinquent taxes plus interest, penalties and costs. The owner of the property has 60 days after the sale of the property to redeem the property or all rights to the property will be lost. Currently, Fulton County and DeKalb County conduct sales of delinquent properties on the first Tuesday of every month. If the property is sold for an amount in excess of the Minimum Sales Price, the excess amount will be deposited into the registry of the superior court and will be distributed by the superior court to the interested parties, including the owner, as their interests appear.

To the extent that bids for the property subject to a levy are not sufficient to cover the taxes and costs, the governing authority of a county is permitted to bid on the property, up to the amount of the taxes and costs; provided, however, that the governing authority of the county is not required to pay the proportionate part of the taxes due the State, any school district, any municipality or other political subdivision until the property is redeemed or resold as provided under Georgia Tax Law.

If the taxing jurisdiction determines that it will proceed with Nonjudicial Foreclosure, following the issuance of the Execution, the levying officer must give 20 days written notice to the owner, tenant, certain governmental lienholders and holder of the security deed before proceeding to advertise the sale of property. The levy notice is delivered by certified mail and if delivery cannot be affected by certified mail, the levy notice must be delivered to the owner and/or tenant in person. The levy must state the owner's and/or mortgage holder's name, the tax years delinquent, the principal amount of taxes due, the accrued cost due and the description of the property to be sold. The sale must be advertised in the official organ of the county weekly for four consecutive weeks. At least ten days before a tax sale, the owner is sent written notice by certified mail informing of the impending tax sale. Sales of delinquent properties are held on the first Tuesday of every month. Any person having any right, title or interest in or lien upon property sold following Nonjudicial Foreclosure may redeem the property by the payment of the redemption price at any time within 12 months from the date of the sale or any time thereafter until the right to redeem is foreclosed by the purchaser giving notice of foreclosure of the right to redeem.

Georgia law also authorizes taxing jurisdictions to enter into Execution Sales for transfers of individual Executions or for transfers of "lot block Executions." Any person may purchase Executions for delinquent taxes on property owned by others by paying the delinquent taxes, interest, penalties and costs and requesting that the tax commissioner transfer the Execution to them. The transferee shall have the same rights as to enforcing the Execution and priority of payment as might have been exercised or claimed before the transfer; provided that the transferee has the Execution entered on the general Execution docket within 30 days from the transfer.

The notice, publication and waiting periods and other procedures required in order to collect delinquent ad valorem taxes and other taxes under Georgia Tax Law may cause a delay in the timeliness of payments of debt service on the Series 2018 Certificates. To the extent that third parties are unwilling or unable to pay the costs and expenses and other sums required in order to effect transfers of Executions or to purchase property at tax sales, the receipt of ad valorem taxes could be further delayed.

The table below provides historic information for levies and collections.

**City of Atlanta, Georgia  
Property Tax Levies and Collections  
Last Ten Fiscal Periods  
(Dollars in thousands)**

<b>Fiscal Year</b>	<b>Tax Levied for the Fiscal Year</b>	<b><u>Collected Within the Fiscal Year of the Levy</u></b>		<b>Collections Net of Adjustments in Subsequent Years<sup>(1)</sup></b>	<b><u>Total Collections to Date</u></b>		<b>Delinquent Amount<sup>(2), (3)</sup></b>	<b>% of Delinquent Taxes To Tax Levy<sup>(3)</sup></b>
		<b>Amount<sup>(2)</sup></b>	<b>Percentage of Levy</b>		<b>Amount<sup>(2)</sup></b>	<b>Percentage of Levy<sup>(2)</sup></b>		
2008	\$182,021	\$173,030	95.06%	\$8,165	\$181,195	99.55%	\$ 826	0.5%
2009	198,378	190,475	96.02	6,615	197,090	99.35	1,288	0.7
2010	264,371	257,062	97.24	5,720	262,782	99.40	1,589	0.6
2011	240,586	234,895	97.63	4,111	239,006	99.34	1,580	0.7
2012	222,633	218,472	98.13	2,996	221,467	99.48	1,166	0.5
2013	219,177	214,494	97.86	3,545	218,038	99.48	1,139	0.5
2014	222,103	218,184	98.24	2,757	220,941	99.48	1,162	0.5
2015	227,842	224,808	98.67	1,761	226,570	99.44	1,272	0.6
2016	239,875	237,840	99.15	-	237,840	99.15	2,035	0.9
2017	247,078	243,948	98.73	-	243,948	98.73	3,130	1.27

<sup>(1)</sup> Adjusted to include collection in subsequent years.

<sup>(2)</sup> Does not include tax revenues retained by Fulton County and DeKalb County for administrative expenses. Therefore, the collection rate shown is slightly less than the actual collection rate.

<sup>(3)</sup> Delinquent Amount and % of Delinquent Taxes to Tax Levy figures are as of January 22, 2018.

Source: City of Atlanta, Georgia, Comprehensive Annual Financial Report for the Year ended June 30, 2017 (Statistical Section) and City of Atlanta, Department of Finance.

## **Recent Updates Concerning the Property Tax Assessment and Collection Process**

O.C.G.A. § 48-5-304(a) requires that appeals must be brought below 5% of the total assessed value in order for the State of Georgia Revenue Commissioner to certify a county's tax digest in any year except in those years when a complete revaluation of property is done, in which years, the value of property under appeal may be 8%. The statutory procedure pursuant to the provisions of O.C.G.A. § 48-5-310 allows for the collection of taxes to proceed under a temporary collection order if an appeal has been filed to prevent the approval of the digest by the State of Georgia Revenue Commissioner, or if the digest has not otherwise been approved by the State of Georgia Revenue Commissioner, or if the digest is otherwise not enforceable or collectable by law, and if the appeals prevent collections from being made or enforced on the digest. The methodology for issuing tax bills under the temporary collection order is decided by a judge of the Superior Court of the respective county. The hearing on the temporary collection order is advertised and persons in opposition to the methodology to be used to issue bills pursuant to the temporary collection order have the right to intervene. Case law has consistently upheld the general principle that as a matter of policy and judicial economy, ad valorem tax disputes should be resolved first at the local level through the appeal procedures created specifically for that purpose.

### **Principal Property Tax Payers**

The following table presents the principal property tax payers of the City for the calendar year 2016. A determination of the largest taxpayers within the City can be made only by manually reviewing individual tax records. Therefore, it is possible that owners of several small parcels may have an aggregate assessment in excess of those presented in the following table. Furthermore, the taxpayers shown in the table below may own additional parcels within the City. No independent investigation has been made of, and consequently no representation can be made as to, the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the City.

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### Principal Property Tax Payers<sup>(1)</sup>

Taxpayer	Nature of Business	2016 Taxable Assessed Value	Percentage of Total City Taxable Assessed Value <sup>(2)</sup>
Development Authority of Fulton County <sup>(3)</sup>	Government	\$1,146,589,582	4.74%
Georgia Power Company	Utility Service	282,000,331	1.17
Bell South/AT&T	Communication Service	179,628,391	0.74
Post Apartment Homes	Residential Real Estate	172,644,191	0.71
Coca-Cola Company	Marketing and Manufacturing	145,352,469	0.60
SunTrust Plaza Association	Commercial Real Estate	135,009,840	0.56
Corporate Property Corporation	Commercial Real Estate	110,808,080	0.46
Hines One Atlantic Center LP	Commercial Real Estate	96,894,280	0.40
HRLP Monarch LLC	Unclassified	96,479,600	0.40
GA-MET	Unclassified	82,628,961	0.34
Total <sup>(4)</sup>		\$2,448,035,725	10.12%

<sup>(1)</sup> Unaudited.

<sup>(2)</sup> Based on Net Assessed Value of \$23,761,822,876 for the Fulton County tax digest.

<sup>(3)</sup> The Development Authority of Fulton County owns less than one percent (1%) of the property in the City. Such ownership is pursuant to an economic development initiative program that typically expires over a ten year period with respect to each individual property owned.

<sup>(4)</sup> Totals may not add due to rounding.

Source: City of Atlanta, Georgia, Comprehensive Annual Financial Report for the Year ended June 30, 2017 (Statistical Section).

## CITY FINANCIAL INFORMATION

### Accounting System and Policies

The accounting practices and policies of the City conform to generally accepted accounting principles as applied to governments. The City's accounting system is organized and operated on a fund basis. The City's funds are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. The City's primary fund is the General Fund, which contains all City revenues except those that are specifically allocated for other purposes. The City may appropriate money from the General Fund for all ordinary City expenses. The City also maintains several other funds to account for specific activities or to attain certain objectives.

Financial statements of the City are prepared in accordance with Governmental Accounting Standards Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments ("GASB 34"). Under GASB 34, financial statements focus on major governmental and business-type activities, requiring governments to continue to present fund-based financial statements on a modified accrual basis of accounting. The fund-based financial statements are complemented by a set of government-wide financial statements that present the unit as a single, unified entity. Government-wide financial reporting requires that (a) data reported in governmental funds using the current financial resources measurement focus and modified accrual basis of accounting be converted to the economic resources measurement focus and accrual basis of accounting; and (b) the

redundancy resulting from interfund activity within the primary government be eliminated from the government-wide presentations by means of consolidation. Two financial statements are required for the government-wide reporting: the Statement of Net Position and the Statement of Activities. The Statement of Net Position presents the information on all of the nonfiduciary activities of the City and its component units. Component units are legally separate units for which the City is responsible. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue.

The government-wide audited financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the Fiscal Year or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the Fiscal Year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due. Property taxes, franchise taxes, licenses and interest are all considered to be susceptible to accrual and so have been recognized as revenues of that Fiscal Year. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

***General Fund*** – The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund.

***Municipal Option Sales Tax (MOST)*** – This fund is used to account for a special 1% sales tax collected by the City for use by the Department of Watershed Management. The fund is accounted for as a special revenue fund and carries no fund balance as all revenue collections are subsequently transferred to the Department of Watershed Management. The amount of revenue collected for the MOST qualifies the fund to be reported as a major governmental fund.

***Capital Projects Fund*** – This fund is used to account for the acquisition, construction or improvement of capital assets. Although reported as a single fund in aggregate, it is comprised of multiple, separately tracked funds and projects funded with the proceeds of long-term debt.

The City reports the following major proprietary funds:

***Water and Wastewater System Fund*** – This fund accounts for activities associated with the provision of water, wastewater and water pollution control services to individuals, organizations and other governmental units within and around the City of Atlanta.

***Department of Aviation Fund*** – This fund accounts for the activities of the Hartsfield-Jackson Atlanta International Airport.

In addition, the City has an Internal Service Fund, accounted for as a proprietary fund. The activities of the Bureau of Motor Transport Services are accounted for in the Internal Service Fund, as well as group insurance transactions related to the provision of life, accident, and medical insurance benefits through outside insurance companies for permanent employees and retirees of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### **Fiduciary Fund Types**

***Trust Funds*** – These funds account for activities in which the City acts as trustee for an individual or organization. Additionally, these funds account for Pension Trust Funds which accumulate resources for pension benefit payments to qualified general employees, police and firefighters for the City.

***Agency Funds*** – These funds account for deposits held in custody for various deposits for which the City is the agent or custodian.

### **Budget Commission**

Budgeting procedures are set forth in the Charter of the City of Atlanta of 1996, as amended (the "Charter"), which embraces major provisions of a Budget Law enacted by the Georgia General Assembly in 1937. The Budget Commission is composed of the Mayor, Chief Financial Officer, Chairman of the Finance Committee of the Council, and two other members of the Council. The Budget Commission may not anticipate for any year a sum in excess of 99% of the normal revenues of the City actually collected during the previous year plus any cash surplus carried forward from the previous year. The Charter provides that the Budget Commission shall allocate sums sufficient to pay debt service on bonded indebtedness, including sinking fund requirements. Each member of the Budget Commission is personally liable for any over anticipation of revenues. Under State law, the City must have a balanced budget, which the City Council is responsible for adopting. The City has never defaulted on the payment of principal or interest on its bonded debt.

## General Fund Trends

The fund balance of the City's General Fund has shown consistent increases over the Fiscal Years 2013 - 2017. Since the low point of \$7.4 million at the close of Fiscal Year 2009, the fund balance of the General Fund has increased by \$192.7 million to \$200.1 million at the close of Fiscal Year 2017. In Fiscal Year 2012, the City implemented a fund balance policy requiring the General Fund to maintain a minimum unrestricted fund balance of at least 15% of the subsequent year's budgeted expenditures. Over the Fiscal Years 2013 - 2017, the General Fund unrestricted fund balance increased by \$75.4 million to \$194.1 million or 30.5% of the Fiscal Year 2018 adopted budget of \$637.1 million.

***Historical General Fund Performance (2013 - 2017).*** The fund balance of the General Fund increased by \$11.4 million during Fiscal Year 2013, or 9.0%, to \$138.2 million. The increase in fund balance was enabled by revenue collections that were consistent with the adopted budget combined with closely monitored spending. Additionally, the budget included a 2.7% budget reserve or \$14.7 million which was not available for spending at the department level. At the close of the year, \$15.3 million of the annual operating surplus was transferred to deficit funds (E911 and Underground). Unrestricted fund balance - the combination of unassigned fund balance (\$98.5 million) and assigned fund balance (\$20.5 million) - totaled \$119.0 million. Total Fiscal Year 2013 General Fund revenues were \$469.3 million, \$29.0 million less than the final budget of \$498.3 million. However, the final revenue budget included \$14.7 million of prior year fund balance. Additionally, \$18.7 million in pilot and franchise fees from the Department of Watershed Management were budgeted as revenue but properly recorded as transfer-in revenue. Actual revenue anticipations were \$4.6 million or 1% above budget. Modest over-collections in property and other taxes as well as licenses and permits, helped offset the budgeted amount of fund balance. The Hotel-Motel excise tax was budgeted as transfer-in revenue in the amount of \$13.5 million during Fiscal Year 2013. Total Fiscal Year 2013 General Fund expenditures were \$453.9 million, \$44.4 million or 8.9% less than the final budgeted expenditures. Major contributors to the favorable expense variance included the budgeted reserve of \$14.7 million and a combined public safety budget under run of \$12.1 million.

The fund balance of the General Fund increased by \$3.8 million during Fiscal Year 2014, or 2.8% to \$142 million. Actual revenue anticipations were \$17.1 million or 3.1% above budget. Current year property taxes were \$174.8 million which was \$5.3 million or 3.1% above budget. General business license revenue was \$48.6 million which was \$8.1 million or 20.1% above budget. The Hotel-Motel excise tax was budgeted as transfer-in revenue in the amount of \$14.5 million which was \$2.0 million or 15.9% above budget. Total Fiscal Year 2014 General Fund expenditures on a GAAP basis were \$487.1 million which was \$11.3 million or 2.3% less than the final budgeted expenditures. Although the Police, Public Works and Parks departments exceeded budgets due to the responses to two significant winter events, budget under runs in other City operating departments were able to absorb the unforeseen costs. Additionally, the City budgeted a reserve amount of \$5.4 million or 1% of total budget which was not available for spending at the department level.

During Fiscal Year 2015, the fund balance of the general fund increased by \$9.0 million or 6.4% to \$151.0 million. Total Fiscal Year 2015 General Fund revenues on a GAAP basis

were \$517.1 million which was \$7.0 million more than the final budget of \$510.0 million. However, the final revenue budget included \$3.5 million of prior year fund balance. Actual revenue anticipations were \$10.5 million or 2.1% above budget. Current year property taxes were \$191.0 million which was \$9.4 million or 5.2% above budget due mainly to new construction value coming online. Local option sales taxes totaled \$102.2 million which was \$2.2 million or 2.2% above budget. Licenses and permits revenue of \$69.7 million was \$7.4 million or 12.0% above budget. The Hotel-Motel excise tax was budgeted as transfer-in revenue in the amount of \$17.2 million which was \$2.9 million above the 2014 Hotel-Motel tax collections. At the close of the year, \$22.0 million of the annual operating surplus was transferred to deficit funds (E911, Fleet Services, Capital Finance, and Underground Atlanta). Unrestricted fund balance totaled \$149.1 million at the close of Fiscal Year 2015.

During Fiscal Year 2016, the fund balance of the general fund increased by \$2.1 million or 1.4% to \$153.1 million. Total Fiscal Year 2016 General Fund revenues on a GAAP basis were \$530.3 million which was \$3.1 million more than the final budget of \$527.2 million. Actual revenue anticipations were \$10.5 million or 2.1% above budget. Current year property taxes were \$193.2 million, which was \$1.2 million or 0.62% less than budget due mainly to a slight decrease in new construction value coming online. Local option sales taxes totaled \$103.5 million which was \$2.0 million or 2.0% above budget. Licenses and permits revenue of \$78.4 million was \$6.8 million or 9.5% above budget. The Hotel-Motel excise tax was budgeted as transfer-in revenue in the amount of \$18.2 million, which was \$0.9 million above the 2015 Hotel-Motel tax collections. At the close of Fiscal Year 2016, \$3.5 million of the annual operating surplus was transferred to the Fleet Services deficit fund. Unrestricted fund balance totaled \$137.4 million at the close of Fiscal Year 2016.

During Fiscal Year 2017, the fund balance of the general fund increased by \$46.9 million or 30.6% to \$200.1 million. Total Fiscal Year 2017 General Fund revenues on a GAAP basis were \$572.9 million which was \$35.5 million more than the final budget of \$537.4 million. Current year property taxes were \$198.1 million which was \$3.4 million or 0.02% above budget due mainly to new construction value coming online. Local option sales taxes totaled \$103.4 million which was \$1.0 million or 0.01% below budget. Licenses and permits revenue of \$117.0 million was \$39.3 million or 50.6% above budget mainly due to the permitting function rolled under General Fund during Fiscal Year 2017. The Hotel-Motel excise tax was budgeted as transfer-in revenue in the amount of \$18.1 million and remained flat as compared to 2016 Hotel-Motel tax collections. At the close of Fiscal Year 2017, \$2.2 million of the annual operating surplus was transferred to the Fleet Services deficit fund. Unrestricted fund balance totaled \$194.1 million at the close of Fiscal Year 2017.

***Fund Deficits.*** In 2009, the City's Department of Finance entered into an Inter-Departmental Memorandum of Understanding (the "MOU") with the Department of Watershed Management dated December 23, 2008. The City Council ratified by ordinance the MOU on June 1, 2009. Payments equaling these principal amounts, plus accrued interest, commenced on July 1, 2009 and have since been made consistently in accordance with the terms of the MOU. Under the terms of the MOU, the City's General Fund is to repay the Department of Watershed Management enterprise fund in annual installments in the amount of \$10,000,000 per year, bearing interest at 3% per annum, commencing on July 1, 2009 and continuing to be due on each July 1 thereafter, until the obligation described above is fully repaid. Specifically, the terms of



the MOU call for principal reduction of \$10.0 million for an 11-year period and \$6.3 million in Fiscal Year 2021. Under a recent restructuring of the MOU, the Department of Watershed Management agreed to reduce the interest rate from 3% to 1.25%. The rate adjustment was authorized by Council May 6, 2013 and became effective July 1, 2013.

Deficit fund balances in E911, Solid Waste Management, Civic Center and Fleet Services, among others, totaled \$42.1 million as of June 30, 2017, a reduction of \$94.0 million since 2009. The City expects aggregate deficit fund balances to show a reduction at the close of Fiscal Year 2018. As a result of House Bill 650 recently enacted by General Assembly of the State during the 2015 State legislative session and signed into law by the Governor of the State, the City expects the full impact of the public safety assessment to address the ongoing operating shortfall in Emergency Telephone (E911) service. The proposed assessment as approved by the City Council enabled the E911 fund budget to be balanced with no General Fund subsidy. Additionally, the City is actively marketing some underperforming real estate assets which are expected to alleviate those fund deficits. The City includes deficit fund transfers as a component of the annual General Fund budget in order to continue deficit fund reductions.

### **General Fund Data**

See "FISCAL OVERVIEW OF THE CITY" in the Official Statement for certain financial information related to the City's general fund.

### **Pension and OPEB Matters**

See "FISCAL OVERVIEW OF THE CITY - Pension and Other Post-employment Benefits" in the Official Statement for certain financial information related to the City's pension and other post-employment benefits matters.

## **CITY DEBT STRUCTURE**

### **Summary of Long-Term Debt**

The information presented in this section should be read together with the City's basic financial statements for the Fiscal Year ended June 30, 2017 which are attached as Appendix B to the Official Statement. The following table presents a summary of the City's long-term debt balances for governmental and business-type activities.

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**City of Atlanta, Georgia**  
**Summary of Long-Term Debt**  
(in thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
General Obligation and Annual Bonds	\$ 350,285	\$ 357,955	-	-	\$ 350,285	\$ 357,955
Premium on Bonds	33,773	37,668	-	-	33,773	37,668
Certificates of Participation	29,780	32,160	-	-	29,780	32,160
Deferred Issuance Premiums	3,924	4,729	-	-	3,924	4,729
APSJFA Revenue Bonds	27,150	32,900	-	-	27,150	32,900
Deferred Issuance Premiums	4,130	781	-	-	4,130	781
SWMA Revenue Refunding Bonds	9,360	10,980	-	-	9,360	10,980
Less: Deferred Amount on Refunding	-	-	-	-	-	-
Limited Obligation Bonds	499,385	438,930	-	-	499,385	438,930
Discount on Bonds	-	(695)	-	-	-	(695)
Premium on Bonds	16,137	6,446	-	-	16,137	6,446
Section 108 Loans	660	930	-	-	660	930
Other General Long-term Obligations	47,774	62,829	-	-	47,774	62,829
Intergovernmental Agreements	376,552	343,455	-	-	376,552	343,455
Notes Payable	2,054	4,016	-	-	2,054	4,016
Water and Wastewater Revenue Bonds	-	-	\$2,740,300	\$2,814,455	2,740,300	2,814,455
Bond Issuance Discounts	-	-	(2,229)	(4,535)	(2,229)	(4,535)
Bond Issuance Premiums	-	-	236,720	214,220	236,720	214,220
GEFA Notes Payable	-	-	176,874	168,222	176,874	168,222
Airport Facilities Revenue Bonds	-	-	2,580,645	2,702,125	2,580,645	2,702,125
Issuance Premiums	-	-	127,479	143,593	127,479	143,593
Issuance Discounts	-	-	(140)	(157)	(140)	(157)
Bond Anticipation Notes	-	-	300,000	300,000	300,000	300,000
Atlanta Gas Light Company Rate E-1 Contract (Civic Center Renovations)	-	-	-	1,734	-	1,734
City Plaza	-	-	9,230	9,465	9,230	9,465
Deferred Issuance Premiums	-	-	1,086	1,215	1,086	1,215
Parking Deck	-	-	15,605	-	15,605	-
Deferred Issuance Premiums	-	-	2,191	-	2,191	-
Capital Leases:						
General Fund	23,544	19,261	-	-	23,544	19,261
Water and Wastewater System	-	-	7,143	1,304	7,143	1,304
Parking Deck	-	-	-	18,165	-	18,165
Underground Atlanta	-	-	-	-	-	-
<b>Total</b>	<b>\$1,424,508</b>	<b>\$1,352,345</b>	<b>\$6,194,904</b>	<b>\$6,369,806</b>	<b>\$7,619,412</b>	<b>\$7,722,151</b>

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Year Ended June 30, 2017.

## Ratio of General Bonded Debt Outstanding

See "FISCAL OVERVIEW OF THE CITY - Ratio of General Bonded Debt Outstanding" in the Official Statement for certain financial information related to the City's ratio of general bonded debt outstanding.

## Direct and Overlapping Debt

In addition to the City's debt obligations, property owners in the City are responsible for any debt obligations of other taxing entities in the proportion to which the jurisdiction of the City overlaps such entities. The following table presents the estimated direct and overlapping general obligation debt and the estimated direct and overlapping contractual (property tax supported or guaranteed revenue) debt chargeable to property owners in the City.

**City of Atlanta, Georgia**  
**Direct and Overlapping Governmental Activities Debt <sup>(1)(2)</sup>**  
**(amounts expressed in thousands)**

	Net Debt Outstanding	Percentage Applicable to City of Atlanta <sup>(3)</sup>	Amount Applicable to City of Atlanta
City of Atlanta General Obligation Debt	\$384,058	100.00%	\$ 384,058
Certificate of Participation	33,704	100.00	33,704
APSJFA Revenue Bonds	31,280	100.00	31,280
SWMA Revenue Refunding Bonds	9,360	100.00	9,360
Limited Obligation Bonds	515,522	100.00	515,522
<b>Net Direct Debt</b>			<b>\$973,924</b>
<b>Overlapping Debt:</b>			
Fulton County <sup>(3)</sup>	165,172	47.00	77,631
DeKalb County <sup>(4)</sup>	327,384	4.60	15,060
Fulton County Building Authority <sup>(3)</sup>	-	-	-
<b>Contractual General Obligation Debt:</b>			
Atlanta and Fulton Recreation Authority (AFCRA)			
Series 2010 Bonds <sup>(7)</sup>	97,285	66.70	64,889
Series 2005A/B AFCRA Revenue & Refunding Bonds <sup>(7)</sup>	24,445	100.00	24,445
Series 2005A/B Park Improvement Bonds <sup>(7)</sup>	-	100.00	-
Series 2014A/B Park Improvement Bonds <sup>(7)</sup>	63,950	100.00	63,950
DDA Parking Deck Series 2006 (ADA) – COA <sup>(5)</sup>	18,165	100.00	18,165
AURA Bonds Series 2010 (ADA) – COA <sup>(5)</sup>	17,285	100.00	17,285
Urban Residential Finance Authority (URFA) – COA <sup>(6)</sup>	24,855	100.00	24,855
Underground Atlanta Refunding Series 2009 (ADA) COA <sup>(5)</sup>	7,915	100.00	7,915
AFCRA Revenue Zoo Series 2007 <sup>(7)</sup>	10,930	75.00	8,197
<b>Overlapping Contractual Obligations:</b>			
Fulton-DeKalb Hospital Authority <sup>(3)</sup>	99,330	47.00	46,685
<b>Total Overlapping Debt</b>			<b>\$ 369,077</b>
<b>Total Direct and Overlapping Debt</b>			<b>\$1,343,001</b>

<sup>(1)</sup> Information and presentation has been amended to comply with GASB.

<sup>(2)</sup> For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. The approach was also used by the City's capital leases and other debt.

<sup>(3)</sup> Fulton County CAFR – Year Ended December 31, 2016.

<sup>(4)</sup> DeKalb County CAFR – Year Ended December 31, 2016.

<sup>(5)</sup> DDA Financial Statements as of June 30, 2016.

<sup>(6)</sup> URFA Financial Statements as of June 30, 2016.

<sup>(7)</sup> AFCRA Financial Statement Years Ended December 31, 2016 and 2015.

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Year Ended June 30, 2017 (Statistical Section).

## Legal Debt Margin

The following table presents the Debt Limit, total net debt applicable to the Debt Limit, the legal debt margin, and the total net debt applicable to the Debt Limit as a percentage of the Debt Limit.

City of Atlanta, Georgia Legal Debt Margin Information Last Ten Fiscal Periods										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$2,943,835,276	\$2,730,015,271	\$2,626,080,388	\$2,434,184,113	\$2,354,198,460	\$2,201,603,385	\$2,166,763,057	\$2,247,694,484	\$2,615,707,678	\$2,680,586,893
Total net debt applicable to limit	699,290,000	795,340,000	260,490,000	244,965,000	230,680,000	215,320,000	199,215,000	395,890,000	357,955,000	350,285,000
Legal debt margin	<u>\$2,244,545,276</u>	<u>\$1,934,675,271</u>	<u>\$2,365,590,388</u>	<u>\$2,189,219,113</u>	<u>\$2,123,518,460</u>	<u>\$1,986,283,385</u>	<u>\$1,967,548,057</u>	<u>\$1,851,804,484</u>	<u>\$2,257,752,678</u>	<u>\$2,330,301,893</u>
Total net debt applicable to the limit as percentage of debt limit	23.75%	29.13%	9.92%	10.06%	9.80%	9.78%	9.19%	17.61%	13.68%	13.07%

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Year Ended June 30, 2017 (Statistical Section).

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## **Proposed Issuance of General Obligation Bonds, Additional General Fund Backed Debt, Non-Major Proprietary Fund Debt, and Other Debt**

See "FISCAL OVERVIEW OF THE CITY" in the Official Statement for certain financial information related to the proposed issuance of General Obligation Bonds, Additional General Fund Backed Debt, Non-Major Proprietary Fund Debt, and Other Debt.

### **CITY ECONOMIC AND DEMOGRAPHIC INFORMATION**

The City is the central economic base of the Atlanta–Sandy Springs–Roswell Metropolitan Statistical Area (the "Atlanta MSA"), which presently encompasses 29 counties<sup>5</sup> containing a land area of approximately 8,338.5 square miles and the 10-county<sup>6</sup> statistical area utilized by the Atlanta Regional Commission (the "Atlanta Region"). Of the 388 metropolitan statistical areas designated by the U.S. Department of Commerce, Bureau of the Census, the Atlanta MSA is the nation's ninth largest Metropolitan Statistical Area as of July 1, 2016, according to the U.S. Bureau of the Census.

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<sup>5</sup> The Atlanta MSA includes the following 29 counties: Barrow, Bartow, Butts, Carroll, Cherokee, Clayton, Cobb, Coweta, Dawson, DeKalb, Douglas, Fayette, Forsyth, Fulton, Gwinnett, Haralson, Heard, Henry, Jasper, Lamar, Meriwether, Morgan, Newton, Paulding, Pickens, Pike, Rockdale, Spalding and Walton.

<sup>6</sup> The Atlanta Region includes the following 10 counties: Cherokee, Clayton, Cobb, DeKalb, Douglas, Fayette, Fulton, Gwinnett, Henry and Rockdale.

## Population Data

The following table presents population data for the City, the Atlanta MSA, the State and the Atlanta Region for the calendar years 2007 through 2016.

### City of Atlanta, Georgia Population Data<sup>(1)</sup>

Area Name	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	% Change 2007- 2016
City of Atlanta <sup>(2)</sup>	461,956	477,300	480,700	422,919	431,911	443,189	447,888	455,389	462,970	472,522	2.29%
Atlanta MSA <sup>(2)</sup>	5,267,527	5,385,586	5,475,213	5,303,929	5,373,558	5,452,145	5,517,230	5,605,765	5,699,050	5,789,700	9.91
State of Georgia <sup>(2)</sup>	9,349,988	9,504,843	9,620,846	9,713,521	9,811,610	9,914,668	9,984,938	10,087,231	10,199,398	10,310,371	10.27
Atlanta Region <sup>(2), (3)</sup>											
County											
Cherokee	202,544	208,271	212,232	215,196	217,737	220,788	224,481	230,578	235,609	241,689	19.33
Clayton	260,441	262,099	260,067	259,819	262,721	266,073	264,668	267,576	273,567	279,462	7.30
Cobb	670,438	679,822	684,776	689,697	697,552	707,629	716,873	729,146	740,144	748,150	11.59
DeKalb	680,962	685,646	690,658	692,687	698,342	708,800	715,014	722,615	732,758	740,321	8.72
Douglas	125,560	129,508	131,292	132,646	133,275	133,804	136,270	138,447	140,671	142,224	13.27
Fayette	104,989	105,192	105,493	106,993	107,208	107,463	108,287	109,550	110,546	111,627	6.32
Fulton	869,329	888,694	905,511	925,985	949,323	975,321	982,983	994,342	1,007,803	1,023,336	17.72
Gwinnett	764,129	780,721	796,276	808,264	824,537	839,357	856,374	875,418	892,926	907,135	18.71
Henry	188,736	194,658	199,622	205,142	207,039	208,275	210,371	213,439	217,004	221,768	17.50
Rockdale	82,146	83,558	84,625	85,371	85,532	85,625	86,670	87,516	88,678	89,355	8.78
Atlanta Region Total	3,949,274	4,018,169	4,070,552	4,121,800	4,183,266	4,253,135	4,301,991	4,368,627	4,439,706	4,505,067	14.07

<sup>(1)</sup> From time to time, the U.S. Census Bureau revises its population estimates, including the City's population estimates.

<sup>(2)</sup> Certain historical annual population estimates for the City have been revised in accordance with U.S. Census Bureau practices.

<sup>(2)</sup> The Atlanta Region as defined by the Atlanta Regional Commission consists of Cherokee, Clayton, Cobb, DeKalb, Douglas, Fayette, Fulton, Gwinnett, Henry and Rockdale counties.

Source: U.S. Department of Commerce, Bureau of the Census, Population Estimate Program.

## Employment and Weekly Wage by Sector

The following table presents employment and weekly wage by sector for the second quarter of 2017 for the Atlanta MSA.

Atlanta MSA Employment and Weekly Wage by Sector <sup>(1)</sup>			
	Average Number of Establishments	Average Monthly Employment	Average Weekly Wages
<b>Goods-Producing Domain</b>	<b>18,364</b>	<b>274,399</b>	<b>1,226</b>
Natural Resources, Mining and Agriculture	371	3,403	1,000
Construction	11,362	115,393	1,130
Manufacturing	4,885	164,017	1,243
<b>Service-Providing Domain</b>	<b>136,083</b>	<b>1,900,807</b>	<b>1,094</b>
Trade, Transportation and Utilities	31,188	568,965	988
Information	2,987	90,240	1,837
Financial Activities	15,854	158,402	1,547
Professional and Business Services	34,170	457,376	1,310
Education and Health Services	16,590	322,030	1,021
Other Services	11,101	67,963	697
Accommodation, Food, Arts & Entertainment	13,672	291,204	407
Unclassified	9,817	7,635	1,122
<b>Average, All Industries</b>	<b>169,047</b>	<b>2,496,819</b>	<b>1,096</b>

<sup>(1)</sup> Information amended to reflect current NAICS categories selected by the Georgia Department of Labor.

<sup>(2)</sup> Figure includes industries not listed in table.

Source: Georgia Department of Labor, Employment Growth Statistics Report, Annual Quarterly Census of Employment and Wages, Yearly Averages for 2016 and 2<sup>nd</sup> Quarter 2017.

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## Principal Employers

The following table presents the top ten principal non-governmental employers located in the City for the calendar year 2016:

City of Atlanta, Georgia Principal Employers		Calendar Year 2016 <sup>(1)</sup>	
Employer	Type of Business	Employees	Percentage of Total City Employment
Accenture, LLP	Consulting	2,159	0.93%
Air Service Corp.	Transportation	1,733	0.75
Atlanta Medical Center, Inc.	Healthcare	1,425	0.61
AT&T Services, Inc.	Telecommunication	2,139	0.92
Cable News Network	Media	1,732	0.75
CapGemini US, LLC		1,516	0.65
Delta Air Lines, Inc.	Transportation	5,348	2.30
The Coca-Cola Co. One Coca Cola	Marketing and Manufacturing	4,256	1.83
The Coca-Cola Company	Marketing and Manufacturing	1,737	0.75
Turner Broadcasting System, Inc.	Media/Entertainment	1,614	0.69
Total <sup>(1)</sup>		<b>23,659</b>	<b>10.18%</b>

<sup>(1)</sup> Figures may not add due to rounding.

Source: City of Atlanta, Georgia Comprehensive Annual Financial Report for the Year Ended June 30, 2017.

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## Employment

The unemployment rate for the City decreased from 2012 to 2016. The following table presents unemployment rate for the City compared to the State and the United States for the calendar years 2012 through 2016.

Year	Unemployment Rate <sup>(1)</sup>		
	City of Atlanta	State of Georgia	United States
2012	9.9%	9.2%	8.1%
2013	8.9	8.2	7.4
2014	7.7	7.1	6.2
2015	6.5	6.0	5.3
2016	5.8	5.4	4.9

<sup>(1)</sup> Revisions to population controls and other changes can affect the comparability of labor force levels over time. In recent years, updated population controls have been introduced annually with the release of January data.

<sup>(2)</sup> Calendar year 2017 data not available as of January 22, 2018.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

## Per Capita Personal Income

Per capita income in the Atlanta MSA has increased during the period from 2012 through 2016 and remains greater than the per capita income for the State. The following table presents per capita personal income for the Atlanta MSA, the State and the United States for the calendar years 2012 through 2016.

Year	Per Capita Personal Income <sup>(1)</sup>		
	Atlanta MSA	State of Georgia	United States
2012	\$41,188	\$36,863	\$44,282
2013	41,356	37,172	44,493
2014	43,856	39,129	46,494
2015	45,934	41,020	48,451
2016	47,348	42,159	49,246

<sup>(1)</sup> Per capita personal income was computed using Census Bureau midyear population estimates as of January 22, 2018.

<sup>(2)</sup> Calendar year 2017 data not available as of January 22, 2018.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Accounting Data.

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS  
OF THE CITY OF ATLANTA FOR THE  
FISCAL YEAR ENDED JUNE 30, 2017**

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KPMG LLP  
Suite 2000  
303 Peachtree Street, N.E.  
Atlanta, GA 30308-3210

## **Independent Auditors' Report**

Honorable Mayor and Members of the City Council  
City of Atlanta, Georgia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atlanta, Georgia (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Atlanta-Fulton County Recreation Authority and the Atlanta Development Authority, which collectively represent all of the City's aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for the aggregate discretely presented component units, is based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atlanta, Georgia, as of June 30, 2017, and the respective



changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

***Other Matters***

Management has omitted management's discussion and analysis, the schedule of funding progress for pension plans, schedule of employers' net pension liability, schedule of changes in net pension liability, schedule of employer contributions, schedule of investment returns, and budgetary comparison information, information that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

KPMG LLP

Atlanta, Georgia  
December 22, 2017



## **Basic Financial Statements**

# CITY OF ATLANTA, GEORGIA

## Statement of Net Position

June 30, 2017

(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total	Component Units
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 2,559	\$ 11,973	\$ 14,532	\$ 34,037
Restricted cash	368,806	458,838	827,644	49,516
Equity in cash management pool	268,553	1,612,891	1,881,444	—
Restricted investments	332,305	—	332,305	—
Receivables (net of allowances for uncollectables)	74,197	113,652	187,849	2,284
Due from other governments	17,385	11,460	28,845	—
Due from primary government	—	—	—	462
Due from component unit	—	—	—	3,557
Capital lease receivable, current portion	—	—	—	14,818
Internal balances	1,499	(1,499)	—	—
Inventories	976	21,923	22,899	—
Other restricted assets	—	47,301	47,301	—
Prepaid expenses and other current assets	—	885	885	282
Total current assets	1,066,280	2,277,424	3,343,704	104,956
Noncurrent assets:				
Restricted cash	—	275,062	275,062	43,607
Restricted investments	—	1,102,341	1,102,341	—
Investments	—	—	—	15,245
Due from primary government	—	—	—	314,107
Capital assets:			—	
Capital assets not being depreciated	304,659	2,281,039	2,585,698	211,927
Capital assets being depreciated	1,874,914	14,298,091	16,173,005	311,248
Less accumulated depreciation	(1,136,577)	(5,367,254)	(6,503,831)	(186,234)
Investments in joint venture	—	75,782	75,782	—
Restricted investments in escrow	9,371	—	9,371	—
Due from other parties	7,574	10,640	18,214	—
Due from component unit	—	24,000	24,000	60,305
Other assets	8,318	—	8,318	7,610
Long-term receivable	—	—	—	5,417
Total noncurrent assets	1,068,259	12,699,701	13,767,960	783,232
Total Assets	2,134,539	14,977,125	17,111,664	888,188
Deferred outflows of resources				
Pension related deferred outflows	217,020	71,916	288,936	—
Accumulated decrease in fair value of derivative instruments	—	36,705	36,705	—
Accumulated deferred losses on refunding	19,352	222,086	241,438	5,409
Total deferred outflows of resources	236,372	330,707	567,079	5,409
Total assets and deferred outflows of resources	2,370,911	15,307,832	17,678,743	893,597

The accompanying notes are an integral part of this statement



**CITY OF ATLANTA, GEORGIA**  
Statement of Net Position  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	Governmental Activities	Business-type Activities	Total	Component Units
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	104,287	186,813	<b>291,100</b>	11,643
Accrued expenses and vacations	3,676	24,201	<b>27,877</b>	—
Accrued interest payable	—	87,966	<b>87,966</b>	10,194
Claims payable	1,625	6,675	<b>8,300</b>	—
Contract retentions	3,352	22,266	<b>25,618</b>	—
Due to other governments	8,646	—	<b>8,646</b>	—
Other liabilities	—	4,376	<b>4,376</b>	1,115
Unearned revenues	1,300	—	<b>1,300</b>	1,654
Commercial paper notes payables	—	243,336	<b>243,336</b>	—
Current portion of long-term debt, capital leases, SWAPS	97,226	200,344	<b>297,570</b>	30,377
Current portion of other liabilities	11,064	—	<b>11,064</b>	655
Total current liabilities	<u>231,176</u>	<u>775,977</u>	<u><b>1,007,153</b></u>	<u>55,638</u>
Noncurrent liabilities				
Noncurrent portion of long-term debt	947,048	5,989,166	<b>6,936,214</b>	594,255
Noncurrent portion of capital leases	17,296	5,394	<b>22,690</b>	—
Noncurrent portion of contract retentions	—	7,375	<b>7,375</b>	—
Pension liability	912,446	496,626	<b>1,409,072</b>	—
Net OPEB obligation	273,669	203,483	<b>477,152</b>	—
Due to other governments	—	—	—	—
Due to primary government	—	—	—	43,933
Due to component unit	362,938	—	<b>362,938</b>	—
Other long-term liabilities	73,289	170,268	<b>243,557</b>	33,116
Total non-current liabilities	<u>2,586,686</u>	<u>6,872,312</u>	<u><b>9,458,998</b></u>	<u>671,304</u>
Total Liabilities	<u>2,817,862</u>	<u>7,648,289</u>	<u><b>10,466,151</b></u>	<u>726,942</u>
Deferred inflows of resources				
Pension related deferred inflows	83,682	14,561	<b>98,243</b>	—
Accumulated deferred gain on refundings	—	—	—	8,250
Accumulated increase in fair value of derivative instruments	8,247	—	<b>8,247</b>	—
Total deferred inflows of resources	<u>91,929</u>	<u>14,561</u>	<u><b>106,490</b></u>	<u>8,250</u>
Total liabilities and deferred inflows of resources	<u>2,909,791</u>	<u>7,662,850</u>	<u><b>10,572,641</b></u>	<u>735,192</u>
<b>NET POSITION</b>				
Net investment in capital assets	86,340	5,687,008	<b>5,773,348</b>	118,433
Restricted for:				
Debt service	336,669	417,463	<b>754,132</b>	—
Programs	109,282	—	<b>109,282</b>	85,118
Capital projects	298,923	652,115	<b>951,038</b>	—
Unrestricted	<u>(1,370,094)</u>	<u>888,396</u>	<u><b>(481,698)</b></u>	<u>(45,146)</u>
Total Net Position	<u>\$ (538,880)</u>	<u>\$ 7,644,982</u>	<u><b>\$ 7,106,102</b></u>	<u>\$ 158,405</u>

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**  
**(Dollars in Thousands)**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	TOTALS	
Primary Government								
Governmental activities:								
General government	\$ 464,517	\$ 166,954	\$ 40,745	\$ —	\$ (256,818)	\$ —	\$ (256,818)	
Police	226,881	21,066	6,885	—	(198,930)	—	(198,930)	
Fire	85,527	1,341	1,511	—	(82,675)	—	(82,675)	
Corrections	36,169	8,904	238	—	(27,027)	—	(27,027)	
Public Works	130,715	7,970	21,892	—	(100,853)	—	(100,853)	
Parks, Recreation and Cultural Affairs	64,952	4,698	1,946	—	(58,308)	—	(58,308)	
Interest on long-term debt	38,173	—	—	—	(38,173)	—	(38,173)	
Total Governmental activities	1,046,934	210,933	73,217	—	(762,784)	—	(762,784)	
Business-type activities:								
Watershed Management	471,536	486,285	—	17,638	—	32,387	32,387	
Aviation	673,027	497,955	—	239,971	—	64,899	64,899	
Sanitation	40,148	54,698	—	—	—	14,550	14,550	
Parks and Recreational Facilities	84	—	—	—	—	(84)	(84)	
Underground Atlanta	2,016	1,281	—	8,850	—	8,115	8,115	
Parking Deck	1,710	1,019	—	—	—	(691)	(691)	
Permit Fund	—	—	—	—	—	—	—	
City Plaza	1,206	1,261	—	—	—	55	55	
Civic Center	1,819	344	—	—	—	(1,475)	(1,475)	
Total Business-type activities	1,191,546	1,042,843	—	266,459	—	117,756	117,756	
Total Primary Government	\$2,238,480	\$1,253,776	\$ 73,217	\$ 266,459	\$ (762,784)	\$ 117,756	\$ (645,028)	
Component Units	\$ 82,078	\$ 21,132	\$ 42,969	\$ 22,678				\$ 4,701
General Revenues								
Taxes:								
					197,921	—	197,921	—
					133,284	—	133,284	—
					247,175	—	247,175	—
					180,528	—	180,528	6,745
					1,288	5,971	7,259	123
					—	11,312	11,312	745
					760,196	17,283	777,479	7,613
					(34,496)	34,496	—	—
					725,700	51,779	777,479	7,613
					(37,084)	169,535	132,451	12,314
					(501,796)	7,475,447	6,973,651	146,091
NET POSITION - END OF PERIOD					\$ (538,880)	\$ 7,644,982	\$7,106,102	\$ 158,405

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**

Balance Sheet  
Government Funds  
June 30, 2017  
(Dollars in Thousands)

	General Fund	Municipal Option Sales Tax (MOST)	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 2,559	\$ —	\$ —	\$ —	\$ 2,559
Cash and cash equivalents, restricted	—	130	80,021	288,655	368,806
Equity in cash management pool	202,170	—	17,858	46,582	266,610
Restricted Investments	23	—	168,255	164,027	332,305
Receivables:					—
Taxes	7,857	11,098	—	12,324	31,279
Accounts	17,101	—	—	25,154	42,255
Due from other governments	—	—	—	14,201	14,201
Due from other funds	58,814	—	204	433	59,451
Other assets	71	—	—	—	71
Investments in escrow	—	—	9,371	—	9,371
<b>TOTAL ASSETS</b>	<u>\$ 288,595</u>	<u>\$ 11,228</u>	<u>\$ 275,709</u>	<u>\$ 551,376</u>	<u>\$ 1,126,908</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 40,926	\$ —	\$ 22,186	\$ 37,348	\$ 100,460
Accrued expenditures	2,836	—	26	190	3,052
Contract retentions	286	—	2,789	277	3,352
Due to other governments	—	—	—	8,646	8,646
Due to other funds	885	11,228	3,430	18,023	33,566
Advance due to other funds	36,199	—	—	—	36,199
Unearned revenue	45	—	—	1,255	1,300
<b>Total Liabilities</b>	<u>81,177</u>	<u>11,228</u>	<u>28,431</u>	<u>65,739</u>	<u>186,575</u>
<b>Deferred inflows of resources</b>					
Deferred inflows of property taxes	7,336	—	—	7,315	14,651
<b>Total liabilities and deferred inflows of resources</b>	<u>88,513</u>	<u>11,228</u>	<u>28,431</u>	<u>73,054</u>	<u>201,226</u>
<b>Fund Balances:</b>					
Nonspendable	5,941	—	—	—	5,941
Restricted	—	—	247,278	497,596	744,874
Committed	47,208	—	—	—	47,208
Assigned	8,537	—	—	—	8,537
Unassigned	138,396	—	—	(19,274)	119,122
<b>Total fund balances</b>	<u>200,082</u>	<u>—</u>	<u>247,278</u>	<u>478,322</u>	<u>925,682</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>	<u>\$ 288,595</u>	<u>\$ 11,228</u>	<u>\$ 275,709</u>	<u>\$ 551,376</u>	<u>\$ 1,126,908</u>

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
**Reconciliation of Government Fund Balance Sheet**  
**To the Government-wide Statement of Net Position**  
**June 30, 2017**  
**(Dollars in Thousands)**

Total fund balances		\$	925,682
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Deferred inflows for property taxes not recognized as current year revenues and, therefore, are classified as deferred inflows in the above funds			14,651
Capital assets used in governmental activities are not financial resources and therefore are not reported in the above funds:			
Land and construction in progress	304,659		
Cost of capital assets	1,874,914		
Less: accumulated depreciation	(1,136,577)		1,042,996
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in governmental funds but must be deferred in the statement of net position			
Deferred outflows-General pension	41,302		
Deferred outflows-Fire pension	62,287		
Deferred outflows-Police pension	113,431		217,020
Other assets include amounts that used current financial resources at the fund level but will be offset against future revenues in the government-wide statements	19,352		19,352
Amount due from APS results from debt defeased by City used in governmental activities are not financial resources and therefore are not reported in the above funds:	10,758		10,758
Internal service funds are used by management to charge the costs of automotive services as well as transactions related to the provision of life, accident and medical insurance benefits through outside insurance companies for permanent employees and retirees. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.			
Capital assets included above related to the internal service fund	(340)		
Net Position for internal service fund	11,284		10,944
Certain amounts related to the net pension liability are deferred and amortized over time			
Deferred inflows of resources- General pension	(340)		
Deferred inflows of resources- Fire pension	(30,249)		
Deferred inflows of resources- Police pension	(53,093)		(83,682)
Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in governmental funds.			
Due to component unit	(376,552)		
Due to other government	—		
Long-term debt	(350,285)		
Certificate of Participation	(29,780)		
APSJFA revenue bonds	(27,150)		
SWMA revenue refunding bonds	(9,360)		
Limited obligation bonds	(499,385)		
Capital leases	(23,544)		
Other general long-term obligations	(48,434)		
Unamortized premiums (discounts) on bond issues	(57,964)		
Vacation and compensated absences payable	(21,612)		
Notes payable	(2,054)		
Net Pension liability	(912,446)		
Net OPEB obligation	(273,669)		
Health, dental and general claims payable	(16,004)		
Workers' compensation	(48,362)		(2,696,601)
NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	(538,880)

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
Statement of Revenue, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	General Fund	Municipal Option Sales Tax (MOST)	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 198,105	\$ —	\$ —	\$ 133,284	\$ 331,389
Local and municipal option sales taxes	103,354	131,710	—	12,111	247,175
Public utility, alcoholic beverage and other taxes	101,005	—	—	79,523	180,528
Licenses and permits	116,965	—	—	1,098	118,063
Charges for current services	6,563	—	—	29,914	36,477
Fines, forfeitures and penalties	22,788	—	—	1,564	24,352
Investment income	(671)	—	879	1,100	1,308
Intergovernmental revenues and contributions:					—
Federal revenues	—	—	—	54,655	54,655
State and local grants and contributions	—	—	106	18,456	18,562
Building rentals and concessions	11,369	—	—	1,081	12,450
Other	13,430	—	130	6,031	19,591
Total revenues	572,908	131,710	1,115	338,817	1,044,550
<b>EXPENDITURES</b>					
Current:					
General government	179,931	—	43,978	163,605	387,514
Police	195,601	—	9,246	26,666	231,513
Fire	80,688	—	1,921	1,525	84,134
Corrections	34,597	—	441	2,406	37,444
Public Works	57,531	—	30,313	26,459	114,303
Parks, recreation and cultural affairs	37,531	—	3,141	15,173	55,845
Debt Service:					
Principal payments	9,507	—	6,652	28,349	44,508
Interest payments	1,785	—	2,656	32,570	37,011
Bond issuance costs	—	—	158	969	1,127
Paying agent fees	9	—	—	26	35
Total Expenditures	597,180	—	98,506	297,748	993,434
Excess (deficiency) of revenues over expenditures	(24,272)	131,710	(97,391)	41,069	51,116
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	380	—	—	—	380
Payment to refunded bond escrow agent	—	—	(31,337)	(97,656)	(128,993)
Issuance of refunding bonds	—	—	—	63,685	63,685
Issuance of capital lease	—	—	8,735	—	8,735
Proceeds from limited obligation	—	—	27,150	144,855	172,005
Premium from bond sold	—	—	4,758	11,319	16,077
Transfers in	110,117	—	37,820	7,008	154,945
Transfers out	(39,292)	(131,710)	(895)	(19,807)	(191,704)
Total Other Financing Sources (Uses)	71,205	(131,710)	46,231	109,404	95,130
Net change in fund balances	46,933	—	(51,160)	150,473	146,246
Fund Balance:					
Beginning of the period	153,149	—	298,438	327,849	779,436
FUND BALANCE, END OF PERIOD	\$ 200,082	\$ —	\$ 247,278	\$ 478,322	\$ 925,682

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
**Reconciliation of Statement of Revenue, Expenditures and Changes in Fund Balances**  
**To the Government-wide Statement of Activities**  
**For the Year Ended June 30, 2017**  
**(Dollars in Thousands)**

Net change in fund balance - total governmental funds		\$	146,246
Amounts reported for governmental activities in the Statement of Activities are different because:			
Property taxes in the statement of activities that do not provide current financial resources are reported as deferred inflows in the above funds			(184)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.			
	Capital outlays	99,785	
	Capital contributions	—	
	Disposal of assets	(112,641)	
	Depreciation expense	(59,854)	(72,710)
The issuance of long-term debt (capitalized leases) provides current financial resources to governmental funds. Repayment of debt (bonds, certificates of participation and capitalized leases) is an expenditure in the governmental funds but the repayments reduce long-term liabilities in the statement of net position. This amount is the net effect of these differences in treatment of long-term debt.			
	Payments on long-term debt	181,297	
	Proceeds from long-term debt	(244,425)	
	Recognition of due to APS	—	
	Capitalization of premiums and discounts	(16,077)	
	Amortization of premiums and discounts	7,042	(72,163)
Internal service funds are used by management to charge the costs of automotive services as well as transactions related to the provision of life, accident and medical insurance benefits through outside insurance companies for permanent employees and retirees. The net revenues of these activities are reported as governmental funds for affected departments.			
		14,885	14,885
Pension related items reported in the statement of activities that do not require the use of current financial resources to governmental funds.			
	Deferred outflows-General pension	15,824	
	Deferred outflows-Fire pension	33,132	
	Deferred outflows-Police pension	52,471	
	Deferred inflows of resources- General pension	22,028	
	Deferred inflows of resources- Fire pension	(9,564)	
	Deferred inflows of resources- Police pension	(11,393)	
			102,498
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.			
	Change in due from other parties	(388)	
	Change in pension liability	(129,587)	
	Amortization of deferred losses on refunding	7,603	
	Change in health, dental and general claims payable	(614)	
	Change in vacation and compensated absences	(3,684)	
	Change in net OPEB obligation	(20,460)	
	Change in workers' compensation	(8,526)	(155,656)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$	(37,084)

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**  
(Dollars in Thousands)

	Business Activities - Enterprise Funds				Governmental Activities
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds	Total	Internal Service Fund
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 11,867	\$ 106	\$ —	\$ 11,973	\$ —
Restricted cash and cash equivalents	205,815	252,990	33	458,838	—
Equity in cash management pool	819,929	789,280	3,682	1,612,891	1,943
Receivables:					
Accounts	170,499	7,625	47,060	225,184	663
Less allowance for doubtful accounts	(99,537)	(3,519)	(8,476)	(111,532)	—
Total receivables, net	70,962	4,106	38,584	113,652	663
Due from other governments	11,460	—	—	11,460	—
Due from other funds	11,680	—	—	11,680	—
Advance to other funds, current portion	10,000	—	—	10,000	—
Inventories	12,502	9,421	—	21,923	976
Prepaid expenses	—	885	—	885	—
Restricted assets	625	46,676	—	47,301	—
Total current assets	1,154,840	1,103,464	42,299	2,300,603	3,582
Noncurrent assets:					
Restricted cash and cash equivalents	—	275,062	—	275,062	—
Restricted investments	213,470	888,869	2	1,102,341	—
Advance to other funds, less current portion	26,199	—	—	26,199	—
Investment in joint venture	75,782	—	—	75,782	—
Due from other parties	—	10,640	—	10,640	—
Due from other component units	24,000	—	—	24,000	—
Capital assets:					
Land	127,319	584,230	3,726	715,275	136
Construction in progress	748,611	536,374	3,003	1,287,988	—
Land improvements	13,010	3,284,183	7,167	3,304,360	29
Land purchased for noise abatement	—	277,776	—	277,776	—
Buildings and other structures	—	3,987,396	48,889	4,036,285	5,508
Water collection and distribution system	4,342,498	—	—	4,342,498	—
Water and wastewater plant and treatment facilities	1,933,550	—	—	1,933,550	—
Machinery, equipment, and other	236,910	416,130	28,358	681,398	3,791
Less accumulated depreciation	(2,351,124)	(2,981,809)	(34,321)	(5,367,254)	(9,124)
Capital assets, net	5,050,774	6,104,280	56,822	11,211,876	340
Total assets	6,545,065	8,382,315	99,123	15,026,503	3,922
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Pension related deferred outflows	26,952	38,981	5,983	71,916	—
Accumulated decrease in fair value of derivative instruments	36,705	—	—	36,705	—
Accumulated losses on debt refunding	168,956	53,130	—	222,086	—
Total assets and deferred outflows of resources	\$ 6,777,678	\$ 8,474,426	\$ 105,106	\$ 15,357,210	\$ 3,922

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2017**  
**(Dollars in Thousands)**

	Business Activities - Enterprise Funds				Governmental Activities
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds	Total	Internal Service Fund
<b>LIABILITIES</b>					
Liabilities:					
Current liabilities					
Accounts payable	\$ 38,087	\$ 24,950	\$ 4,278	\$ 67,315	\$ 3,827
Accrued expenses	6,861	15,915	1,425	24,201	624
Claims payable	6,675	—	—	6,675	—
Deposits and advances	8,137	—	—	8,137	—
Accrued interest payable	—	40,979	—	40,979	—
Due to other funds	—	—	35,618	35,618	1,947
Current portion of other debt	6,200	88,180	—	94,380	—
Current maturities of capital leases	1,749	—	—	1,749	—
Accrued workers' compensation	2,854	341	1,181	4,376	—
Current liabilities	70,563	170,365	42,502	283,430	6,398
Current liabilities payable from restricted assets:					
Accounts payable	29,402	81,959	—	111,361	—
Accrued interest payable	22,153	24,710	124	46,987	—
Contract retention	15,378	6,682	206	22,266	—
Commercial paper notes payables	96,410	146,926	—	243,336	—
Current maturities of long-term debt	63,650	39,495	1,070	104,215	—
Total current liabilities payable from restricted assets	226,993	299,772	1,400	528,165	—
Total current liabilities	297,556	470,137	43,902	811,595	6,398
Noncurrent liabilities					
Long-term debt, excluding current maturities	3,081,815	2,880,309	27,042	5,989,166	—
Capital lease obligations, excluding current maturities	5,394	—	—	5,394	—
Pension liability	259,718	180,223	56,685	496,626	—
Net OPEB obligation	112,861	64,160	26,462	203,483	—
Claims Payable	8,631	—	—	8,631	—
Contract retention, excluding current portion	—	7,375	—	7,375	—
Accrued workers' compensation	6,685	2,095	7,245	16,025	—
Interest rate SWAP	129,785	—	—	129,785	—
Landfill postclosure costs	—	—	15,827	15,827	—
Total noncurrent liabilities	3,604,889	3,134,162	133,261	6,872,312	—
Total Liabilities	3,902,445	3,604,299	177,163	7,683,907	6,398
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related deferred inflows	229	14,282	50	14,561	—
Total liabilities and deferred inflows of resources	3,902,674	3,618,581	177,213	7,698,468	6,398
<b>NET POSITION</b>					
Net investment in capital assets	2,340,297	3,318,001	28,710	5,687,008	340
Restricted					
Debt service	—	417,463	—	417,463	—
Capital projects	—	652,115	—	652,115	—
Unrestricted	534,707	468,266	(100,817)	902,156	(2,816)
Total Net Position	\$ 2,875,004	\$ 4,855,845	\$ (72,107)	\$ 7,658,742	\$ (2,476)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(13,760)	
Net position of business-type activities				\$ 7,644,982	

The accompanying notes are an integral part of this statement



**CITY OF ATLANTA, GEORGIA**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**  
**(Dollars in Thousands)**

	Business Activities - Enterprise Funds				Governmental Activities
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds	Total	Internal Service Fund
Operating revenues:					
Charges for services	\$ 466,009	\$ 310,419	\$ 52,644	\$ 829,072	\$ 174,798
Sewer service charges from other governmental units	18,431	—	—	18,431	—
Rentals, admissions and concessions	1,820	126,882	3,931	132,633	—
Other	25	60,654	2,028	62,707	3,757
Total operating revenues	486,285	497,955	58,603	1,042,843	178,555
Operating expenses:					
Salaries and employee benefits	108,830	103,048	13,559	225,437	104,075
Utilities	21,595	9,025	703	31,323	632
Supplies and materials	20,154	6,521	1,352	28,027	10,983
Repairs, maintenance and other contractual services	11,023	9,460	121	20,604	3,750
Motor equipment services	6,164	3,264	7,311	16,739	368
Engineering and consultant fees	27,163	129,900	12,370	169,433	1,400
General services and other costs	33,098	51,042	5,567	89,707	62,754
Depreciation and amortization	113,987	229,983	3,952	347,922	47
Total operating expenses	342,014	542,243	44,935	929,192	184,009
Operating income (loss)	144,271	(44,288)	13,668	113,651	(5,454)
Non-operating revenues (expenses):					
Investment income, net of capitalized interest	3,910	4,347	(100)	8,157	(20)
Interest expense	(125,226)	(123,710)	(1,468)	(250,404)	(198)
Passenger facility charges	—	199,431	—	199,431	—
Customer facility charges	—	29,019	—	29,019	—
Other revenue (expenses), net	(4,296)	(7,074)	10,732	(638)	15
Total nonoperating revenues (expenses), net	(125,612)	102,013	9,164	(14,435)	(203)
Income before capital contributions and transfers	18,659	57,725	22,832	99,216	(5,657)
Capital contributions	17,638	11,521	8,850	38,009	—
Transfers in	133,624	—	21,890	155,514	21,800
Transfers out	(30,926)	(5,228)	(84,864)	(121,018)	(3,550)
Change in net Position	138,995	64,018	(31,292)	171,721	12,593
Net Position, beginning of period	2,736,009	4,791,827	(40,815)	7,487,021	(15,069)
Net Position, end of period	\$ 2,875,004	\$ 4,855,845	\$ (72,107)	7,658,742	\$ (2,476)
				Change in net position	171,721
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				(2,186)	
Change in net position of business-type activities				\$ 169,535	

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2017**  
**(Dollars in Thousands)**

	Business Activities - Enterprise Funds				Governmental Activities
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds	Total	Internal Service Fund
<b>Cash flows from operating activities</b>					
Cash received from user charges	\$ 468,375	\$ 497,939	\$ 53,855	\$ 1,020,169	\$ 178,540
Cash received for interfund services received	13,844	—	—	13,844	—
Cash paid for interfund services received	(14,617)	—	—	(14,617)	—
Cash paid to employees for services	(101,485)	(94,262)	(29,542)	(225,289)	(103,965)
Cash paid to suppliers for goods and services	(92,312)	(213,715)	(28,922)	(334,949)	(101,076)
Net cash provided by (used in) operating activities	273,805	189,962	(4,609)	459,158	(26,501)
<b>Cash flows from noncapital financing activities</b>					
Non-capital grants and donations	(4,296)	—	—	(4,296)	—
Transfers in	133,624	—	21,890	155,514	21,800
Transfers out	(30,926)	—	(84,864)	(115,790)	(3,550)
Net cash provided by (used in) noncapital financing activities	98,402	—	(62,974)	35,428	18,250
<b>Cash flows from capital and related financing activities</b>					
Capital grants and donations	17,638	12,459	8,850	38,947	—
Principal repayments of long-term debts	(320,236)	(121,480)	(14,353)	(456,069)	—
Acquisition, construction and improvements of capital assets	(235,382)	(363,470)	21,731	(577,121)	59
Passenger and customer facility charges	—	221,016	—	221,016	—
Contract retention withheld, net	—	9,248	—	9,248	—
Proceeds from bond/note issuances	356,982	126,926	—	483,908	—
Premium from issuance of debt	37,732	—	—	37,732	—
Interest paid	(162,256)	(147,070)	737	(308,589)	(183)
Net cash provided by (used in) capital and related financing activities	(305,522)	(262,371)	16,965	(550,928)	(124)
<b>Cash flows from investing activities</b>					
Change in equity in cash management pool	(72,770)	45,767	50,735	23,732	8,308
Interest on investments	4,201	22,528	(100)	26,629	(20)
Purchases of restricted investments	(11,733)	(1,256,811)	16	(1,268,528)	—
Sales & redemptions of restricted investments	10,820	1,152,704	—	1,163,524	—
Net cash provided by (used in) investing activities	(69,482)	(35,812)	50,651	(54,643)	8,288
Increase (decrease) in cash and cash equivalents	(2,797)	(108,221)	33	(110,985)	(87)
Cash and cash equivalents:					
Beginning of year	220,479	636,379	—	856,858	87
End of year	\$ 217,682	\$ 528,158	\$ 33	\$ 745,873	\$ —

continued

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	Business Activities - Enterprise Funds				Governmental Activities
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds	Total	Internal Service Fund
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income (loss)	\$ 144,271	\$ (44,288)	\$ 13,668	\$ 113,651	\$ (5,454)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation and amortization	113,987	229,983	3,952	347,922	47
Changes in assets and liabilities					
Accounts receivable - net of allowance	(4,837)	(406)	(4,766)	(10,009)	(15)
Materials and supplies - net of allowances	(1,354)	(1,690)	—	(3,044)	—
Due from other funds	10,230	—	—	10,230	—
Prepaid expenses	—	184	(1,226)	(1,042)	(42)
Due (from) other governmental units, net	110	—	—	110	—
Investment in joint venture	1,698	—	—	1,698	—
Accounts payable and accrued expenses	6,519	(74)	(720)	5,725	1,274
Other liabilities	—	6,253	(14,757)	(8,504)	110
Claims payable	2,520	—	—	2,520	—
Customer deposits	661	—	—	661	—
Due to other funds	—	—	(760)	(760)	(22,421)
Net cash provided by (used in) operating activities	<u>\$ 273,805</u>	<u>\$ 189,962</u>	<u>\$ (4,609)</u>	<u>\$ 459,158</u>	<u>\$ (26,501)</u>
Schedule of noncash capital and related financing activity:					
Acquisition of capital assets with accounts payable	\$ 29,402	\$ 63,677	\$ —	\$ 93,079	—
Amortization of bond discount and premium, net	12,926	16,097	—	29,023	—
Retainage payable	15,378	—	—	15,378	—
Acquisition of capital assets in installment payment arrangement	1,952	—	—	1,952	—
Accrued capitalized interest	1,871	—	—	1,871	—
Equipment identified through periodic capital asset physical count	4,231	—	—	4,231	—

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
**Statements of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**  
(Dollar amounts in thousands)

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 56,325	\$ 251
Securities lending cash collateral	33,929	—
Equity in cash management pool	—	22,698
Receivables:		
Other Employee Contributions	1,722	—
Other Employer Contributions	4,984	—
Due from brokers	4,601	—
Accrued interest receivable	2,930	—
Prepaid expenses	—	1,562
Other receivables	9,078	103
Total receivables	<u>23,315</u>	<u>1,665</u>
Investments:		
Cash and cash equivalents	40,578	
Domestic fixed income securities	561,858	—
Domestic equities	1,760,688	—
International fixed income securities	172,067	—
International equities	459,784	—
Limited partnerships	48,492	—
Alternative partnerships:		
Limited partnerships	64,333	—
Comingled funds	70,281	—
Total investments	<u>3,178,081</u>	<u>—</u>
Total assets	<u>3,291,650</u>	<u>24,614</u>
<b>LIABILITIES</b>		
Payables:		
Accounts payables	3,855	24,614
Due to brokers for investments purchased	18,736	—
Collateral payable for securities lending	33,929	—
Total liabilities	<u>56,520</u>	<u>24,614</u>
<b>Net Position Restricted for Pension</b>	<u><u>\$ 3,235,130</u></u>	

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	<b>Pension Trust Funds</b>
Additions	
Contributions:	
Employer contributions	\$ 162,267
Employee contributions	47,204
Refunds and other	73
Total Contributions	<u>209,544</u>
Investment income:	
Net change in fair value of investments	356,401
Investment income	39,095
Securities lending income	339
Less: Investment expenses	<u>(10,043)</u>
Net investment income gain (loss)	<u>385,792</u>
Total Additions	<u>595,336</u>
Deductions	
Accounts payable	
Benefit payments	286,148
Administrative expenses	<u>2,402</u>
Total Deductions	<u>288,550</u>
Change in net position	306,786
Net position held in trust for pension benefits:	
Beginning of period	<u>2,928,344</u>
End of period	<u>\$ 3,235,130</u>

The accompanying notes are an integral part of this statement



## Component Units

City of Atlanta and Fulton County Recreation Authority - Established to account for the acquisitions, construction, maintenance, and operation of an athletic coliseum, and the Atlanta Zoo.

Atlanta Development Authority – Atlanta Development Authority, d/b/a Invest Atlanta, is the official economic development authority for the City of Atlanta. Its purpose is to strengthen Atlanta's economy and global competitiveness in order to create increased opportunity and prosperity for the people of Atlanta.

**CITY OF ATLANTA, GEORGIA**  
**Component Units**  
**Statement of Net Position**  
**For the Year Ended June 30, 2017**  
**(Dollars in Thousands)**

	Atlanta Fulton County Recreation Authority	Atlanta Development Authority	Totals
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 7,440	\$ 26,597	\$ 34,037
Restricted cash	—	49,516	49,516
Restricted Investments	—	—	—
Short-term investments	—	—	—
Receivables:			
Accounts	166	—	166
Other receivables	—	2,118	2,118
Total receivables	166	2,118	2,284
Due from primary government	—	462	462
Due from other component units	—	3,557	3,557
Current portion of capital lease receivable	—	14,818	14,818
Prepaid expenses and other assets	49	233	282
Total current assets	7,655	97,301	104,956
Noncurrent Assets:			
Unrestricted assets:			
Due from primary government	74,841	239,266	314,107
Investments	—	15,245	15,245
Other receivable	—	1,925	1,925
Mortgage loans receivable	—	3,492	3,492
Capital lease receivable	—	—	—
Due from other component units	—	60,305	60,305
Other assets	—	7,610	7,610
Total unrestricted assets	74,841	327,843	402,684
Restricted assets:			
Cash and cash equivalents	43,607	—	43,607
Investments	—	—	—
Other assets	—	—	—
Total restricted assets	43,607	—	43,607
Property and equipment - at cost:			
Land	22,644	67,703	90,347
Construction-in-progress	—	121,580	121,580
Land improvements	1,218	5,734	6,952
Buildings and improvements	244,117	38,352	282,469
Other property and equipment	17,813	4,014	21,827
	285,792	237,383	523,175
Less accumulated depreciation	(165,007)	(21,227)	(186,234)
Property and equipment, net	120,785	216,156	336,941
Total assets	246,888	641,300	888,188
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Accumulated losses on debt refunding	\$ 3,604	\$ 1,805	\$ 5,409
Total assets and deferred outflows of resources	\$ 250,492	\$ 643,105	\$ 893,597

The accompanying notes are an integral part of this statement

**CITY OF ATLANTA, GEORGIA**  
**Component Units**  
Statement of Net Position  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

	Atlanta Fulton County Recreation Authority	Atlanta Development Authority	Totals
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable and accrued expenses	\$ 214	\$ 11,429	\$ 11,643
Accrued interest payable	—	10,194	10,194
Due to primary government	—	—	—
Other liabilities	7	1,108	1,115
Deferred revenues	—	1,654	1,654
Current maturities of long-term debt	—	17,712	17,712
Total current liabilities	221	42,097	42,318
Liabilities payable from restricted assets:			
Current maturities of long-term debt	12,665	—	12,665
Other liabilities	655	—	655
Total liabilities payable from restricted assets	13,320	—	13,320
Long-term liabilities:			
Long-term debt, less current portion	183,945	410,310	594,255
Other long-term liabilities	—	33,116	33,116
Due to primary government	19,933	24,000	43,933
Total long-term liabilities	203,878	467,426	671,304
Total liabilities	217,419	509,523	726,942
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Accumulated premiums on long term debt	7,029	1,221	8,250
Total liabilities and deferred inflows of resources	224,448	510,744	735,192
<b>NET POSITION</b>			
Net investment in capital assets	(4,407)	122,840	118,433
Restricted	23,020	62,098	85,118
Unrestricted	7,431	(52,577)	(45,146)
Total net position	\$ 26,044	\$ 132,361	\$ 158,405

The accompanying notes are an integral part of this statement



**CITY OF ATLANTA, GEORGIA**  
**Component Units**

Statement of Activities  
For the Year Ended June 30, 2017  
(Dollars in Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Atlanta Fulton County Recreation Authority	Atlanta Development Authority	TOTAL \$
Component Units							
Business-type activities							
Atlanta Fulton County Recreation Authority	\$ 20,907	\$ 1,086	\$ 312	\$ 13,703	\$ (5,806)	\$ —	\$ (5,806)
Atlanta Development Authority	61,171	20,046	42,657	8,975	—	10,507	10,507
Total Business-type activities	82,078	21,132	42,969	22,678	(5,806)	10,507	4,701
Total Component Units	\$ 82,078	\$ 21,132	\$ 42,969	\$ 22,678	\$ (5,806)	\$ 10,507	\$ 4,701
General revenues:							
Other taxes					\$ 6,745	\$ —	\$ 6,745
Investment income					17	106	123
Other					—	745	745
Total General revenues					6,762	851	7,613
Change in net position					956	11,358	12,314
Net position - beginning of period					25,088	121,003	146,091
Net position - end of period					\$ 26,044	\$ 132,361	\$ 158,405

The accompanying notes are an integral part of this statement



## **Notes to the Financial Statements**

# City of Atlanta, Georgia

## Notes to Financial Statements

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## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **I. Summary of Significant Accounting Policies**

The accounting principles of the City of Atlanta ("City") conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental entities. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described herein.

##### **A. Reporting Entity**

###### **The Financial Reporting Entity**

The City is a municipal corporation governed by the Mayor and the City Council. In evaluating how to define the City for financial reporting purposes, the management of the City has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by GASB Statement No. 61. The component units discussed below are included in the Government's reporting entity because of the significance of their operational or financial relationships with the Government. Each discretely presented component unit is reported separately in the basic financial statements to emphasize that it is legally separate from the City Government.

All blended component units have a June 30 fiscal year end. Of the discretely presented component units, the Atlanta Fulton County Recreation Authority has a December 31 fiscal year end and the Atlanta Development Authority, d/b/a Invest Atlanta ("Invest Atlanta"), has a June 30 fiscal year end.

###### **Blended Presented Component Units**

Atlanta Public Safety and Judicial Facilities Authority ("APSJFA"), Solid Waste Management Authority ("SWMA"), and Atlanta Housing Opportunity, Inc. (AHOI) are legally separate from the City, but governed by boards appointed by the Mayor and/or the City Council. There exists a financial benefit/burden relationship between the City and the entity. APSJFA, SWMA, and AHOI are reported as if they are a part of the primary government because their primary purpose is to provide services to the City. The general fund of AHOI is reported as a special revenue fund of the City. APSJFA and SWMA's capital project funds are reported as capital project funds of the City.

Separate audited financial statements for AHOI may be obtained from Invest Atlanta, 133 Peachtree Street, NE, Suite 2900, Atlanta, GA 30303. Separate financial statements are not prepared for APSJFA and SWMA.

###### **Discretely Presented Component Units**

The component unit column in the government-wide financial statements includes the Atlanta Fulton County Recreation Authority ("Recreation Authority"), and Invest Atlanta. They are reported as discretely presented because the governing body of each of these component units is not reported discretely substantively the same as the primary government. All the discretely presented component units are accounted for as proprietary fund types.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Reporting Entity, continued

*Atlanta Fulton County Recreation Authority* - Created in 1961, the principal activities of the Recreation Authority include the maintenance and oversight of an athletic stadium (the "Stadium"), an athletic coliseum (the "Arena"), and the Atlanta Fulton County Zoo, Inc. ("Zoo"), for which the Recreation Authority acts as lessee under a leasehold interest granted by the City. The Mayor appoints the majority (two-thirds, or six of nine) of the governing body of the Recreation Authority. The City has a two-thirds interest in the Recreation Authority and Fulton County has one-third interest. The separate financial statements which comprise the Recreation Authority may be obtained from the Atlanta Fulton County Recreation Authority, 101 Marietta Street, NW, Suite 1070, Atlanta, GA 30303.

The City, Fulton County ("the County"), and the Zoo by contractual agreement with the Recreation Authority, will fund any deficiencies in principal and interest payments on the applicable revenue bonds issued for construction and capital improvements of the Arena and the Zoo. The funding of any deficiencies related to the Arena is based on the proportionate ownership interest noted above for the City and the County. For the Arena, there were no such deficiencies during the fiscal year that required funding by the City or County. When the related Arena revenue bonds have been fully paid, the Recreation Authority will convey fee simple title of the Arena to the City and the County based on their proportionate shares noted above, upon joint request of the City and the County. The component unit presentation in these financial statements of the Recreation Authority consolidates the operations of the Stadium and Arena.

*Invest Atlanta* - Invest Atlanta, is the economic development agency for the City of Atlanta. Invest Atlanta was created effective January 1, 1997, to promote the revitalization and growth of the City through a comprehensive and centralized program focusing on community development and redevelopment. It combines several organizations, including the Downtown Development Authority (DDA), which perform similar economic development functions. The Mayor and City Council are responsible for appointing the members of the Board of Directors of Invest Atlanta and have the ability to impose their will on Invest Atlanta. In addition, Invest Atlanta has the potential to impose a financial burden on the City. The separate audited financial statements of Invest Atlanta may be obtained from Invest Atlanta, 133 Peachtree Street, N.E., Suite 2900, Atlanta, Georgia 30303.

##### Joint Ventures

The *Atlanta-Fulton County Water Resource Commission ("Commission")* is a joint venture between Fulton County ("the County") and the City for the construction and operation of a water treatment plant accounted for under the equity method of accounting. The Commission is governed by a seven-member management commission; three members are appointed by the City, three by the County, and one independent member is elected by majority vote of the other members. The City and County also approve the annual budget of the Commission. Under the terms of the amended Joint Venture Agreement, the City and the County equally share the costs of all capital expenditures. Capital contributions are recorded during the year in which the additions to capital assets are accrued, whether paid or recorded as a liability, including retainage. The City and County each contributed \$444,000

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Reporting Entity, continued

during the fiscal year ended June 30, 2017. These capital costs are reflected as Investment in the Joint Venture.

The costs of operations of the plant are paid directly by the County as incurred. The County is subsequently reimbursed by the City for its pro rata share of the cost of operations, net of personnel costs paid by the City. The costs of operations, including personnel costs, are allocated between the City and the County on the basis of water delivered to each. The City's share of those operating costs was \$2,962,000 for the year ended June 30, 2017. The costs are reflected in operating costs. At June 30, 2017, the City owes the County approximately \$207,000 for expenses and capital costs associated with the joint venture.

Financial information for the Commission summarized below is as of and for the year ended December 31, 2016 (in thousands):

Total assets	\$ 150,573
Total fund net position	\$ 147,379
Total operating revenue	\$ 9,401
Total operating expenses	\$ 13,621
Total nonoperating losses	\$ (65)
Net loss	\$ (4,285)

The separate financial statements of the Commission may be obtained from the Commission, 9750 Spruill Road, Alpharetta, Georgia 30022.

*Atlanta Regional Commission* - Under Georgia law, the City, in conjunction with other cities and counties in metropolitan Atlanta, is a member of the Atlanta Regional Commission ("ARC") and is required to pay annual dues thereto. During the fiscal year ended June 30, 2017, the City paid approximately \$1,170,000 in such dues. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. The ARC Board membership includes the chief elected official of each county and municipality in the area. The OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC.

Separate financial statements may be obtained from the Atlanta Regional Commission at 40 Courtland St. NE, Atlanta, Georgia 30303.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Reporting Entity, continued

###### *Related Organizations*

The City is also responsible for appointing a majority of the members of the boards of the Atlanta Housing Authority (AHA), Atlanta Urban Redevelopment Agency (AURA), and the Downtown Development Authority of the City of Atlanta (DDA). The City's accountability for AHA does not extend beyond making appointments to the Board. AURA and DDA are reported as blended component units of Invest Atlanta.

##### B. Basis of Presentation

###### *Government -wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City and its component units. The effect of material interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on user fees and charges for support. City activities are reported separately from certain legally separate component units for which the City is financially accountable. Interfund services provided and used are not eliminated in the process of consolidation.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to applicants who use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not meeting the definition of program revenues are reported as *general revenues*.

###### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, with the latter excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### **B. Basis of Presentation, continued**

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund.

The *Municipal Option Sales Tax (MOST) Fund* is used to account for a special 1% sales tax collected by the City for use by the Department of Watershed Management. The fund is accounted for as a special revenue fund, and carries no fund balance as all revenue collections are subsequently transferred to the Department of Watershed Management. The amount of revenue collected on an annual basis by the MOST Fund qualifies it to be reported as a major governmental fund.

The *Capital Project Fund* is used to account for the acquisition, construction or improvement of capital assets. Although reported as a single fund in aggregate, it is comprised of multiple, separately tracked funds and projects funded with the proceeds of long-term debt.

The City reports the following major enterprise funds:

The *Department of Watershed Management Fund (DWM)* accounts for all activities associated with the provision and management of clean water, wastewater and storm water systems, and water pollution control services to individuals, organizations and other governmental units within and around the City.

The *Department of Aviation Fund (DOA)* accounts for the activities of the William B. Hartsfield - Maynard H. Jackson Atlanta International Airport.

Additionally, the City reports the following fund types:

*Internal Service Funds* account for the services and activities that provide services to the other funds and departments on a cost-reimbursement basis. Over time, the internal service funds function basically on a break-even basis. Such services include the Fleet Services as well as Group Insurance transactions related to the provisions of life, accident, and medical insurance benefits through outside insurance companies for permanent employees and retirees of the City.

##### *Fiduciary Fund Types:*

The *Trust Funds* account for activities in which the City acts as trustee for an individual or organization. Additionally, these funds account for *Pension Trust Funds* which accumulate resources for pension benefit payments to members of the Plans and their beneficiaries.

The *Agency Fund* accounts for various taxes and other receipts held in escrow for individuals, outside organizations, other governments and/or other funds.



## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **C. Measurement Focus and Basis of Accounting**

The government-wide, proprietary funds and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, as part of fiduciary funds, while on the accrual basis, do not have a measurement focus since they do not report net position.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, compensated absences, claims and judgments, and worker's compensation are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

##### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances**

###### ***Cash Equivalents***

The City considers all highly liquid debt securities with an original maturity of three months or less to be cash equivalents. The Georgia Fund 1 (GF1) is a stable net asset value investment pool managed by the State of Georgia (Office of State Treasurer) and is not registered with the SEC. The GF1 operates in a manner consistent with SEC Rule 2a-7 of the Investment Company Act of 1940 and is considered a SEC Rule 2a-7- like pool. The fair value of the participant shares is computed weekly with pool earnings distributed on a monthly basis based on equivalent shares owned by participants based on \$1.00 per share.

Separate financial statements of the GF1 may be obtained from the Office of the Georgia State Treasurer, 200 Piedmont Avenue, Suite 1202, West Tower, Atlanta, Georgia 30334-5527.

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances, continued**

###### ***Investments***

The OCGA 36-83-4 authorizes the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, and obligations of a corporation of the U.S. Government, repurchase agreements and prime bankers' acceptance. The City's investment policy authorizes portfolios that consist of U.S. Treasuries, U.S. Agencies/Instrumentalities, Obligations of Other Political in the State of Georgia, Municipal Securities, Bankers Acceptances, Local Government Investment Pools and Certificate of Deposit. According to City policy, up to 75% of the portfolio may consist of U.S. Government Agencies securities. The City invests in repurchase agreements only when collateralized by U.S. Government or Agency Obligations. By statute, which differs from the OCGA 36-83-4, up to 55% of the cost basis of the investment portfolio for the General Employees' Pension Plan, the Firefighters' Pension Plan and the Police Officers' Pension Plan (The Plans) may consist of U.S. corporate equity securities. Additionally, in accordance with authorized investment laws, the Plans can invest in various mortgage-backed securities, such as collateralized mortgage obligations ("CMOs") and government backed mortgage securities. These are separately identified in the disclosure of custodial credit risk (see Note III. A). In 2014, the General Employees' Pension Board, the Firefighters' Pension Board and the Police Officers' Pension Board (The Pension Boards) authorized The Plans to invest in alternative investments, not to exceed 5% of the total investments.

Investments, except in the pension funds, consist primarily of U.S. Government securities and are stated at fair value. Pension fund investments, which also include bonds and U.S. Government and other domestic and foreign securities, are stated at fair value or net asset value as a practical expedient to fair value at June 30, 2017. Repurchase agreements are reported at amortized cost.

The City maintains a cash management pool whereby operating cash is held. This pool is not considered a separate accounting entity for financial reporting purposes; instead, each participating fund's equity in the cash management pool is recorded as such on its statement of net position. Related interest income is allocated to each participating fund based on each fund's recorded equity in the pool.

###### ***Materials and Supplies***

Materials and supplies are stated at cost (substantially first-in, first-out) which is not in excess of market. Inventories are accounted for using the purchase method whereby inventories are recorded as expenditures or expenses when they are used.

###### ***Prepaid Items***

Payments for services that benefit future periods are recorded as prepaid expenses in accordance with the consumption method.

**CITY OF ATLANTA, GEORGIA**

Notes to Financial Statements

Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances,  
continued**

***Restricted Assets***

Restricted assets represent amounts which are required to be maintained pursuant to City ordinances relating to the passenger and customer facility charges; construction, renewal and extension and sinking funds; funds received for specific purposes pursuant to U. S. Government grants; municipal option sales tax; and various special purposes taxes.

***Capital Assets***

Capital assets, which include property, easements, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks, and similar items) used in governmental and business-type activities of the City, are recorded in the statement of net position at historical cost (or estimated historical cost). Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair value at the date of donation. Expenses for replacements, maintenance, repairs, and betterments, which do not materially prolong the life of the related asset, are charged to expenditures/expenses when incurred. All reported capital assets, except land and construction in progress, are depreciated.

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# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances, continued

Depreciation is computed using the straight-line method over the following estimated useful lives:

**Governmental-type Activities:**

Buildings	20-50 years
Building improvements	20 years
Furniture and equipment	5-15 years
Vehicles	5-25 years
Infrastructure	25-50 years
Aircraft, Helicopter	17 years
Light rail, streetcar	25 years

**Business-type activities:**

Department of Aviation:

Runways, taxiways, and other land improvements	15-35 years
Terminal and maintenance buildings and other structures	15-35 years
Other property and equipment	2-20 years

Department of Watershed Management:

Water and wastewater plant and treatment facilities	50-75 years
Water collection and distribution system	75 years
Wastewater system	67 years
Stormwater drainage system	75 years
Machinery, equipment, and other	4-10 years
Land Improvements	20 years

Sanitation:

Buildings	20-50 years
Equipment	5-15 years

Parks and Recreational Facilities:

Buildings	20-50 years
Other property and equipment	5-20 years

Internal Service Fund:

Buildings	20-50 years
Other property and equipment	5-15 years

City of Atlanta and Fulton County Recreation Authority:

(as a discretely presented component unit):

Buildings and improvements	7-30 years
Other property and equipment	3-20 years

Atlanta Development Authority:

(as a discretely presented component unit):

Buildings and improvements	26-30 years
Furniture and equipment	3-5 years

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances, continued**

The City has elected not to capitalize works of art and historical treasures based on its policy that these items are not held for financial gain. They will be preserved and any proceeds from the sale of the items will be used to acquire other collections.

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project against interest earned on invested proceeds over the same period. The Department of Watershed Management and the Department of Aviation capitalized \$12,577,000 and \$4,800,000, respectively, in net interest costs during the year ended June 30, 2017.

##### ***Compensated Absences***

City employees are awarded sick and vacation time as determined by personnel policies. A maximum accrual of 25 to 45 days of vacation leave is authorized, depending upon length of service. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation leave balance. The liability has been calculated using the vesting method, in which vacation amounts for employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is only reported in governmental funds if they have matured.

Employees can accrue unlimited amounts of sick leave. Sick leave can be taken only due to personal illness or, in certain cases, illness of family members. Sick leave is not intended to be paid out except under special circumstances where the City Council has given approval and the necessary funds are available. Consequently, the City does not record an accrued liability for accumulated sick pay.

##### ***Bond Premiums and Discounts***

In the government-wide financial statements, the unamortized balances of bond premiums and bond discounts are presented as adjustments to the respective liability balances. Bond premiums and discounts are amortized over the life of the bonds using the bonds outstanding method, which approximates the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Insurance costs related to the issuance of bonds are reported as prepaid insurance and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts in the statement of revenues, expenses, and changes in fund balance in the period incurred. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances, continued**

###### ***Fund Balance***

City of Atlanta Code of Ordinances Section 6-315 provides authority pertaining to fund balances. Fund balances are classified as: (1) Nonspendable, (2) Restricted, (3) Committed, (4) Assigned, and (5) Unassigned. *Nonspendable fund balance* refers to amounts that are not in spendable form or are legally required to remain intact. *Restricted fund balance* refers to amounts that are subject to externally enforceable legal restrictions by either debt covenants, or laws or regulations of other governments. *Committed fund balance* refers to amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the City Council prior to the end of the fiscal year. The same formal action is required to remove the limitation. *Assigned fund balance* refers to amounts that are intended to be used for specific purposes. The Chief Financial Officer of the City may recommend assignment of fund balances subject to approval of the City Council. *Unassigned fund balance* refers to the residual net resources and are the excess of nonspendable, restricted, committed and assigned. Fund expenditures are from restricted fund balance to the extent of the restricted fund revenue and followed by committed then assigned and unassigned fund balance. The general fund is the only fund that reports a positive unassigned fund balance amount.

###### ***Spending Prioritization Policy***

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, restricted amounts shall be considered to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts.

###### ***Authority to Commit or Assign Funds Policy***

Commitments or assignments of funds will only be used for specific purposes. Committed balances or assigned balances will only be established pursuant to formal action by the City Council, upon recommendation from the Chief Financial Officer. Such commitments or assignments cannot exceed the available fund balance in any particular fund.

###### ***Minimum Unrestricted Balance in the General Fund Policy***

The City maintains a minimum unrestricted fund balance in the General Fund ranging from no less than 15% to 20% of the subsequent year's budgeted expenditures and outgoing transfers. At any time, the unrestricted fund balance is within the range of 15% to 20% of the subsequent year's budgeted expenditures and outgoing transfers, upon recommendation by the Chief Financial Officer, the City Council may authorize additional transfers to a fund at its discretion, up to a maximum of 5% per year of the subsequent year's budgeted revenues in preparation for adoption of the upcoming year's budget. If the unrestricted fund balance falls below the minimum 15% of the subsequent year's budgeted

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances, continued**

expenditures and outgoing transfers, replenishment of shortages will be made within specified time periods and upon the recommendation of the Chief Financial Officer. Should the unrestricted fund balance of the General Fund exceed the maximum of 20%, such surplus fund balance may be considered for transfer to deficit balances in other funds and for one-time expenditures that are nonrecurring. At least 50% of surplus fund balance must be used to reduce any deficit fund balance prior to allocation for any one-time expenditure.

Below are the fund balance classifications for the governmental funds at June 30, 2017 (dollars in thousands).

	General Fund	Capital Project Funds	Other Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>				
Advances Receivable	\$ 5,941	\$ —	\$ —	\$ 5,941
<b>Restricted</b>				
HUD -Community Development	—	—	644	644
Tax Allocation Districts	—	—	15,287	15,287
Debt Service	—	—	336,669	336,669
Expendable Trust	—	—	30,625	30,625
HUD Section 108 Loans	—	—	3,150	3,150
HUD Home Investment	—	—	396	396
TSPLOST	—	—	12,105	12,105
AHOI	—	—	47,075	47,075
Capital Projects	—	247,278	51,645	298,923
	—	247,278	497,596	744,874
<b>Committed</b>	47,208	—	—	47,208
<b>Assigned</b>				
Unrestricted encumbrances	8,537	—	—	8,537
<b>Unassigned</b>				
E911	—	—	(4,752)	(4,752)
Intergovernmental grants	—	—	(14,522)	(14,522)
General Fund	138,396	—	—	138,396
	138,396	—	(19,274)	119,122
<b>Total Fund Balance</b>	<u>\$ 200,082</u>	<u>\$ 247,278</u>	<u>\$ 478,322</u>	<u>\$ 925,682</u>

In the event expenditures are incurred for purposes under which the amounts in any unrestricted fund balance could be used, committed funds would be reduced first, followed by assigned amounts, and then unassigned amounts.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances, continued**

Encumbrances are commitments to unfilled purchase orders or unfilled contracts. Funds have been committed to a specific order, but the goods or services have not been billed or received. The City has outstanding encumbrances at June 30, 2017 as follows (dollars in thousands):

	<u>General Fund</u>
Contract Services	\$ 6,349
Supplies	1,970
Capital	218
Total	<u>\$ 8,537</u>

##### ***Net Position***

Net position is classified and displayed in three components, as applicable:

**Net investment in capital assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is excluded from the calculation of net investment in capital assets.

**Restricted** - Consists of assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. When an expense is incurred for purposes for which there are both restricted and unrestricted assets available, it is the City's policy to apply those expenses to restricted assets, to the extent such are available, and then to unrestricted assets.

**Unrestricted** - All other assets that constitute the components of net position that do not meet the definition of "restricted" or "net investment in capital assets."

During 2017, the AFCRA component unit corrected its beginning net position and assets by reducing each by \$4,966,000 as of July 1, 2016. This correction was made when it was discovered that the related assets were recorded both at the City and at AFCRA. The City considers this an immaterial correction of an error as this amount was not significant to the City's basic financial statements.

##### ***Deferred Outflows of Resources***

*Deferred outflows of resources* represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resource (expense) until then. The *deferred losses on refunding* results from the difference in the carrying value of refunded debt and reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The *effective portion of swaps* relates to the Department of Watershed Management swaps. The swaps



## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### **D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balances, continued**

are considered to be derivatives, the effective of which is accounted for as a deferred outflow of resources. The amount for *pensions* relates to certain differences between projected and actual actuarial results, certain differences between projected and actual investment earnings, as well as contributions between measurement and reporting dates, which are accounted for as deferred outflows of resources.

##### ***Deferred Inflows of Resources***

In addition to liabilities, the Balance Sheets and Statements of Net Position report a separate section for deferred inflows of resources. *Deferred inflows of resources* represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resource (revenue) until that time. The *interest rate swap*, which relates to an interest rate swap agreement, is considered to be a hedging derivative. Changes in the fair market value of hedging derivatives are reported as deferred inflows or outflows of resources. The *deferred gain on refunding* results from the difference in the carrying value of refunded debt and reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amounts for *pensions* relate to certain differences between projected and actual actuarial results and certain differences between projected and actual investment earnings, which are accounted for as deferred inflows of resources.

##### ***Grants from Other Governments***

Federal and state governmental units represent an important source of supplementary funding used to finance housing, employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in the governmental and proprietary funds. All grant contributions in the proprietary funds are for the purpose of construction activities, principal debt service reimbursements, or land or easement acquisitions. They are recorded in the statement of revenues, expenses, and changes in net position on a separate line as capital contributions after non-operating revenues and expenses. For all funds, a grant receivable is recorded when all applicable eligibility requirements have been met.

##### ***General Services Costs***

The City allocates a portion of general services costs (such as purchasing, accounting, budgeting, personnel administration, and certain other costs based on allocation methods determined by an independent study) to the Department of Aviation, the Department of Watershed Management, the Sanitation Fund and the Internal Service Fund in order to more fully reflect the actual cost of providing these services. For the year ended June 30, 2017, such allocated expenses amounted to \$14,617,000 for the Department of Watershed Management, \$8,226,000 for the Department of Aviation, \$5,132,000 for the Sanitation Fund, and \$4,796,000 for the Internal Service Funds.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### E. New Accounting Pronouncements

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires state and local governments to disclose tax abatement agreements entered by other governments and that reduce the reporting government's tax revenues. The reduction in tax revenues can result from an agreement between one or more governments and an individual entity in which one or more governments promise to forgo tax revenues to which they are otherwise entitled. The individual or entity promises to take specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This statement is effective for the City in fiscal year 2017. This pronouncement resulted in footnote disclosure (III. C. Tax Abatements) of tax abatement impacting the City. There is no impact on the City's financial statements.

Pronouncements issued, but not yet effective, which will be adopted by the City in future years:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*. This Statement establishes accounting and financial reporting standards for Other Post-Employment Plans (OPEB) that is administered through trusts or equivalent arrangements which involve contributions from employers and nonemployer contributing entities to the OPEB plan. This Statement establishes Standard for recognizing and measuring liabilities deferred outflows of resources, deferred inflows of resources, and expenses. This Statement also establishes requirements for note disclosures and required supplementary information for defined benefit OPEB plans. This Statement is effective for financial statements with fiscal years beginning after June 15, 2017. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. This Statement is effective for fiscal years beginning after December 15, 2018. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement establishes accounting and financial reporting standards focused on certain lease liabilities that currently are not reported. Comparability of financial statements among governments will be enhanced by requiring lessees and lessors to report leases under a single model. Decision-usefulness will also be enhanced by requiring notes to financial statements related the timing, significance, and purpose of leasing arrangements. The City is in the process of evaluating the impact of this pronouncement on its financial statements.

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **F. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenditures/expenses and disclosures. Actual results could differ from those estimates.

#### **II. Stewardship, Compliance and Accountability**

##### **A. Compliance with Finance Related Legal and Contractual Provisions**

Management, in coordination with the Law Department, is not aware of any material violations of financial related legal and contractual provisions regarding the City as of June 30, 2017.

##### **B. Budgets and Budgetary Accounting**

Detailed information pertaining to the budget is included in the Required Supplementary Information section page 145.

##### **C. Deficit Fund Balances/Net Position**

The following funds reported deficits in fund balance/net position at June 30, 2017:

- Emergency Telephone System had an accumulated deficit of \$4.8 million. During the year, the deficit remained flat due to the assessment and collection of public safety fee. A public safety assessment was approved by the State Legislature in 2015, to increase revenue to fund the cost of operations. It is expected the full impact of the assessment to increase revenue will occur in upcoming years.
- Intergovernmental Grant funds had an accumulated deficit of \$14.5 million. This deficit was primarily the result of timing differences between the expense and drawing down the grant funds. The City will ensure timely billing of Grant expenses and resolve unallowable expenditures.
- Sanitation Fund had an accumulated deficit of \$79.6 million. The operations deficit decreased by approximately \$3.2 million. Lack of adequate billing to cover costs is contributing to this deficit. The City administration is evaluating fee increase along with tight cost control measures to address and eliminate the operating deficit. On a cash basis, the Sanitation Fund deficit is \$30 million.
- Parks and Recreation Facilities Fund had an accumulated deficit of \$1.3 million. The increase in the deficit of \$84 thousand is primarily due to the allocation of pension liability.
- Civic Center had an accumulated deficit of \$5.7 million. The operating deficit decreased by approximately \$145 thousand, because the use of the facility has decreased as the City moved forward to sell the Civic Center.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### C. Deficit Fund Balances/Net Position, continued

- Fleet Services had an accumulated deficit of \$3.3 million. During fiscal year 2017, the deficit was reduced by approximately \$22.6 million mainly due to legislation passed by Atlanta City Council to approve a contribution of \$7.3 million by Department of Watershed Management, \$3.7 million by Department of Aviation, \$8.6 million by Sanitation Fund, and \$2.2 million contribution by the General Fund to reduce accumulated deficit of \$21.8 million in Fleet Service fund. The contribution to reduce deficit by each fund was based on their fleet usage. Fleet operations and billing continue to be monitored to reduce costs and recover remaining accumulated deficit by fiscal year 2018.

### III. Detailed Notes on All Funds

#### A. Deposits and Investments

Following are components of the City's cash and cash equivalents, and investments (including the Pension and Agency Funds and the Component Units) at June 30, 2017 (dollars in thousands).

	Primary Government				Component Units	
	Unrestricted	Restricted	Cash Pool	Total	Unrestricted	Restricted
Cash and Cash Equivalent	\$ 14,532	\$ 1,102,706	\$ 87,211	\$1,204,449	\$ 34,037	\$ 93,123
Georgia Fund 1	—	—	17,061	17,061	—	—
State and Local Bonds	—	184,718	163,795	348,513	—	—
Federal Agency Obligations	—	298,278	1,416,529	1,714,807	—	—
Equity	—	11,974	—	11,974	—	—
US Treasury Obligations	—	331,538	196,848	528,386	—	—
Repurchase Agreements (Repos)	—	607,738	—	607,738	—	—
Other Investment Pools	—	9,771	—	9,771	15,245	—
	<u>\$ 14,532</u>	<u>\$2,546,723</u>	<u>\$1,881,444</u>	<u>\$4,442,699</u>	<u>\$ 49,282</u>	<u>\$ 93,123</u>

The OCGA 36-83-4 authorized the City to invest in obligations of the United States Treasury, obligations of states or agencies, banker's acceptances, bank money market accounts, repurchase agreements, and the GF1 Investment pool (a local government investment pool). The General Employees' Pension Fund is also authorized to invest in corporate bonds and debentures which are not in default as to principal and interest; corporate stocks, common or preferred; first loans on real estate where the loans are guaranteed by the Administrator of Veterans Affairs or by the Federal Housing Authority of the United States; certificates of deposit in national banks and state banks insured by the FDIC; alternative investments, and any other investments approved by the Pension Board. The Pension Trust Funds also invest in collateralized mortgage obligations (CMOs). These securities are based on cash flows from interest and principal payments on underlying mortgages. CMOs are sensitive to prepayments of mortgages, which may result from a decline in interest rates. The City invests in these securities in part to maximize yields and in part to hedge against a rise in interest rates.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Deposits and Investments, continued

###### *Concentration of Credit Risk - Primary Government*

The City diversifies its use of investment instruments to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. The City's investment portfolios, in aggregate, should be diversified to limit market and credit risk in general accord with the following limitations.

Investment Type	Maximum Maturity	Portfolio Limitation	
		Minimum	Maximum
U.S. Treasuries	5 years	15%	100%
U.S. Agencies/Instrumentalities	5 years	0%	75%
Obligations of other political units in the State of Georgia	5 years	0%	25%
Other Municipal Securities	5 years	0%	25%
Repurchase Agreements (Repos)/GICs	5-20 years	0%	50%
Bankers Acceptances (BA's)	270 days	0%	10%
Local Government Investment Pools	N/A	0%	40%
Certificates of Deposits (CD's)	3 years	0%	25%

The allocation may be adjusted in response to changing market conditions, cash flow requirements and according to the discretion of the Chief Financial Officer.

###### *Custodial Credit Risk - Deposits*

To control custodial credit risk, the City's investment policy requires all securities and collateral to be held by an independent third-party custodian in the City's name. The custodian provides the City with monthly values.

###### *Concentration of Credit Risk - Investments*

The City's investment policy also requires that the weighted-average maturity of the total portfolio not exceed three (3) years, and shall limit the maturity of any single security to five (5) years. However, \$100 million of the aggregate portfolio can now be invested in assets with maturities no longer than 10 years. The City's General Employees' pension funds' investment policy sets targets of 50% invested in domestic equity, 20% in international equity, 25% in domestic fixed income, and 5% alternative investments. The City's Firefighters' and Police Officers' pension funds investment policy sets targets of 61% invested in domestic equity, 9% in international equity, 25% in domestic fixed income, and 5% in alternative investments.

##### **Pooled Cash and Investments Held in the State Treasury**

The OCGA § 36-83-1 to 36-83-8 authorizes the City to invest funds in Georgia Fund 1 (GF1). The fund is managed by the State of Georgia Office of the State Treasurer. The City maintains a cash and investment pool that is available for use by all funds. Each participating fund's portion of this pool

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Deposits and Investments, continued**

is displayed on the accompanying financial statements as “Equity in cash management pool”. The GF1 is designed to maximize current income while preserving principal and providing daily liquidity. It is managed to maintain a constant net asset value of \$1.00 value and a weighted maturity of 90 days or less, with the maximum maturity of any investment limited to 397 days. At June 30, 2017, the GF1 weighted average maturity was 26 days. Portfolio composition in GF1 consisted of Federal Home Loan Bank (“FHLB”) 14%, Federal Home Loan Mortgage Corporation (“FHLMC”) 8%, Federal Farm Credit Bank (“FFCB”) 1%, Supra Nationals 11%, term repo 7%, negotiated deposit agreement 33%, overnight repo 22%, and certificate of deposit 4%.

The City has adopted an investment policy (the “Policy”) to minimize the inherent risks associated with deposits and investments. The primary objective of the Policy is to invest funds to provide for the maximum safety of principal.

Identified below are the investment types that are authorized for the City by the Policy. The Policy also identifies certain provisions of the Official Code of Georgia Annotated (OCGA) that address interest risk, credit risk, and concentration of credit risk. The Policy governs all governmental and business-type activities for the City, but does not govern the City of Atlanta Pension Plans.

The City’s investments are limited to U.S. Government securities and U.S. government agency securities which are limited to issues of the Federal Farm Credit Bank (“FFCB”), Federal Home Loan Bank System (“FHLBS”), Federal Home Loan Mortgage Corporation (“FHLMC”), and Federal National Mortgage Association (“FNMA”). Under the Policy, the City restricts investments in eligible obligations to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount. The Policy also identifies certain provisions of the OCGA that address interest rate risk, credit risk and concentration of credit risk. The Policy governs all governmental and business-type activities for the City, but does not govern the City of Atlanta Pension Plans.

The City may also invest in fully collateralized repurchase agreements provided the City has on file a signed Master Repurchase Agreement, approved by the City Attorney, detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. It also requires the securities being purchased by the City to be assigned to the City, held in the City’s name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the state of Georgia, and is rated no less than A or its equivalent by two nationally recognized rating services.

Under the Policy, the City’s investment portfolio, in aggregate, is to be diversified to limit its exposure to interest rate, credit and concentration risks by observing the above limitations.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Deposits and Investments, continued

##### *Fair Value Measurement - City*

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy of inputs used to measure fair value that prioritizes the inputs in to three categories - Level 1, Level 2 and Level 3 inputs - considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that are accessible at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables present the City's financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2017 (in thousands):

	Level 1	Level 2	Level 3	Total
Debt securities:				
US Treasury Obligations	\$ 528,386	\$ —	\$ —	\$ 528,386
Federal Agency Obligation	—	1,714,807	—	1,714,807
State and Local Bonds	—	348,513	—	348,513
Total debt securities	528,386	2,063,320	—	2,591,706
Equity securities:				
Equity	11,974	—	—	11,974
Repurchase Agreements (Repos)	—	607,738	—	607,738
Total debt securities	11,974	607,738	—	619,712
Total investments at fair value	<u>\$ 540,360</u>	<u>\$ 2,671,058</u>	<u>\$ —</u>	<u>\$ 3,211,418</u>
Other Investments				
Georgia Fund 1 and other investment pools				26,832
Total Investment				<u>\$ 3,238,250</u>

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Deposits and Investments, continued**

Debt securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 are subject to pricing by an alternative pricing source due to a lack of information by the primary vendor. Level 2 securities also consist of guaranteed investment contracts and are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

#### **INVESTMENT RISK DISCLOSURES**

##### **Governmental and Business-Type Activities**

**Interest Rate Risk.** Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. By policy, the City establishes maximum maturity dates by investment type in order to limit interest rate risk. The City manages its exposure to interest rate risk by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion is maturing, or coming close to maturing, evenly over time as necessary to provide the cash flow and liquidity needs for operations.

The City has the ability and generally has the intent to hold all investments until their respective maturity dates. The average maturity of the City's pooled cash and investments governed by the Policy as of June 30, 2017, was approximately 1.8 years. If it becomes necessary or strategically prudent for the City to sell a security prior to maturity, the policy allows for occasional restructuring of the portfolio to minimize the loss of market value and/or to maximize cash flows.

**Credit Risk.** Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment policy does not specify a minimum bond rating for investments.



## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Deposits and Investments, continued**

###### **Investments in Employee Retirement Plans**

The City has three defined benefit pension plans for full-time employees; the General Employees' Pension Plan (GEPP), the Police Officers' Pension Plan (PPP) and the Firefighters' Pension Plan (FPP) (collectively, the "Plans"). Each Plan is administered by its own Board of Trustees. The respective Boards are ultimately responsible for making all decisions with regard to the administration of their respective Plans, including the management of Plan assets, and for carrying out the investment policy on behalf of their respective Plans. The Plans' investments are managed by various investment managers under contracts with the respective Plans who have discretionary authority over the assets managed by them, within the investment guidelines, established by the respective Boards. The investments are held in trust by the Plans' custodians in the Plans' name. These assets are held exclusively for the purpose of providing benefits to members of the Plans and their beneficiaries. Identified below are the investment types authorized by the Pension Boards for each of the Plans. The investment policies also identify certain provisions addressing interest rate risk, credit risk and concentration of credit risk.

The Plans, by policy, are to invest their cash in domestic equities, domestic fixed income securities, international equities, international fixed income, alternative investments and cash equivalents. These instruments consist of common and preferred stock, obligations of the U.S. government and agencies (GNMA, FHLMC, and FNMA securities and CMO's), corporate bonds, and certificates of deposit. The Plans have strict limitations on the amounts managers are allowed to invest in any one issuer in all classes of securities. The Plans also invest in repurchase agreements which must be fully collateralized by U.S. government or agency guaranteed securities. As of June 30, 2017, the Plans had an alternative investment in a limited partnership totaling \$64,333,000, with no outstanding commitments. As part of the partnership agreement, the Plan may not voluntarily withdraw from the partnership prior to its dissolution, and no limited partnership interest is redeemable or purchasable by the partnership at the option of the Plan.

###### ***Fair Value Measurement - Pensions***

GASB Statement No. 72, *Fair Value Measurement and Application*, enhances comparability of governmental financial statements by requiring fair value measurement for certain assets and liabilities using a consistent definition and accepted valuation techniques. The standard establishes a hierarchy if inputs used to measure fair value that prioritizes the inputs in to three categories - Level 1, Level 2 and Level 3 inputs - considering the relative reliability of the inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted (unadjusted) prices in active markets for identical financial assets or liabilities that are accessible at the measurement date;

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Deposits and Investments, continued

- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the financial asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Plans also have investments held through limited partnerships and comingled vehicles for which fair value is estimated using the NAV reported by the investment manager as a practical expedient to fair value. Such investments have not been categorized within the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of fiduciary net position.

The following tables present the fiduciary funds financial assets carried at fair value by level within the valuation hierarchy as of June 30, 2017 (in thousands):

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Short term investments				
Cash and cash equivalent	\$ 40,578	—	—	40,578
Debt securities:				
Asset backed securities	—	33,733	—	33,733
Comingled bond funds	—	72,734	—	72,734
Corporate and municipal bonds	—	150,579	—	150,579
Bond exchange traded funds	20,910	—	—	20,910
U.S. agency securities	—	129,364	—	129,364
U.S. treasury securities	126,982	—	—	126,982
Total debt securities	147,892	386,410	—	534,302
Equity securities:				
Comingled equity funds	—	902,502	—	902,502
Common stock	654,888	—	—	654,888
Exchange traded funds	423,309	—	—	423,309
Total equity securities	1,078,197	902,502	—	1,980,699
Collective Investment Trust	—	70,281	—	70,281
Stable value funds	—	34,133	—	34,133
Total investments at fair value	\$ 1,266,667	1,393,326	—	2,659,993
Investments measured at NAV:				
Comingled bond funds				165,490
Comingled equity funds				239,773
Private equity funds				64,333
Real estate fund				48,492
Total investments measured at NAV				518,088
Total investments				\$ 3,178,081

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Deposits and Investments, continued**

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. These securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

Commingled equity funds, commingled bond funds, collective investment trust, and stable value funds classified in Level 2 are valued using prices quoted in active markets for those investment types and the readily determinable fair value per share (unit) which is determined based on the publication of the price or on the basis of current transactions.

Investments in privately held limited partnerships and co-mingled vehicles which do not have a readily determined fair value are valued using the NAV provided by the general partner/investment manager as of June 30, 2017. The monthly or quarterly values of the partnership investments provided from the general partner are reviewed by the Plan to determine if any adjustments are necessary. The Plan currently has no plans to sell any of the investments resulting in these assets being carried at the NAV estimated by the general partner/investment manager.

##### ***Securities Lending***

State statutes and Pension Board policies permit the Plans to lend their securities to broker dealers and other entities, provided that the securities are fully collateralized for at least 102% of securities loaned and that collateral is received prior to the release of the securities by the custodian. All securities lending can be terminated on demand by either the Plans or the borrower, with securities delivered to the Plans within a specified period of time.

As of June 30, 2017, the General Employees' Pension Plan had funds under a securities lending agreement with a market value of outstanding loans of \$33,900,000 and collateral of \$33,929,000, which consisted of cash, collateral investments, and non-cash loans. The Plan has no significant credit risk exposure to borrowers. There were no violations of legal or contractual provisions, borrower or lending agent default losses during the year. The Plan records the cash received as collateral under securities lending agreements and the investments purchased with that cash as securities lending collateral investment pool with a corresponding amount recorded as a liability.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Deposits and Investments, continued

##### *Alternative Investments*

In fiscal year 2013, the Pension Boards authorized the Plans' to invest in alternative investments. As of June 30, 2017, the Plans had alternative investments totaling \$64.3 million in the form of limited partnerships.

Real estate investments may include joint ventures, partnerships and other participation interests with real estate owners, developers and others for the purpose of owning and operating any particular investment as of June 30, 2017, a total of \$48,492,000 are invested in alternative investments under certain partnership agreements.

As of June 30, 2017, the related unfunded commitments of the Plans' alternative investments and limitations and restrictions on the Plans' ability to redeem or sell are summarized as follows (in thousands):

	Unfunded commitments	Redemptions frequency (if currently eligible)	Redemptions notice period
<u>General Employees' Pension Plan</u>			
Private equity fund	\$ 3,582	not eligible; quarterly	not eligible; 90 days
Real estate fund			
<u>Firefighters' Pension Plan</u>			
Private equity fund	\$ 2,832	not eligible	not eligible
<u>Police Officers' Pension Plan</u>			
Private equity fund	\$ 4,275	not eligible	not eligible

#### Pension Trust Fund's Investment Risk Disclosures

**Interest Rate and Credit Risks.** As of June 30, 2017, the City's Pension Plans had the following fixed income investments with the corresponding credit ratings and maturities (dollars in thousands):

Type of Investments	Credit Rating	Maturity					Fair Value
		Under 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 years	
U.S. treasury securities	NR	\$ 9,482	\$ 12,510	\$ 23,877	\$ 39,406	\$ 41,707	\$ 126,982
U.S. government agencies	AAA	20,501	13,369	3,874	5,281	355	43,380
U.S. government agencies	AGY	13,598	13,151	—	5,792	5,456	37,997
U.S. government agencies	NR	—	61	1,340	9,399	37,187	47,987
Corporate bonds	AA/A-	4,121	21,107	17,308	34,239	13,282	90,057
Corporate bonds	B+/BBB	3,541	5,422	7,358	12,914	6,642	35,877
Corporate bonds	NR	240	4,788	4,302	8,445	180	17,955
Mutual bonds	NR	20,910	—	—	—	—	20,910
Commingled bond fund	NR	235,040	—	—	—	—	235,040
Asset-backed securities	AAA/A	913	3,600	12,166	—	—	16,679
Asset-backed securities	NR	—	1,168	—	—	—	1,168
CMOs	AAA/A-	—	—	—	—	6,337	6,337
CMOs	BBB/B+	—	—	—	—	2,407	2,407
CMOs	NR	—	—	—	—	7,142	7,142
State and local obligations	AAA/AA-	—	—	147	3,196	1,707	5,050
State and local obligations	B+/BBB	—	—	147	278	1,215	1,640
		\$ 308,346	\$ 75,176	\$ 70,519	\$ 118,950	\$ 123,617	\$ 696,608

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Deposits and Investments, continued

**Custodial Risk.** As of June 30, 2017, the Pension Plans had no deposits or investments with custodial risk.

**Concentration Credit Risk.** Investments in any one issuer that represent 5% or more of total investments by each Defined Benefit Pension Plan are as follows (dollars in thousands):

Issuer	Type	Fair Value
<b>Firefighters' Pension Plan:</b>		
BlackRock Growth Index Fund	Commingled Equity Fund	\$ 188,412
Colchester	Commingled Bond Fund	38,526
Johnston	Commingled Equity Fund	38,318
NT Collective Co-mingled Equity Fund	Commingled Equity Fund	52,226
<b>Police Officers' Pension Plan:</b>		
Colchester	Commingled Bond Fund	\$ 57,790
BlackRock Value Index Fund	Commingled Equity Fund	289,160
Ishares Russell Value ETF	Domestic Equity Fund	82,825
<b>General Employees' Pension Plan:</b>		
BlackRock Equity Index Fund	Domestic Equities	\$ 295,554
Artisan Funds	Equity Exchange Traded Fund	102,264
Johnston International Equity Group	Commingled Equity Fund	97,043
SSGA U.S. Aggregate Bond Index	Commingled Bond Fund	69,550
Colchester Global Bond Fund	Commingled Bond Fund	69,173

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in exchange rates could adversely affect an investment's or deposits fair value. The Defined Benefit Plan's investment policies allow domestic and international equities, domestic and international fixed income, alternative investments and cash equivalents.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Deposits and Investments, continued

The following table provides investments of the Defined Benefit Plans in international markets. As of June 30, 2017, the exposure to foreign currency risk is as follows (dollars in thousands):

Currency:	Country:	Debt	Fixed Income	Equity	Total
Euro	Belgium	—	1,943	—	1,943
Euro	Germany	—	600	5,525	6,125
Euro	Ireland	—	—	6,523	6,523
Euro	Luxembourg	104	—	—	104
Euro	Netherlands	—	156	1,099	1,255
Euro	United Kingdom	448	534	5,050	6,032
Total Euro		552	3,233	18,197	21,982
Australian Dollar	Australia	—	—	606	606
Bermudian Dollar	Bermuda	—	—	4,430	4,430
Brazilian Real	Brazil	—	—	1,316	1,316
Canadian Dollar	Canada	—	1,009	4,833	5,842
Cayman Islands Dollar	Cayman Islands	—	—	136	136
Chinese Yuan Renminbi	China	—	—	2,819	2,819
Guernsey Pound	Guernsey, CI	—	—	576	576
Hong Kong Dollar	Hong kong	—	—	1,371	1,371
Israeli New Shekel	Israel	—	—	1,052	1,052
Japanese Yen	Japan	—	—	3,202	3,202
Liberian Dollar	Liberia	—	—	772	772
New Zealand Dollar	New Zealand	—	202	—	202
Norway Krone	Norway	—	178	—	178
United States Dollar	Panama	—	—	557	557
Saudi Arabia Riyal	Saudi Arabia	—	198	—	198
Singapore Dollar	Singapore	—	—	687	687
Sweden Krona	Sweden	—	203	658	861
Swiss Franc	Switzerland	—	—	2,778	2,778
New Taiwan Dollar	Taiwan	—	—	692	692
United States Dollar	Virgin Islands - British	—	—	590	590
Various foreign currencies	Europe/Far East Region	—	—	5,736	5,736
Various foreign currencies	International Region	334,443	96,315	144,510	575,268
<b>Total Securities subject to Foreign Currency Risk</b>		<b>334,995</b>	<b>101,338</b>	<b>195,518</b>	<b>631,851</b>

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### **B. Property Taxes, Local Option Sales Taxes, Municipal Option Sales Tax, Transportation Special Purpose Local Option Sales and Use Taxes, and Car Rental Taxes**

Property taxes include amounts levied on all real, public utility, and tangible property within the City corporate limits. Senate Bill 177, Act 431 was signed April 30, 1999 and became effective January 1, 2000 (Taxpayers Bill of Rights). One key component of this legislation pertains to prevention of indirect tax increases due to property value appreciation and/or inflation. The OCGA 48-5-32.1 requires levying authorities; municipalities, counties, and school boards to either rollback property millage rates for property value appreciation by a corresponding millage equivalent or follow specific requirements if the levying authority chooses not to rollback their millage rate. The City's tax digest is coterminous with the Atlanta Independent School System, and overlaps portions of Fulton and DeKalb counties (the "Counties"), and Grady Hospital. Property taxes are normally levied and billed by July 1, on the assessed value of all real and personal property and property owner of record as of January 1. City property taxes are due 45 days from the date of billing. The distribution of the City's 2016 millage rate (tax rate per \$1,000 assessed taxable value) to its funds and to the Atlanta Independent School System (which operates as a separate legal entity and is not included in the City's financial reporting entity) is as follows:

Millage Rates:	
General Fund	\$8.880
General Obligation Bond Sinking Fund:	
City Bonds	1.480
School Bonds	0.025
Park Improvement Fund (included in Capital Projects Funds)	0.500
Board of Education (operations)	21.715
Special Tax District DeKalb County	0.965
	<hr/>
	33.565
	<hr/>

The Fulton and DeKalb County Tax Assessors establish assessed values at 40% of the fair market value. The property valuation in calendar year 2016 resulted in a gross assessed value of \$28,289,762,105 which includes tax exempt values. The City's millage rates are set in June of each year. Public utility values are assessed by the State Board of Equalization and billed and collected by the Fulton and DeKalb Tax Commissioner's Offices.

The Fulton and DeKalb County Tax Commissioners' offices act as the City's billing and collection agents. The contracted fees due to the Counties for billing and collection services amounted to \$2,659,037 in fiscal year 2017. Real and tangible property taxes are payable to the Counties on August 15<sup>th</sup> and become delinquent on August 16<sup>th</sup>. Interest accrues at the rate of 1% per month on the 16<sup>th</sup> of each month and a 10% tax penalty accrues 90 days after the due date. Any remaining unpaid property tax amounts will attach as an enforceable lien on property as of January 1 of the following year.

A 1% local option sales tax is levied in Fulton County, of which the City receives a percentage of that amount based on a pre-defined formula. This amount is collected by the State of Georgia and remitted to the City on a one-month lag. The tax law requires an offsetting reduction in property tax

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **B. Property Taxes, Local Option Sales Taxes, Municipal Option Sales Tax, Transportation Special Purpose Local Option Sales and Use Taxes, and Car Rental Taxes , Continued**

during each subsequent year of assessment equal to the amount of sales tax revenue received in the prior year.

Pursuant to paragraph (1) of subsection (b) of O.C.G.A. Section 48-8-121, the City of Atlanta imposed an additional 0.4 percent sales tax to be collected for 5 years for the purpose of transportation improvements and congestion reduction. Through a referendum, the voters approved the 0.4 percent TSPLOST in November 2016. The maximum amount of net proceeds to be collected is \$380,000,000. The TSPLOST began on January 1, 2017 and continues for up to five (5) years thereafter, or until such time the TSPLOST has raised revenues sufficient to provide the City the net proceeds equal to or greater than the maximum amount, whichever comes first. Proceeds from TSPLOST for fiscal year 2017 were \$12,111,000, of which \$4,201,000 were receivable from the Georgia Department of Revenue at June 30, 2017.

A 3% excise tax on all rental motor vehicles was implemented in June 1996. This car rental tax is intended to be used to promote industry trade, commerce, and tourism and to fund various capital outlay projects throughout the City. The capital outlay projects include infrastructure improvements necessary for the City to continue building a community that is stable, diverse and economically sound. See Note Section IV-C- First Amended - Consent Decree regarding the levy of a 1% Municipal Option Sales Tax.

##### **C. Tax Abatements**

During fiscal year 2017, the City implemented GASB Statement No. 77, Tax Abatement Disclosures. This Statement requires state and local governments to disclose tax abatement agreements entered by other governments that reduce the reporting government's tax revenues. The City, through the Atlanta Development Authority d/b/a Invest Atlanta ("Invest Atlanta"), allows for taxable revenue bond financing, pursuant to the Development Authorities Law of the State of Georgia, under Title 36 Chapter 62 of the Official Code of Georgia Annotated, in order to promote the creation of jobs and stimulate development activity within the City. The taxable revenue bond financings result in the reduction of ad valorem (real and/or personal property) taxes. The total economic impact to the City of the abatement is \$380,642,000, along with the creation of 230 jobs and 1,221 housing units.

The City offers a reduction in property taxes through the structure of financing arrangements. Specifically, Invest Atlanta, a tax exempt public organization created independently from the City, may enter into agreements with private individuals or entities in order to incentivize businesses to build, relocate, expand, or renovate in the City. These agreements involve a bond issuance and sale-leaseback transaction, whereby Invest Atlanta takes title to property and leases it back to the company.



# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### C. Tax Abatements, continued

The company is responsible for making ad valorem tax payments on its leasehold interest. The rental payments for the leasehold offset the debt service on the bonds over a fixed 10-year term, so that at the end of the incentive period the bonds are fully retired, and the company regains title of the property through an option to purchase.

The City's long-standing policy for Development Incentives provides for a 50% ramp up over a 10-year period. Following completion of construction, a company pays property taxes on its leasehold interest in the project of 50% of the fair market value of the real and/or personal property in the first year, with a 5% increase each year over a 10-year period, after which the company takes title back to the property and must then pay taxes on the full fair market value of the property. The company has a smaller property tax obligation through this financing arrangement than it would under outright ownership of the property due to the reduced value of the company's leasehold interest in the property over the designated ramp-up period.

Invest Atlanta considers the economic impacts of a proposed project and weighs such benefits against the costs of reduced revenue impacts when considering whether to enter into a taxable revenue bond deal with an individual or entity. Generally eligible projects involve a commitment of significant capital investment and/or the creation of net new jobs to the City, which propose a favorable return on investment for the City. For residential projects, a commitment by the developer to provide affordable housing may be required. There are no additional commitments other than to provide the aforementioned tax treatment. There are no provisions for recapturing incentives; however, Invest Atlanta can immediately return title to a company for a non-performing project, which cancels the incentive going forward. There are no amounts receivable from other governments. There are no quantitative thresholds used to determine disclosures of these type agreements.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated For the year 2016</u>
Atlanta Development Authority d/b/a Invest Atlanta	<u>\$ 384,000</u>

The City property tax revenues were reduced by approximately \$2.9 million under agreements entered into with Fulton County, Georgia.

**CITY OF ATLANTA, GEORGIA**  
Notes to Financial Statements  
Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**D. Capital Assets**

A summary of capital assets activity and changes in accumulated depreciation for the year ended June 30, 2017 follows (dollars in thousands):

	Balance at June 30, 2016	Additions	Deletions and Retirements	Transfers	Balance at June 30, 2017
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 207,754	\$ 2,109	\$ —	\$ (1,142)	\$ 208,721
Construction in progress	67,389	81,290	(24,375)	(28,366)	95,938
Total capital assets not being depreciated	275,143	83,399	(24,375)	(29,508)	304,659
Capital assets being depreciated:					
Land improvements	114,809	51	(679)	1,897	116,078
Buildings and building improvements	582,445	200	(146,759)	151	436,037
Other property and equipment	295,120	18,955	(30,544)	4,562	288,093
Infrastructure	1,016,536	—	—	18,170	1,034,706
Total capital assets being depreciated	2,008,910	19,206	(177,982)	24,780	1,874,914
Totals at historical cost	2,284,053	102,605	(202,357)	(4,728)	2,179,573
Less: Accumulated Depreciation					
Land improvements	93,655	3,479	(679)	(399)	96,056
Buildings and building improvements	204,867	12,156	(59,926)	15	157,112
Other property and equipment	212,216	21,789	(29,111)	(1,524)	203,370
Infrastructure	657,609	22,430	—	—	680,039
Total accumulated depreciation	1,168,347	59,854	(89,716)	(1,908)	1,136,577
Governmental activities capital assets, net	<u>\$ 1,115,706</u>	<u>\$ 42,751</u>	<u>\$ (112,641)</u>	<u>\$ (2,820)</u>	<u>\$ 1,042,996</u>

Depreciation expense was charged to governmental funds as follows (dollars in thousands):

General government	\$ 15,008
Police	5,145
Fire	5,445
Corrections	587
Public Works	21,941
Parks, Recreation and Cultural Affairs	11,728
Total	<u>\$ 59,854</u>

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### D. Capital Assets, continued

	Balance at June 30, 2016	Additions	Deletions and Retirements	Transfers	Balance at June 30, 2017
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 1,008,118	\$ 4,830	\$ (23,199)	\$ 3,302	\$ 993,051
Construction in progress	917,900	628,191	—	(258,103)	1,287,988
Total capital assets not being depreciated	1,926,018	633,021	(23,199)	(254,801)	2,281,039
Capital assets being depreciated					
Land improvements	3,295,274	474	(97)	8,709	3,304,360
Buildings and other structures	10,224,181	12,226	(65,127)	141,053	10,312,333
Other property and equipment	593,335	13,126	(34,830)	109,767	681,398
Total capital assets being depreciated	14,112,790	25,826	(100,054)	259,529	14,298,091
Totals at historical cost	16,038,808	658,847	(123,253)	4,728	16,579,130
Less: Accumulated Depreciation					
Land improvements	1,393,684	87,533	(70)	399	1,481,546
Buildings and other structures	3,333,377	207,746	(57,872)	(15)	3,483,236
Other property and equipment	397,828	36,166	(33,046)	1,524	402,472
Total accumulated depreciation	5,124,889	331,445	(90,988)	1,908	5,367,254
Business-type activities capital assets, net	\$ 10,913,919	\$ 327,402	\$ (32,265)	\$ 2,820	\$ 11,211,876

#### Construction in Progress

In addition to the capital assets and construction in progress (CIP) already recorded in the City's financial statements, there are development and redevelopment projects ongoing through Invest Atlanta, a component unit of the City, where the CIP is recorded. Upon completion of those projects and acceptance by the City, the appropriate recording as capital assets on the City's financial statements will take place. Through June 30, 2017, there is approximately \$121,580,000 of CIP recorded in Invest Atlanta financial statements for corridor design and development that are expected to become assets of the City.

Additionally, the DWM advanced \$24 million to Invest Atlanta related to the development of the Clear Creek Project. Upon completion of the project, both the project costs and any portion of the advance not expended will revert to the DWM. At June 30, 2017, total project costs to date were \$23,890,000.

Invest Atlanta is holding title to land within the Beltline Tax Allocation District, that is commonly referred to as the North East Corridor proper (NE Corridor). The NE Corridor was originally purchased for an amount equal to \$45 million for the purpose of redevelopment by Invest Atlanta. Subsequent to its development, certain parcels of land have been sold and as of June 30, 2017, the land value is now estimated at \$44 million. Upon completion of redevelopment, it is anticipated that title to the land will be transferred to the City.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### E. Interfund Receivables, Payables, and Transfers

During the course of its operations, the City makes transfers between funds to finance operations, provide services, acquire assets and service debt. To the extent that certain transfers between funds had not occurred as of year-end, balances of interfund amounts receivable or payable have been recorded. Interfund receivable and payable balances as of June 30, 2017, are as follows (dollars in thousands):

	Due to				
	General Fund	Capital Projects	Watershed Management	Non-major Government	Total
<b>General Fund</b>	\$ —	\$ —	\$ 36,651	\$ 433	\$ 37,084
<b>Capital Projects</b>	3,430	—	—	—	3,430
<b>Internal Service</b>	1,947	—	—	—	1,947
<b>MOST</b>	—	—	11,228	—	11,228
<b>Non-major Enterprise</b>	35,414	204	—	—	35,618
<b>Non-major Governmental</b>	18,023	—	—	—	18,023
<b>Total</b>	<u>\$ 58,814</u>	<u>\$ 204</u>	<u>\$ 47,879</u>	<u>\$ 433</u>	<u>\$ 107,330</u>

In December of 2008, the City and Department of Watershed Management (DWM) executed a Memoranda of Understanding (MOU) related to amounts owed to the DWM by the General Fund of the City. This MOU established a repayment plan in the amount of \$10 million per year plus interest, until paid in full for amounts borrowed by various governmental funds from DWM equity in the cash pool. The interest rate for the MOU is 1.25% per annum as passed by City Council. The balance owed to the DWM by the City's General Fund under this MOU at June 30, 2017 is \$36.2 million in principal and \$453 thousand in interest.

During the year ended June 30, 2008, the DWM advanced funds to a component unit, Invest Atlanta, for future work on a consent decree project. Due to the nature of this transaction, the interfund balances are considered long-term for financial reporting purposes. Balances as of June 30, 2017, are as follows (dollars in thousands):

	Due from Component Units	Due to Primary Government
Department of Watershed Management	\$ 24,000	\$ —
Atlanta Development Authority	—	24,000
<b>Total</b>	<u>\$ 24,000</u>	<u>\$ 24,000</u>

**CITY OF ATLANTA, GEORGIA**  
Notes to Financial Statements  
Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**E. Interfund Receivables, Payables, and Transfers, continued**

**Transfers**

Transfers for the year ended June 30, 2017, are as follows (dollars in thousands):

		Transfer from									
		General Fund	Capital Projects	DOA	DWM	MOST	Internal Services	Non-major Enterprise	Non-major Government	Full Accrual Transfer	Total
Transfer to	General Fund	\$ —	\$ —	\$ —	\$ 19,887	\$ —	\$ —	\$ 73,688	\$ 18,139	\$ (1,597) *	\$ 110,117
	Capital Projects	32,190	895	1,528	2,739		—	468	—		37,820
	DWM	1,914	—	—	—	131,710	—	—	—		133,624
	Non-major Enterprise	18,340	—	—	—	—	3,550	—	—		21,890
	Internal Services	2,200	—	3,700	7,300	—	—	8,600	—		21,800
	Non-major Governmental	2,232	—	—	1,000	—	—	2,108	1,668		7,008
	Full Accrual Transfer	(17,584) **									(17,584)
	Total	\$ 39,292	\$ 895	\$ 5,228	\$ 30,926	\$131,710	\$ 3,550	\$ 84,864	\$ 19,807	\$ (1,597)	\$ 332,259

\*) There was \$1,597 transfer out of Permit capital assets presents in government-wide financial statement

\*\*) There was \$15,672 transfer of Permit fund Pension and OPEB and \$1,912 transfer from DWM to General Fund presents in the Government-wide financial statements.

Transfers are used (1) to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments are due, and (3) to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### F. Leases

##### Department of Aviation (DOA)

###### *Tenant and concession agreements*

The City leases terminal space, aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants at the Airport under various operating leases, a majority of which terminate no later than 2035. During fiscal year 2017, the City entered into a new Airport Use and Lease Agreement with the Signatory Airlines, which takes effect October 1, 2017. The new agreement will replace the Airport Use Agreements, Airport Use License Agreements and CPTC Leases. The total cost of the facilities described above that are substantially leased to various tenants is \$5.5 billion with a carrying value of \$3.3 billion. Depreciation expense for fiscal 2017 on the facilities was \$151.0 million.

Certain of the leases provide for fixed and variable rental payments, and all are generally designed to allow the DOA to meet its debt service requirements and recover certain operating and maintenance costs. Rental receipts related to the terminal are based on the cost of the facilities. In addition, certain of the agreements under which the DOA receives revenue from the operation of concessions at the Airport, provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum.

At June 30, 2017 minimum future rentals and fees to be received under non-cancelable leases or concession agreements for each fiscal year are as follows (dollars in thousands):

2018	\$	299,190
2019		347,621
2020		349,027
2021		381,475
2022		386,995
2023-2027		1,653,072
2028-2032		2,042,757
2033-2037		1,918,187
	\$	<u>7,378,324</u>

The agreement covering the operation of the parking lot does not provide for a minimum fee and is therefore not included in the above table. Revenue from this source, which is solely a function of parking receipts as defined were \$131.9 million for the year ended June 30, 2017.

**CITY OF ATLANTA, GEORGIA**

Notes to Financial Statements

Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**F. Leases, continued**

**Department of Watershed Management (DWM)**

*Capital Lease Obligations*

On August 31, 2016, the Department entered into an installment purchase agreement for the purchase of certain heavy equipment. This agreement is reflected as an installment purchase obligation at the present value of the aggregate payments due over the remaining life of the agreement. Included in other property and equipment as of June 30, 2017 is \$1,952,000 of the \$7.1 million heavy duty equipment to be ultimately acquired under this installment purchase agreement. The accumulated amortization on this equipment is \$11,000 as of June 30, 2017 and related amortization expense was \$11,000 for the fiscal year ended June 30, 2017.

The present value of future minimum installment purchase payments as of June 30, 2017, is as follows (in thousands):

Fiscal year	
2018	\$ 1,848
2019	1,848
2020	1,848
2021	1,848
Total minimum payments	<u>7,392</u>
Less amount representing interest	<u>(249)</u>
Present value of minimum installment purchase payments	<u>\$ 7,143</u>

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### F. Leases, continued

##### General Fund

##### *Capital Lease Obligations*

The City has entered into multiple lease agreements as lessee for various purposes. These lease agreements qualify as capital leases for accounting purposes and the lease payments are reflected as capital lease obligations at the present value of the aggregate payment due over the remaining life of the leases. These capital leases are listed below.

The present value of the future minimum lease payments is as follows (dollars in thousands):

	Digital Radio Upgrade	Motorola Radio System
2018	4,892	1,839
2019	4,892	1,839
2020	4,892	1,839
2021	800	1,839
2022	—	1,839
Total minimum payments	15,476	9,195
Less amounts representing interest	(668)	(459)
Present value of minimum capital lease payments	\$ 14,808	\$ 8,736
Gross Capital Asset Value	\$ 51,079	\$ 7,050
Accumulated Depreciation	(40,119)	(411)
Net Capital Asset Value	\$ 10,960	\$ 6,639

##### *Operating Leases*

The City has entered into several lease agreements for operating purposes. These lease agreements qualify as operating leases for accounting purposes.

The future minimum lease payments are as follows (dollars in thousands):

2018	3,034
2019	2,538
2020	1,908
2021	1,571
2022	1,565
Thereafter	19,823
Total minimum payments	30,439

The amount of lease expenditures for the year ended June 30, 2017, amounted to \$5,687,000.



**CITY OF ATLANTA, GEORGIA**  
Notes to Financial Statements  
Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**G. Notes Payable**

General Fund

On February 27, 2008 the City, through the Atlanta Public Safety and Judicial Facilities Authority, borrowed \$17 million for construction and build-out expenses related to the Public Safety Annex. The loan, in the form of a note payable, has a ten year term and is scheduled to be paid in full by February 1, 2018. The outstanding principal balance as of June 30, 2017 is \$2 million.

**H. Long Term Obligations**

Changes in long-term liabilities for governmental activities during the fiscal year ended June 30, 2017, follow (dollars in thousands):

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Due within One Year
Governmental activities:					
Long-term debt:					
General obligation and annual bonds	\$ 357,955	\$ —	\$ (7,670)	\$ 350,285	\$ 24,855
Deferred issuance premiums	37,668	—	(3,895)	33,773	—
	395,623	—	(11,565)	384,058	24,855
Certificate of Participation	32,160	—	(2,380)	29,780	2,430
Deferred issuance premiums	4,729	—	(805)	3,924	—
	36,889	—	(3,185)	33,704	2,430
APSJFA revenue bonds	32,900	27,150	(32,900)	27,150	2,300
Deferred issuance premiums	781	4,758	(1,409)	4,130	—
	33,681	31,908	(34,309)	31,280	2,300
SWMA revenue refunding bonds	10,980	—	(1,620)	9,360	1,695
Limited obligation bonds	438,930	144,855	(84,400)	499,385	38,505
Deferred issuance premiums	6,446	11,319	(1,628)	16,137	—
Deferred issuance discounts	(695)	—	695	—	—
	444,681	156,174	(85,333)	515,522	38,505
Other long-term debt:					
Due to APS	10,000	—	(10,000)	—	—
Notes payable	4,016	—	(1,962)	2,054	2,054
Section 108 loans	930	—	(270)	660	220
1998 GMA lease pool	32,444	—	—	32,444	—
Intergovernmental agreements	343,455	63,685	(30,588)	376,552	13,614
Installment sale program	20,385	—	(5,055)	15,330	5,305
Capital leases	19,261	8,735	(4,452)	23,544	6,248
Total long-term debt	1,352,345	260,502	(188,339)	1,424,508	97,226
Other long-term liabilities:					
Vacation and compensation payable	17,928	29,856	(26,172)	21,612	3,069
Health and dental claims payable	5,930	76,402	(74,908)	7,424	1,218
General claims payable	9,460	5,030	(5,910)	8,580	1,625
Pension liability	782,859	210,210	(80,623)	912,446	—
Net OPEB obligation	253,209	49,709	(29,249)	273,669	—
Workers' compensation	39,836	13,241	(4,715)	48,362	6,777
Total long-term liabilities	1,109,222	384,448	(221,577)	1,272,093	12,689
Total governmental activities long-term liabilities	<u>\$ 2,461,567</u>	<u>\$ 644,950</u>	<u>\$ (409,916)</u>	<u>\$ 2,696,601</u>	<u>\$ 109,915</u>

For the governmental activities, other long-term liabilities are primarily liquidated by the General Fund.

**CITY OF ATLANTA, GEORGIA**  
Notes to Financial Statements  
Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**H. Long Term Obligations, continued**

Changes in long-term liabilities for business-type activities during the fiscal year ended June 30, 2017, follow (dollars in thousands):

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Due within One Year
Business-type activities:					
Long-term debt:					
Department of Aviation					
Facilities revenue bonds	\$ 2,702,125	\$ —	\$ (121,480)	\$ 2,580,645	\$ 127,675
Bond issuance premiums	143,593		(16,114)	127,479	—
Bond issuance discounts	(157)		17	(140)	—
Bond anticipation notes	300,000		—	300,000	—
Department of Watershed Management					
System revenue bonds	2,814,455	226,175	(300,330)	2,740,300	63,650
Bond issuance premiums	214,220	37,732	(15,232)	236,720	—
Bond issuance discounts	(4,535)		2,306	(2,229)	—
GEFA notes payable	168,222	14,654	(6,002)	176,874	6,200
Capital lease obligations (equipment)	1,304	7,143	(1,304)	7,143	1,749
Nonmajor funds					
Capital lease obligation					
Parking deck	18,165	—	(18,165)	—	—
Atlanta Gas Light Company Rate E-1 Contract					
(Civic Center Renovations)	1,734	—	(1,734)	—	—
Revenue Bond - City Plaza	9,465		(235)	9,230	315
Bond issuance premiums	1,215		(129)	1,086	—
Revenue Bond - Parking Deck	—	15,605	—	15,605	755
Bond issuance premiums	—	2,217	(26)	2,191	—
Total long-term debt	6,369,806	303,526	(478,428)	6,194,904	200,344
Other long-term liabilities					
Landfill postclosure liability	15,625	202	—	15,827	—
Contract retention	4,495	2,880	—	7,375	—
General claims payable	12,786	3,095	(575)	15,306	6,675
Pension liability	457,202	74,919	(35,495)	496,626	—
Net OPEB obligation	194,890	28,291	(19,698)	203,483	—
Workers' compensation	32,957	3,479	(16,035)	20,401	4,376
Interest rate swaps	182,976	—	(53,191)	129,785	—
Total other long-term liabilities	900,931	112,866	(124,994)	888,803	11,051
Total business-type activities long-term liabilities	\$ 7,270,737	\$ 416,392	\$ (603,422)	\$ 7,083,707	\$ 211,395
Component Units					
Long-term Debt and other obligations					
Atlanta Fulton County Recreation Authority					
Due to primary government	—	19,933	—	19,933	—
Revenue bonds	208,675	—	(12,065)	196,610	12,665
Total Atlanta Fulton County Recreation Authority	208,675	19,933	(12,065)	216,543	12,665
Atlanta Development Authority					
Revenue and other bonds	358,600	75,254	(53,160)	380,694	11,855
Bond issuance premiums	21,747	2,217	(1,181)	22,783	—
Bond issuance discounts	(123)	123	—	—	—
Capital leases	305		(270)	35	35
Notes payable	22,058	224	(4,821)	17,461	2,440
Other long-term liabilities:	—			—	—
Loans payable	3,666	—	—	3,666	—
Due to primary government	24,000	—	—	24,000	—
Other long-term liabilities	31,050	20,334	(14,885)	36,499	3,382
Total Atlanta Development Authority	461,303	98,152	(74,317)	485,138	17,712
Total component units long-term liabilities	669,978	118,085	(86,382)	701,681	30,377

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### H. Long Term Obligations, continued

###### Governmental-type Activities

General Obligation Bonds and Annual General Obligation Bonds are direct general obligations secured by the full faith and credit of the City. Principal and interest are payable through the general and debt service funds from ad valorem taxes levied on all taxable property within the City.

On November 6, 2014 the City refunded all of the outstanding Series 2005A G.O Refunding Bonds \$37,775,000, the Series 2007A Various Purpose Bonds \$5,270,000 and the Series 2008A Public Improvement Bonds \$10,940,000 by issuing the Series 2014A and Series 2014B Taxable General Obligation Refunding Bonds. The Series 2014A Refunding Bonds \$15,365,000 were issued to refund the series 2007A and series 2008A bonds, and pay all costs associated with the bond issuance. The Series 2014B Taxable Refunding Bonds \$40,025,000 were issued to refund the Series 2005A G.O. Refunding Bonds and pay all costs associated with the bond issuance. By issuing the Series 2014A and 2014B Series Bonds, the Government obtained an estimated economic gain (difference between the present values of the debt service payments on the defeased and new debt) of \$3.02 million.

On June 10, 2015, the City of Atlanta issued \$252,000,000 of General Obligation Bonds for the following purposes: (a) paying the cost of capital projects authorized in a city-wide election, including the acquisition, construction, reconstruction, renovation, repair, improvement, critical capital maintenance and equipping of municipal facilities including buildings, recreation centers and other facilities and related public improvements, and compliance with the Americans with Disabilities Act of 1990 in connection with certain (i) public streets, traffic control infrastructure and equipment, curbing, storm water drainage, street name and directional signage, bridges, viaducts and related public improvements including, but not limited to, streetlights, sidewalks, bicycle lanes, and transit stops so as to improve the pedestrian and transit environment and (ii) municipal facilities; including buildings recreation centers and other facilities and related public improvements (collectively, the “Series 2015 Projects”); and (b) providing for the payment of the cost of issuance relating to the 2015 Bonds.

On May 12, 2016 the City issued General Obligation Various Purpose Bonds in the aggregate principal amount of \$3,575,000. The Series 2016 Bonds were issued for the purpose of (a) acquiring a site or sites and constructing and equipping thereon municipal buildings and related facilities, (b) renovating, improving, adding to, and equipping existing municipal buildings and facilities, and (c) acquiring property, both real and personal, necessary or desirable for use in connection therewith and paying expenses incident thereto and (d) paying certain costs of issuance related to the Series 2016 Bonds. PILOT Payments, and costs and expenses associated with the implementation of the Affordable Housing and targeted Economic Development programmatic elements of the Atlanta Beltline.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### H. Long Term Obligations, continued

**Public Safety Judicial Facilities Authority Facility Project Bonds** - On September 15, 2016, the City refunded all the outstanding Series 2006 Public Safety Judicial Facility Bonds \$30,590,000, by issuing the Series 2016 Refunding Bonds \$27,150,000. The Series 2016 Bonds were issued to (a) refund all the outstanding Series 2006 Bonds for the hereinafter defined Unrefunded Series 2006 Bonds (the "Refunded Bonds"), and (b) paying certain costs of issuance related to the Series 2016 Bonds. Interest on the bonds is due semiannually at rates ranging from 2% to 5% commencing December 1, 2017 and maturing December 1, 2026. By issuing the Series 2016 Bonds, the City obtained and estimated economic gain (difference between the present values of the debt service payments on the defeased and new debt) of approximately \$4.98 million and a net present value savings of approximately \$5.55 million.

**Solid Waste Management Authority Revenue Refunding Bonds** - On May 1, 2008, the Solid Waste Management Authority ("SWMA"), (a blended component unit of the City), issued \$20,265,000 in refunding revenue bonds, Series 2008 for the purpose of (a) refunding and redeeming all of the Solid Waste Management Authority Revenue Bonds (Landfill Closure Project), Series 1996, and (b) paying the costs of issuance related to the bonds. Pursuant to a contract dated May 1, 2008 (the "Contract"), between SWMA and the City, the City is unconditionally obligated to make payments to the Issuer in amounts sufficient to provide for, among other things, the payment of the principal of, redemption premium (if any) and the interest on the bonds as the same become due and payable.

**Limited Obligation Bonds** - (Tax Allocation District Bonds) are not general obligations of the City, but limited obligations of the City secured solely by and payable solely from tax allocation increments and local option sales tax revenues, the income of any, derived from the investment thereof, certain reserves and payments and the credit and liquidity facility and the standby guaranty. Neither the faith and credit nor the taxing power of the State of Georgia or any political subdivision thereof, including the City and Fulton County, is pledged as a security for the payment of principal, of redemption premium, if any and interest on the bonds.

During fiscal year 2017, the City refunded all the outstanding Series 2008AR/BR/CR and 2009B/C Tax Allocation District Beltline Bonds with a net carrying value of \$68,180,000. By issuing the Series 2016 Refunding Bonds Series in the par amount of \$144,855,000 including Refunding Series 2016A \$21,600,000, Refunding Series 2016B \$39,035,000, Refunding Series 2016C \$6,290,000, New Series 2016D \$39,605,000 and New Series 2016E \$38,325,000, the City refunded all the 2008 and 2009 Bonds and paid certain cost of issuance for the Series 2016 Bonds. The net proceeds of New Series 2016D will be used primarily to fund portions of the capital projects relating to the implementation of the trail, transit, and park system which form the core components of the Atlanta Beltline. The net proceeds of the Series 2016E will be used primarily to fund Atlanta Public Schools. By issuing the Series 2016 Bonds, the City obtained a net present value savings of approximately \$9.7 million.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### H. Long Term Obligations, continued

**Section 108 Loans** - Section 108 is the loan guarantee provision of the Community Development Block Grant ("CDBG") program. The Section 108 Program provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large-scale physical development projects. This makes it one of the most potent and important public investment tools that HUD offers to local governments. Proceeds from the loan allows communities to leverage a small portion of their CDBG funds into federally guaranteed loans large enough to undertake physical and economic revitalization projects that can renew entire neighborhoods. Such public investment is often needed to encourage private economic activity, providing the initial resources or the confidence that private firms and individuals may need to invest in distressed areas. Section 108 loans are not risk-free, however; local governments borrowing funds guaranteed by Section 108 must pledge their current and future CDBG allocations to cover the loan amount as security for the loan. Although the repayment of these loans is guaranteed through the obligation of future CDBG allocations, the City does its due diligence during the evaluation process to select the types of projects that are expected to generate the necessary returns to flows to repay the loans from non-City sources.

**1998 GMA Lease Pool** - The City participates in a lease pool arrangement with 29 other local governments through the Georgia Municipal Association, Inc. ("GMA"). GMA issued Certificates of Participation ("COP") in 1998 which are governed by a master lease agreement. The 1998 GMA grantor trust proceeds are restricted for the purchase of qualified capital equipment including rolling stock, construction and maintenance equipment, street lighting and traffic control equipment with a useful life ranging from 3-10 years. The purpose of the COP is to fund the purchase of eligible capital assets that are leased back to each of the participating governments. The City's interest in this arrangement functions similar to a line of credit whereby eligible capital assets may be purchased up to the City's share. The lease of eligible capital assets decreases the City's net available credit and repayments of principal increase the City's net available credit. Lease terms are generally between three and five years from the date the equipment is purchased. The agreements terminate upon the financial due date of the COP in 2028.

**1998 Installment Sale Program** - The Georgia Municipal Association, Inc. ("GMA") issued Certificates of Participation (City of Atlanta, Georgia Detention Center, Municipal Court and City Hall East Projects), Series 1998 in the aggregate amount of \$103,130,000 which has evidenced proportionate and undivided ownership interest in Installment Payments that has been paid by the City of Atlanta pursuant to the annual renewable Installment Sale Agreement, dated as of November 1, 1998 (the "Agreement") between GMA, as the seller and the City, as purchaser. The Agreement will automatically renew for additional and consecutive on-year renewal terms with a final renewal term commencing January 1, 2023 and ending on December 1, 2023, subject to the City's right to terminate the Agreement each year.

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **H. Long Term Obligations, continued**

###### **Intergovernmental Agreements:**

On June 1, 2007, the Atlanta Fulton County Recreation Authority (“AFCRA”) issued \$14,315,000 in revenue bonds, Zoo Series 2007A to finance or refinance: (a) the cost of: (i) repair and replacement of various animal exhibits at the Zoo, (ii) improvements to the giant panda exhibit, (iii) repair and replacement of certain Zoo infrastructure, facilities, and equipment, including, administrative offices, programs offices, guest areas, computer systems, golf carts and vehicles used in connection with the operation of the Zoo, and (iv) required payments to the Chinese Association of Zoological Gardens in connection with Zoo Atlanta’s use agreement regarding its giant pandas, and (b) paying issuance costs with respect to the Series 2007 bonds (collectively, the “Zoo Project”). The Series 2007 bonds are secured by a pledge of the Issuer’s interest in semiannual payments under a Governmental Agreement Regarding the Atlanta Zoo dated as of June 1, 2007 (the “Governmental Agreement”) among the Issuer, the City and the County under which the City and the County (the “Participating Governments”) are obligated to make payments to AFCRA in amounts sufficient in time and amount to pay the principal and interest on the Series 2007 Bonds. The City has a two-thirds interest in AFCRA and Fulton County has one-third interest. The payments related to the Zoo bonds are based on this proportionate ownership.

On October 28, 2010, the Atlanta Urban Redevelopment Agency (“AURA”), issued \$22,775,000 of Taxable Recovery Zone Economic Development Bonds. The Series 2010 bonds were used to finance the costs of implementing the Urban Redevelopment Plan including certain costs in connection with (1) the acquisition, rehabilitation, and improvement of real property and buildings; (2) certain public transportation projects in the Urban Redevelopment Area; and (3) the acquisition, construction and installation of other related improvements of the Urban Redevelopment Plan. Under an intergovernmental agreement dated October 28, 2010, between AURA and the City, the City has guaranteed that it will make payments to AURA sufficient in time and amount to enable AURA to pay the principal and interest on the Series 2010 bonds.

On December 10, 2014, AFCRA issued \$61,180,000 in Revenue Refunding and Improvement Bonds, Series 2014A and \$9,445,000 Park Improvement Bonds, Taxable Series 2014B. The purpose of the Series 2014 Bonds is to: (a) finance the cost of the Series 2014 Project, (b) refund, redeem, and pay the costs of issuance related to the Series 2014 Bonds. The Series 2014 Project involves the construction, erection, acquisition, owning, repairing, remodeling, maintaining, additions to, improving and furnishing recreation centers and areas, including but not limited to, athletic fields, golf courses, public zoo or zoological parks, parking facilities or parking areas in connection with club houses, gymnasiums and related buildings and the usual and convenient facilities pertaining to such undertakings, and extensions and improvements of such facilities. Under an intergovernmental agreement dated December 1, 2014, between AFCRA and the City, the City has guaranteed that it will make payments to AFCRA sufficient in time and amount to enable AFCRA to pay the principal and interest on the Series 2014 bonds. The City guarantees payment for a period not to exceed 50 years.

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **H. Long Term Obligations, continued**

On May 8, 2015, Invest Atlanta issued \$167,530,000 of Revenue Bonds (New Downtown Atlanta Stadium Project), Senior Lien Series 2015A-1; \$16,740,000 of Revenue Bonds (New Downtown Atlanta Stadium Project), Senior Lien Taxable Series 2015A-2; and \$40,385,000 of Revenue Bonds (New Downtown Atlanta Stadium Project), Second Lien Series 2015B, collectively the Stadium Bonds. The Stadium Bonds were issued to provide funds to finance the development, construction and equipping of a new operable roof, state-of-the-art multi-purpose stadium to replace the existing Georgia Dome facility in the City to be located and constructed on land that is owned or controlled by the Georgia World Congress Center Authority (an unrelated entity). Invest Atlanta will not own any interest in the new stadium. The Stadium Bonds are special and limited obligations of Invest Atlanta and the City payable solely from reserve accounts created with Stadium Bond proceeds (held by Invest Atlanta and classified as restricted for debt service) and payments received under a Funding Agreement between Invest Atlanta and the City. The Funding Agreement related to the Stadium Bonds was signed at the same time as the Stadium Bonds were issued and requires the City to remit 39.3% of the net amounts received by the City from hotel motel taxes to Invest Atlanta. These payments are required to be spent for the payments of principal and interest on the Stadium Bonds or to restore any and all reserve funds established by the Trust Indenture related to the Stadium Bonds. It is the intention of the Funding Agreement that the hotel motel tax collections will be sufficient to repay the principal and interest on the Stadium Bonds and an intergovernmental receivable from the City has been recorded by Invest Atlanta for the principal amount due on the Stadium Bonds.

On April 21, 2017, the City of Atlanta and Urban Residential Finance Authority refunded all the outstanding Series 2007 Bonds in the amount of \$23,365,000 and issued the Urban Residential Finance Authority Housing Opportunity Refunding Series in the amount of \$63,685,000 for (a) refunding all the outstanding 2007 Bonds (b) providing additional funds to implement the Program and (c) paying certain cost of issuance for the Series 2017 Bonds. Interest on the Series 2017A bonds is payable semiannually on June 1 and December 1, with interest rates ranging from 1.25% to 3.839%. The bonds mature on December 1, 2036. The city has guaranteed that it will make payments sufficient in time and amount to enable AHOI to pay the principle and interest on the bonds the full term of the debt.

The net proceeds of the refunding portion of the Series 2017A bonds were used to refund most of the outstanding Series 2007A bonds and the remainder were deposited into an irrevocable trust with an escrow agent to provide for the remaining debt service payments on the refunded bonds. The result of the transaction will result in total debt service savings of \$4.2 million with an economic gain of approximately \$3.5 million.

**CITY OF ATLANTA, GEORGIA**  
Notes to Financial Statements  
Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**H. Long Term Obligations, continued**

A summary of governmental-type activities bonds payable and other general long-term obligations as of June 30, 2017, is as follows (dollars in thousands):

**Bonds payable:**

General Obligation Bonds:

2008 Public Imp. Issue, \$36,820, 4.25% - 5.00% due December 1, 2018	\$ 6,080
2009A Refunding Issue, \$78,028, 3.20% - 5.25%, due December 1, 2023	33,530
2014A Refunding Issue, \$15,365, 4.00% - 5.00%, due December 1, 2026	15,365
2014B Taxable Refunding Issue, \$40,025, 1.281% - 3.339%, due December 1, 2025	40,025
2015 Public Imp. Issue, \$252,000, 4.50% - 5.00%, due December 1, 2034	252,000
2016 Various Purpose General Obligation Bond \$3,575,000, 2.000%-4.000%, due December 1, 2025	3,285
	<hr/> 350,285
Deferred amount on bond issuance premiums	33,773
Total general obligation and annual bonds payable	<hr/> 384,058

**Certificate of Participation:**

2016 City Court of Atlanta Project, Refunding \$32,160,000, 4.000%-5.000%, due December 1, 2026	29,780
Deferred amount on bond issuance premiums	3,924
Total certificate of participation	<hr/> 33,704

**APSJFA Revenue Bonds**

2016 Public Safety Facility Project, \$50,000, 4.25% - 5.00%, issued by the Atlanta Public Safety Judicial Facilities Authority, due December 1, 2026	27,150
Deferred amount on bond issuance premium	4,130
Total APSJFA revenue bonds payable	<hr/> 31,280

**SWMA Revenue Refunding Bonds:**

Series 2008, \$20,265, 4.00% - 5.00% issued by the Solid Waste Management Authority due December 1, 2021	9,360
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**Limited Obligation Bonds:**

2001 Westside Project, \$14,995, (5.000% at June 30, 2016), due December 1, 2021	4,520
2005A Westside Project, \$72,350, (5.000% at June 30, 2016), due December 1, 2023	36,390
2005B Westside Project, \$10,215, (5.000% at June 30, 2016), due December 1, 2023	5,495
2006 Atlantic Station, \$166,515, (5.00% at June 30, 2016), December 1, 2024	151,425
2007 Atlantic Station, \$85,495 4.375% - 5.25%, due December 1, 2024	49,875
2008 Westside, \$63,760 3.27%, due December 1, 2037	50,690
2014 Perry Bolton Project, \$21,000, 3.00% - 5.00%, due July 1, 2041	17,755
2016 Eastside Refunding, \$30,555,000, 5.00%, due January 1, 2030	29,010
2016A Princeton Lakes Refunding, \$5,820,000, 2.3%, due January 1, 2020	4,455
2016B Princeton Lakes Refunding, \$4,955,000, 3.25%, due January 1, 2027	4,915
2016A Beltline Refunding, \$21,600,000, 3.00%-5.00%, due June 30, 2031	21,600
2016B Beltline Refunding, \$39,035,000, 3.00%-5.00%, due June 30, 2031	39,035
2016C Beltline Refunding, \$6,290,000, 1.984%-4.579%, due June 30, 2031	6,290
2016D BeltlineProject, \$39,605,000, 3.00%-5.00%, due June 30, 2031	39,605
2016E BeltlineProject, \$38,325,000, 1.984%-3.879%, due June 30, 2025	38,325
	<hr/> 499,385

Total Limited Obligation Bond



# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### H. Long Term Obligations, continued

Deferred amounts:	
Bond issuance premiums	16,137
Total limited obligation bonds payable	515,522
Total bonds payable	973,924
Other general long-term debt	
Section 108 Loans, \$4,850, 0.28% - 4.48%, due August 1, 2019 (MMPH II & Mechanicsville)	660
1998 GMA Loan Pool, \$32,444, 4.75%, due November 30, 2028	32,444
1998 Installment Sale Program, \$103,130, 5.00%, due December 1, 2023 (1998 COPS)	15,330
2007 Intergovernmental Agreement guaranteed payments toward 2007A Zoo Revenue Bonds, \$14,315, 4.125% - 5.00%, issued by the Atlanta Fulton County Recreation Authority, due December 1, 2027	8,197
2010 Intergovernmental Agreement guaranteed payments toward Series 2010 Taxable Recovery Zone Economic Development Bonds, \$22,775, 5.370%, issued by the Atlanta Urban Redevelopment Agency, due January 1, 2028	16,065
2014 Intergovernmental Agreement Guaranteed payments toward 2014A Park Improvement Revenue and Refunding Bonds, \$61,180, 2.00%-5.00%, issued by the Atlanta Fulton County Recreation Authority, due December 1, 2025	57,555
2014 Intergovernmental Agreement Guaranteed payments toward 2014B Park Improvement Revenue and Refunding Bonds, \$9,445, 1.060% - 2.72%, issued by the Atlanta Fulton County Recreation Authority, due December 1, 2020	6,395
2015 Intergovernmental Agreement Guaranteed payments toward 2015 Revenue Bonds (New Downtown Atlanta Stadium Project), \$224,655, 1.40% - 5.00%, issued by the Atlanta Development Authority, due July 1, 2044	224,655
2017 Intergovernmental Agreement Guaranteed payments toward 2017 URFRA Taxable Revenue Bond, \$63,685, 1.250%-2.839%, due June 30, 2037	63,685
Total other general long-term debt	424,986
Notes payable	2,054
Capital leases	23,544
Total long-term debt	\$ 1,424,508

#### Arbitrage Rebate

The arbitrage rebate liability on all City issued obligations is treated as a claim or judgment upon occurrence. Certain City long-term debt obligations are subject to Section 148 of the Internal Revenue Code which requires that interest earned on proceeds from tax-exempt debt be rebated to the Federal government to the extent that those earnings exceed the interest cost on the related tax-exempt debt. At June 30, 2017, the City had no arbitrage rebate liability.

#### Business-type Activities

Revenue bonds are payable solely from revenues generated by enterprise fund activities. The various revenue bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of a flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverage. There are a number of limitations and restrictions contained in the various bond indentures.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### H. Long Term Obligations, continued

##### Department of Aviation (DOA)

The City has issued various revenue bonds on behalf of the Department of Aviation to finance its extensive airport capital improvement projects. The net revenues, as defined in the 2000 Airport Master Bond Ordinance as supplemented and amended, generated by operating activities are pledged as security for the bonds. Interest is payable semi-annually on the first of January and July.

Summary of Department of Aviation long-term debt at June 30, 2017, consists of the following (dollars in thousands):

##### Facilities Revenue Bonds:

##### General Revenue and Refunding Bonds:

Airport General Revenue Bonds, Series 2010A, combination serial at 2.0% - 5.0% and term at 4.625% - 5.0% through 2024	163,810
Airport General Revenue and Refunding Bonds, Series 2010C Bonds, combination serial at 4.0% - 5.875% and term at 5.25% - 6.0% through 2030	409,470
Airport General Revenue and Refunding Bonds, Series 2011A, 3.0% - 5.0%, due serially through 2021	144,435
Airport General Revenue and Refunding Bonds, Series 2011B, 3.0% - 5.0%, due serially through 2030	173,555
Airport General Revenue Refunding Bonds, Series 2012A, 2.0% - 5.0%, due serially through 2042	60,305
Airport General Revenue Refunding Bonds, Series 2012B, 2.0% - 5.0%, due serially through 2042	175,930
Airport General Revenue Refunding Bonds, Series 2012C, 2.0% - 5.0%, due serially through 2042	214,630
Airport General Revenue and Refunding Bonds, Series 2014B, 3.0% - 5.0%, due serially through 2033	140,830
Airport General Revenue and Refunding Bonds, Series 2014C, 4.0% - 5.0%, due serially through 2030	128,850
Total General Revenue and Refunding Bonds	\$ 1,611,815

##### Passenger Facility Charge (PFC) and Subordinate Lien General Revenue Bonds:

PFC and Subordinate Lien General Revenue Bonds, Series 2010B at 2.0% - 4.38%, due serially through 2026	275,220
PFC and Subordinate Lien General Revenue Refunding Bonds, Series 2014A at 4.0% - 5.0%, due serially through 2034	523,605
Total PFC and Subordinate Lien General Revenue Bonds	798,825

##### Customer Facility Charge (CFC) Restricted Revenue Bonds:

City of College Park Taxable Revenue Bonds, (Hartsfield-Jackson Atlanta International Airport Consolidated Rental Car Facility Project, Series 2006A at 5.558% - 5.965% (Conduit Debt)	154,870
City of College Park Taxable Revenue Bonds, (Hartsfield-Jackson Atlanta International Airport Automated People Mover System Maintenance Facility Project), Series 2006B at 4.0% - 4.5% (Conduit Debt)	15,135
	170,005

Total Facilities Revenue Bonds	2,580,645
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Bond Anticipation Notes	300,000
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##### Deferred amounts:

Bond issuance premiums	127,479
Bond issuance discounts	(140)

Total long-term debt	\$ 3,007,984
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## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **H. Long Term Obligations, continued**

On April 10, 2014, the City of Atlanta issued approximately \$523.6 million of its Airport Passenger Facility Charge and Sub-ordinate Lien General Revenue Refunding Bonds, Series 2014A (Non-AMT), \$141.0 million of its Airport General Revenue Refunding Bond, Series 2014B (Non-AMT), and \$181.9 million of its General Airport Revenue Refunding Bond Series 2014C, collectively referred to as the "Series 2014 Bonds". The Series 2014 Bonds were issued to refund and redeem all of the outstanding principal amount of the City's Airport Passenger Facility Charge and Subordinate Lien General Revenue Bonds, Series 2004C and 2004J, the City's Airport General Revenue Refunding Bonds, Series 2003 RF-D, the City's Airport General Revenue Bonds, Series 2004A, Series 2004B, and a portion of the Series 2004F, and Series 2004G (the Refunded Bonds), to fund a deposit to the respective subaccounts in the Debt Service Reserve Account securing the Outstanding PFC Revenue Bonds and the Outstanding Senior Lien General Revenue Bonds, and to pay the costs of issuance with respect to the Refunded Bonds. The refunding of the Series 2014 Bonds resulted in a net present value savings of \$73.6 million and a reduction in annual debt service of \$3.2 million.

On June 21, 2006, the City of College Park, Georgia issued \$211.9 million in Taxable Revenue Bonds (Hartsfield Jackson Atlanta International Airport Rental Car Center Project), Series 2006A for the purpose of acquiring, constructing and installing a consolidated rental car facility. In addition, College Park issued \$22.0 million in Revenue Bonds (Hartsfield Jackson Atlanta International Airport Automated People Mover System Maintenance Facility Project), Series 2006B for the purpose of acquiring, constructing and installing a maintenance facility for an automated people mover. The City (the Purchaser) pursuant to the terms of an Installment Purchase Agreement dated June 1, 2006 (the Agreement) with the City of College Park (the Issuer) obligates the Purchaser to make installment payment to the Issuer to cover the principal, premium and interest of the Series 2006A/B Bonds. The City has adopted an Ordinance imposing a customer facility charge (CFC) effective October 1, 2005. The CFC revenues have been pledged to secure the payments due under the Agreement. At June 30, 2017, the balance of outstanding conduit debt totaled \$170.0 million.

On March 20, 2016, the Department of Aviation issued an aggregate combined \$300 million of Bond Anticipation Notes (2016 Series A&B). These notes were issued for the purpose of financing on an interim basis, in whole or in part, the costs of the planning, engineering, design, acquisition and construction of certain improvement to Hartsfield-Jackson Atlanta International Airport Master Plan. According to the note agreement, the City will refund or refinance and pay the principal of and interest related on the Series 2016 Notes with proceeds of long-term fixed rate take-out bonds issued in an amount not to exceed \$350 million, maturing not later than January 1, 2050 with a not to exceed interest rate of 9.0% per annum, and a maximum principal and interest due in any year of \$40 million. As the Department's current expectation is not to refund or repay these notes during the next year, these notes have been classified as long-term debt.

On August 17, 2015, the City issued the following Commercial Paper Notes: (a) Series D-1 (Non-AMT), Series D-2 (AMT), Series D-3 (Non-AMT), Series D-4 (AMT), up to the amount of \$225,000,000 (the Series D Notes) and (b) Series E-1 (Non-AMT), Series E-2 (AMT), Series E-3

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **H. Long Term Obligations, continued**

(Non-AMT), Series E-4 (AMT), up to the amount of \$225,000,000 (the Series E Notes). The Series D-1 Notes, the Series D-2 Notes, the Series E-1 Notes and the Series E-2 Notes are referred to as the “Third Lien GARB Notes.” The Series D-3 Notes, the Series D-4 Notes, the Series E-3 Notes and the Series E-4 Notes are referred to as the “Modified Hybrid PFC Notes.” The City entered into a Letter of Credit Reimbursement Agreement with Bank of America, N.A. and The Bank of Tokyo-Mitsubishi UFJ, Ltd. to facilitate the payment of and interest on the Series D and the Series E notes in the aggregate principal amount of \$450 million (issued at \$225 million each) for the Airport Commercial Paper Program. These notes were issued to finance, on an interim basis, a portion of the costs of the planning, engineering, design, acquisition and construction of certain improvements at Hartsfield-Jackson Atlanta International Airport and to refund in whole or in part the principal of and interest on any Series D or Series E Notes. The Third Lien GARB Notes are limited obligations of the City payable from and secured by a pledge of and third lien on general revenues. The Modified Hybrid PFC Notes are limited obligations of the City payable from and secured by a pledge of and second lien on PFC revenues and third lien on general revenues. The Series D Notes and the Series E Notes do not constitute a debt of the City, or a pledge of the faith and credit of the taxing power of the City. The Series D and the Series E Notes are not payable from any funds other than the revenues pledged for that purpose.

On December 22, 2016, the City issued additional Commercial Paper Notes (Series F & G) in the aggregate amount of \$250 million. These additional notes were issued to finance, on an interim basis, a portion of the costs of the planning, engineering, design, and acquisition and construction of certain improvements at Hartsfield-Jackson Atlanta International Airport. The Series F-1 Notes, and Series F-2 Notes were issued as “Third Lien GARB Notes”, and the Series F-3 and Series F-4 were issued as “Second Lien PFC and Third Lien GARB” notes. The Series G-1 and Series G-2 Notes were issued as “Third Lien GARB” Notes, and the Series G-3 and Series G-4 were issued as “Second Lien PFC and Third Lien GARB” Notes. The Third lien GARB notes are limited obligations of the city payable from and secured by a pledge of and third lien on general revenues. The second PFC notes are limited obligations of the City payable from and secured by a second lien on PFC revenues and a third lien on general revenues. The Series F and Series G notes collectively, do not constitute a debt of the City, or pledge of the faith and credit of the taxing power of the City. The Series F and Series G notes are not payable from any funds other than the revenues pledged for this purpose.

All Department of Aviation bond ordinances require the maintenance of sinking funds to provide for debt service on the related bonds. The Airport Master Bond Ordinance also requires the Department to maintain a ratio of Net Airport Revenue to Aggregate Debt Service, as defined, of at least 120%.

**CITY OF ATLANTA, GEORGIA**  
Notes to Financial Statements  
Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**H. Long Term Obligations, continued**

**Department of Watershed Management**

Summary of revenue bonds payable and GEFA notes payable at June 30, 2017 consists of the following (dollars in thousands):

**Revenue and Refunding Revenue Bonds:**

Water and Wastewater Revenue Bonds, \$1,096,140 Series 1999A, (5.50%), due serially and term through 2022	\$ 204,445
Water and Wastewater Revenue Bonds, \$415,310 Series 2001A, (5.50%), due serially and term through 2027	85,055
Water and Wastewater Revenue Bonds, \$849,330 Series 2004A, combination serial (5.75%), due serially and term through 2030	134,110
Water and Wastewater Revenue Bonds, \$106,795 Series 2008, variable rate (0.81% at June 30, 2016), due serially through 2041	106,795
Water and Wastewater Refunding Revenue Bonds, \$750,000 Series 2009A, combination serial (5.00% - 6.00%), due serially through 2019	49,545
Water and Wastewater Refunding Revenue Bonds, \$448,965 Series 2009B, combination serial (4.00% - 5.50%) and term bonds (5.25-5.375%), due serially through 2039	194,270
Water and Wastewater Revenue Bonds, \$178,835 Series 2013A1, variable rate (1.813% at June 30, 2016), due serially and term through 2038	178,735
Water and Wastewater Revenues Bonds, \$50,000 Series 2013A2A (1.213% at June 30, 2016), due serially and term through 2038	48,930
Water and Wastewater Revenues Bonds, \$50,000 Series 2013A2 B, (1.213% at June 30, 2016), due serially and term through 2038	48,940
Water and Wastewater Revenue Bonds, \$50,000 Series 2013A2C, (1.213% at June 30, 2016), due serially and term through 2038	50,000
Water and Wastewater Refunding Revenue Bonds, \$200,140 Series 2013B, (5.25% - 5.50%), due serially and term through 2030	177,005
Water and Wastewater Revenue Refunding Bonds, \$1,237,405,000 Series 2015, 2.00% - 5.00%, due serially and term through 2043	1,236,295
Water and Wastewater Revenue Refunding Bonds, \$226,175 Series 2017A, 3.50% - 5.00%, due serially through 2039	226,175
Total Revenue Bonds	2,740,300
Deferred amounts:	
Bond issuance premiums	236,720
Bond issuance discounts	(2,229)
Total revenue bonds	2,974,791

Georgia Environmental Facilities Authority (GEFA) Notes Payable:

Georgia Environmental Facilities Authority (GEFA) \$4,669 Loan, 3.00% due serially through 2023	1,819
Georgia Environmental Facilities Authority (GEFA) \$19,006 Loan, 3.82%, due serially through 2035	14,072
Georgia Environmental Facilities Authority (GEFA) \$19,034 Loan, 3.92%, due serially through 2036	14,707
Georgia Environmental Facilities Authority (GEFA) \$19,021 Loan, 4.12%, due serially through 2038	15,325
Georgia Environmental Facilities Authority (GEFA) \$31,216 Loan, 3.00%, due serially through 2027	23,644
Georgia Environmental Facilities Authority (GEFA) \$31,053 Loan, 3.00%, due serially through 2028	24,034
Georgia Environmental Facilities Authority (GEFA) \$31,409 Loan, 3.00%, due serially through 2027	24,047
Georgia Environmental Facilities Authority (GEFA) \$5,500 Loan, 3.00%, due serially through 2032	4,475
Georgia Environmental Facilities Authority (GEFA) \$3,000 Loan, 3.81%, due serially through 2032	2,489
Georgia Environmental Facilities Authority (GEFA) 34,990 Loan, (3.00%), due serially through 2035	32,016
Georgia Environmental Facilities Authority (GEFA) \$51,426 maximum gross loan (2.03%), due serially through 2039	20,246
Total GEFA notes payable	176,874
Capital leases	7,143
Total long-term debt	\$ 3,158,808

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **H. Long Term Obligations, continued**

The City has issued various revenue bonds on behalf of the Department of Watershed Management to refinance existing bonds or finance capital improvements for its Water and Wastewater projects. The revenue bonds issued are authorized under the Master Bond Ordinance adopted March 31, 1999 as amended and supplemented from time to time with the issuance of any additional bonds. Net operating revenues from the system are pledged as security for the bonds as defined in the Constitution and laws of the State of Georgia, including the Revenue Bond Law of Georgia, as amended (the "Revenue Bond Law"). Debt service payments on outstanding bonds are made semi-annually on the first of November and May or as defined by the applicable bond indenture.

The Department of Watershed Management entered into three loan agreements with the Georgia Environmental Facilities Authority (GEFA) totaling \$50 million for projects to: (1) replace the East Point sewer trunk line; (2) provide sewer rehabilitation, replacement, and capacity relief; and (3) provide piping and equipment to capture digester gas and convert it to power for use at the RM Clayton Wastewater Treatment Plant. In February 2012, the Department entered into three loan agreements totaling \$41 million, with the purpose of financing final payments on three existing loans due February 2027, September 2027, and February 2028. Liabilities for these loans will be recorded at the time the funds are drawn. In fiscal year 2017, The Department received \$14,654,000 in GEFA funding. As of June 30, 2017, the Department had \$176,874,000 in short-term and long-term loans outstanding to GEFA. The proceeds of the GEFA loans were used to finance a portion of the cost associated with the DWM Clean Water Atlanta Program (See Note IV. C. First Amended Consent Decree).

On September 12, 2013 the City of Atlanta issued approximately \$328.8 million of its Water and Wastewater Revenue Refunding Bonds, Series 2013A, and \$200.1 million of its Water and Wastewater Revenue Refunding Bonds Series 2013B, collectively referred to as the "Series 2013 Bonds." Of these amounts, \$178.7 million of the Series 2013A Bonds were issued as sub-series A-1 and sold to respective bond trading institutions, and \$150 million issued as sub-series A - 2 Bonds and privately placed. All of the Series 2013A bonds were issued as Variable Rate Bonds with a LIBOR index rate. The Series 2013 Bonds were issued to refinance portions of the outstanding Water and Wastewater Revenue Bonds Series 1999A, Series 2001A, Series 2004 Water, and pay all costs with respect to the issuance of the Series 2013 Bonds.

On March 12, 2015, the City of Atlanta issued approximately \$1.237 billion of its Water and Wastewater Revenue and Refunding Bonds, Series 2015 collectively referred to as the "Series 2015 Bonds". The Series 2015 Bonds were issued to refund a portion of the City's outstanding Water and Wastewater Revenue Bonds, Series 2001A, Water and Wastewater Revenue Bonds, Series 2004, Water and Wastewater Bonds, Series 2009A, and to pay the costs of issuance with respect to the issuance of the Series 2015 Bonds. The refunding of the Series 2015 Bonds resulted in a net present value savings of \$156.1 million.

On May 4, 2017, the City of Atlanta issued \$226.2 million of its Water and Wastewater Revenue Refunding Bonds, Series 2017A (the "Series 2017A Bonds"). The Series 2017A Bonds were issued to: (a) refund a portion of the City's outstanding Water and Wastewater Revenue Bonds, Series 2009B and (b) pay the costs of issuance related to the Series 2017A Bonds. The refunding of the Series 2017A Bonds resulted in a net present value savings of approximately \$27.5 million.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### H. Long Term Obligations, continued

The Department of Watershed Management bonds are payable from Department revenue and are collateralized by Department revenue remaining after reasonable and necessary operating and maintenance costs. In addition, the bond ordinances require the maintenance of sinking funds to provide for debt service on the related bonds. The ordinances require revenue must be 110% of maximum annual debt service.

##### Commercial Paper Notes Payable

In April, 2015, the Department authorized the issuance of the following Water and Wastewater Revenue Commercial Paper Notes (Series 2015 Notes): (a) Series 2015A-1, up to the amount of \$125,000,000 and (b) Series 2015A-2, up to the amount of \$125,000,000. On April 1, 2015, the Department entered into a Letter of Credit and Reimbursement Agreement with PNC Bank, National Association to facilitate the payment of and interest on the Series 2015-A1 Notes in the principal amount of \$125 million for the 2015 Commercial Paper Program. Also, on April 1, 2015, the Department entered into a Letter of Credit and Reimbursement Agreement with Wells Fargo Bank, National Association to facilitate the payment of interest on the Series 2015-A2 Notes in the principal amount of \$125 million for the 2015 Commercial Paper Program. The Series 2015 Notes were issued to: (A) finance or refinance, on an interim basis, the costs of planning, engineering, design, acquisition, construction and reconstruction of certain additions, extensions, improvements and betterments included as a part of a multi-phase long term capital improvement program for the Department, (B) refund in whole or in part the principal of and interest on Outstanding Series 2015 Notes, and (C) pay expenses necessary to accomplish the foregoing. Revenue of the Department is pledged as security for payments on the Series 2015 Notes, which is junior and subordinate to the pledge of revenue securing the Department's long-term debt. The Series 2015 Notes do not constitute a debt, liability, or obligation of the City's governmental funds, or a pledge of the faith and credit or taxing power of the City. The Series 2015 Notes are considered a short term obligation of the Department and may be repaid and reissued as often as necessary to affect the purposes set out in the program.

Short-term debt activity for the years ended June 30, 2017 , was as follows (in thousands):

	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>
Commercial paper	<u>—</u>	<u>109,010</u>	<u>(12,600)</u>	<u>96,410</u>

##### Interest Rate Exchange Agreements (Swap's)

##### Department of Watershed Management (DWM) ("Department")

At June 30, 2017, the Department has two derivative instruments that are interest rate swaps referred to as Swap Three and Swap Four.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### H. Long Term Obligations, continued

The Department entered into two interest rate swap agreements in December 2001. These swap agreements are currently associated with the Department's Water and Wastewater Revenue Refunding Bonds, Series 2013A (Swap Three), and the Department's Water and Wastewater Revenue Bonds, Series 2008 and Water and Wastewater Revenue Refunding Bonds, Series 2015 (Swap Four), and have notional amounts of \$432,310,000. Swap Three became effective on January 3, 2002 and will mature on November 1, 2038. Swap Four became effective on January 3, 2002 and will mature on November 1, 2041.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (dollars in thousands):

Swap	Terms	2017 Changes in Fair Value		Fair Value at June 30, 2017		
		Classification	Amount	Classification	Amount	Notional
3	Pay fixed rate 4.09% per annum Receive 67% 1M LIBOR	Deferred outflow	\$ 37,331	Debt	\$ (95,657)	326,605
4a	Pay fixed rate 4.09% per annum	Investment				
(partial)	Receive SIFMA	expense	—	Investment	(4,812)	25,265
4b	Pay fixed rate 4.09% per annum	Deferred				
(partial)	Receive SIFMA	outflow	\$ 15,860	Debt	(29,316)	80,440
			<u>\$ 53,191</u>		<u>\$ (129,785)</u>	

Swap 3 became an effective hedge during fiscal 2015 in connection with a change in hedging relationship associated with the issuance of the Series 2013A Water and Wastewater Revenue Bonds. As a result, Swap 3 is classified as an investment derivative. Amortization of the accumulated loss of Swap3, as of the date Swap 3 became an effective hedge, into deferred outflows totaled \$3,938,000 for the year ended June 30, 2017. The fair values of derivative liabilities have been adjusted for nonperformance risk, which includes, but may not be limited to the City's own credit risk. Inputs to the valuation techniques for the City's over-the-counter interest rate swaps are both directly and indirectly observable and thus categorized as Level 2 as defined in GASB Statement No. 72.

The fair value of the swaps was estimated using the proprietary pricing model of an independent derivative valuation service. The net cash outflow (payments) related to these derivative instruments during fiscal year 2017 was approximately \$15,522,000.



# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### H. Long Term Obligations, continued

**Objective and Terms of Hedging Derivative Instruments (Swap 3 and 4B)** - The following table displays the objective and terms of the Department's hedging derivative instrument outstanding at June 30, 2017, along with the credit rating of the associated counterparty.

Swap	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
4b (partial)	Pay-fixed interest rate swap	Hedge of changes in cash flows of variable debt obligations	\$ 80,440	1/3/2002	11/1/2041	Receive SIFMA Municipal Swap Index; pay 4.09%	A+/Aa3/AA-
3	Pay-fixed interest rate swap	Hedge of changes in cash flows of variable debt obligations	\$ 326,605	1/3/2002	11/1/2038	Receive 67% IM LIBOR pay 4.09%	A+/Aa3/AA-

**Credit Risk.** Credit risk is the risk that the counterparty will not fulfill its obligations. As of June 30, 2017, the two swaps were in liability positions; therefore, the Department is not exposed to credit risks. However, should interest rates change and the fair market value of the swaps to become assets, the Department would be exposed to credit risks. The Department executes hedging derivatives with one counterparty, comprising 100% of the net exposure to credit risk. This one counterparty is rated A+ as issued by Fitch, London, Aa3 as issued by Moody's, New York, and AA- as issued by Standard & Poor's, New York.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Department's financial instruments or its cash flows. The Department is exposed to interest rate risk on its pay-fixed, receive-variable interest rate swaps. As LIBOR or the SIFMA swap index decreases the Department's net obligation on the swap increases.

**Basis Risk.** Basis risk is the risk that arises when variable rates or prices of a hedging derivative instrument and a hedge item are based on different reference rates. The Department is exposed to basis risk on its pay-fixed interest rate swap hedging instruments because the variable-rate payments received by the Department on these hedging derivative instruments are based on a rate or index other than interest rates the Department pays on its hedge variable-rate debt. As of June 30, 2017, the interest rate on the Department's hedged variable-rate debt is 2.505 percent. The SIFMA swap index rate is 0.91 percent.

**Termination Risk.** Termination risk is the risk that a hedging derivative instrument's unscheduled end will affect the Department's asset and liability strategy or will present the Department with potentially significant unscheduled termination payments to the counterparty. Amendments to the swap transaction, dated February 26, 2010, allow either party to terminate and cancel each of the transactions in whole or in part upon one business day's prior written notice to the other party.

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **H. Long Term Obligations, continued**

Additionally, Swap 3 contains a barrier option, which provides the counterparty the right, but not the obligation to terminate the transaction upon providing 30 calendar days' notice prior to any payment date, if the Average Rate has exceeded 7% per annum within the preceding 180 days. The Average Rate is defined as the arithmetic mean of the Municipal Swap Index as determined by the Calculation Agent on each reset date during the preceding 180 days.

Such termination would not require the consent of the Department and no fees, payments or other amounts would be payable by either party in respect to the termination, without prejudice to any obligation to pay a scheduled payment on or prior to such early termination. Any such termination would serve to extinguish all rights or obligations of either party to the other party which would otherwise accrue or have accrued since the last payment date.

**Rollover Risk** - Rollover risk is the risk that a hedging instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. The Department is not exposed to rollover risks because the hedging derivative instruments associated with the hedgeable debt items extend to the maturity of the hedgeable debt items.

##### **Sanitation Fund**

State and federal laws and regulations require the City to place final covers on its four landfill sites when each site stops accepting waste and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. The City has landfill sites at Cascade Road, Key Road, Gun Club Road, and East Confederate Road. All City landfills were certified by the State of Georgia as closed during 2001 and only post-closure care costs will be incurred in the future. Although post-closure care costs will be paid over the remaining number of post-closure years, the City accrued a liability for those costs as the landfills were accepting waste. The \$15,827,000 reported as the landfill post-closure costs liability at June 30, 2017, represents the cumulative amount of post-closure costs expected to be incurred over the required 30 year monitoring period which began in 2001. These amounts are estimates calculated by the management of the City of what it would cost to perform all post-closure care. Actual costs may differ from estimates due to inflation, changes in technology or regulations. Post-closure care costs will be funded by future sanitary charges of the Sanitation Fund or from future contributions from the General Fund, if necessary.

##### **City Plaza**

On March 29, 2016, the Downtown Development Authority of the City of Atlanta (the "Authority") issued Revenue Bonds in the aggregate principal amount of \$9,465,000 (City Plaza Redevelopment Project), Series 2016. The Revenue Bonds were issued for the purpose of; (a) financing the acquisition of a certain 3.125 acre parcel of land located in the central business district of the City at 133 Trinity Avenue, Atlanta, Georgia; (b) financing the acquisition of the mixed-use development consisting of 164 one and two bedroom apartment homes, approximately 29,000 square feet of ground level retail, a 274-space structured parking deck, a 52-space surface parking lot and other related improvements

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **H. Long Term Obligations, continued**

and amenities, commonly known as “City Plaza”; (c) providing for the provision of certain workforce housing program implementation and monitoring services and (d) paying costs of issuance related to the Series 2016 Bonds. As of June 30, 2017, the City Plaza had \$9,230,000 in short-term and long-term outstanding obligation.

##### **Downtown Parking Deck**

On April 20, 2017 the City of Atlanta and Downtown Development Authority refunded all outstanding Downtown Development Authority Parking Deck Project Series 2006 in the amount of \$17,370,000 and issued the Atlanta Urban Redevelopment Agency Parking Deck Project Series 2017 in the amount of \$15,605,000 for (a) refunding of all the outstanding Series 2006 Bonds and (b) paying certain cost of issuance for the Series 2017 Bonds. Pursuant to the Intergovernmental Agreement, the City has agreed to make payments when due, of principle and interest on the Series 2017 Bonds. The title to the parking deck was transferred to the city as a result of this transaction. Interest on the bonds is due semiannually at rates ranging from 2% to 5% commencing December 1, 2017 and maturing December 1, 2031. By issuing the Series 2017 Bonds, an estimated economic gain has been obtained (difference between the present values of the debt service payments on the defeased and new debt) of approximately \$2.34 million and a net present value savings of approximately \$2.38 million.

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# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### H. Long Term Obligations, continued

##### Debt Service Requirements

The following summarizes the debt service requirements of long-term debt at June 30, 2017 (dollars in thousand):

	Governmental Activities					
	General Obligations		SWMA Revenue Bonds		APSJFA Revenue Bond	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 24,855	\$ 15,367	\$ 1,695	\$ 405	\$ 2,300	\$ 1,085
2019	26,335	14,382	1,780	318	2,355	1,039
2020	28,030	14,013	1,870	227	2,425	969
2021	29,565	11,969	1,965	131	2,515	896
2022	26,830	10,619	2,050	41	2,615	795
2023-2027	74,670	41,992	—	—	14,940	648
2028-2032	80,850	24,425	—	—	—	—
2033-2037	59,150	4,405	—	—	—	—
	<u>\$ 350,285</u>	<u>\$ 137,172</u>	<u>\$ 9,360</u>	<u>\$ 1,122</u>	<u>\$ 27,150</u>	<u>\$ 5,432</u>

	Certificate of Participation		Limited Obligations		Other General LT Obligaions	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,430	\$ 1,296	\$ 38,505	\$ 17,797	\$ 27,441	\$ 7,232
2019	2,525	1,197	39,480	20,880	21,522	6,439
2020	2,640	1,081	41,065	19,205	22,115	5,924
2021	2,775	945	41,740	17,364	18,397	5,397
2022	2,910	803	42,630	15,426	16,454	4,955
2023-2027	16,500	1,988	217,330	42,700	76,626	18,183
2028-2032	—	—	58,590	10,154	98,584	9,810
2033-2037	—	—	15,745	2,484	73,085	2,972
2038-2042	—	—	4,300	592	55,650	—
2043-2047	—	—	—	—	40,710	—
	<u>\$ 29,780</u>	<u>\$ 7,310</u>	<u>\$ 499,385</u>	<u>\$ 146,602</u>	<u>\$ 450,584</u>	<u>\$ 60,912</u>

	Business-Type Activities						
	Aviation		GA Environmental Facilities-DWM		Watershed Management		
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest	Interest Rate Swaps, Net
2018	\$ 127,675	\$ 131,377	\$ 6,200	\$ 5,050	\$ 63,650	\$ 124,189	\$ 14,296
2019	134,710	124,996	6,404	4,846	66,850	120,805	14,275
2020	136,490	118,244	6,616	4,634	70,890	117,076	14,254
2021	143,485	111,386	6,834	4,416	74,195	113,192	14,232
2022	121,110	104,172	9,816	5,696	78,195	109,245	14,208
2023-2027	711,445	419,494	38,278	16,772	452,465	484,524	65,937
2028-2032	756,815	217,015	44,018	10,010	559,605	366,021	51,740
2033-2037	276,055	74,597	53,111	3,082	668,515	231,686	34,166
2038-2042	172,860	25,016	5,597	16	632,280	76,243	12,949
2043-2047	—	—	—	—	73,655	3,727	—
	<u>\$ 2,580,645</u>	<u>\$ 1,326,297</u>	<u>\$ 176,874</u>	<u>\$ 54,522</u>	<u>\$ 2,740,300</u>	<u>\$ 1,746,708</u>	<u>\$ 236,057</u>

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### H. Long Term Obligations, continued

##### Debt Service Requirements, continued

Year Ended June 30	Business-Type Activities			
	City Plaza		Downtown Parking Deck	
	Principal	Interest	Principal	Interest
2018	315	385	755	675
2019	330	372	820	610
2020	345	358	835	593
2021	360	344	855	568
2022	370	330	885	533
2023-2027	2,130	1,372	5,035	2,069
2028-2032	2,740	769	6,420	707
2033-2037	2,640	168	—	—
	<u>\$ 9,230</u>	<u>\$ 4,098</u>	<u>\$ 15,605</u>	<u>\$ 5,755</u>

Year Ended June 30	Component Units			
	Recreation Authority		Atlanta Development Authority	
	Principal	Interest	Principal	Interest
2018	12,665	10,599	14,295	17,551
2019	13,310	9,940	15,158	16,994
2020	14,015	9,227	15,453	16,579
2021	14,745	8,466	16,003	16,118
2022	13,825	7,643	16,629	15,626
2023-2027	72,540	26,286	79,438	67,591
2028-2032	38,650	7,848	66,930	51,666
2033-2037	16,860	1,737	77,889	35,569
2038-2042	—	—	55,650	17,976
2043-2047	—	—	40,710	3,252
	<u>\$ 196,610</u>	<u>\$ 81,746</u>	<u>\$ 398,155</u>	<u>\$ 258,922</u>

#### Defeased Debt

The City has defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore, removed as a liability from the City's government-wide and proprietary fund financial statements.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### H. Long Term Obligations, continued

Below is a description of the City's defeased bonds and the outstanding balances as of June 30, 2017 (dollars in thousands):

Description of Bonds	Date Originally Issued	Original par Amount	Redemption Call Date	Date Defeased	Maturities Defeased	Interest Rate Defeased Bonds %	Amount Defeased	Outstanding 6/30/2017
<b>General Obligation Bonds</b>								
1993 School Improvement	11/1/1993	\$ 94,000	12/1/2003	2/28/2001	2002-2018	5.5-5.6	\$ 81,760	\$ 16,835
1997A Various Purpose	11/1/1997	8,000	12/1/2007	5/1/2005	2009-2021	5.0-5.125	2,720	1,135
1999 Various Purpose	12/1/1999	8,000	12/1/2009	5/1/2005	2011-2024	5.125-5.8	2,840	1,885
2000 Various Purpose	11/1/2000	8,000	12/1/2010	5/1/2005	2013-2025	5.0-5.5	2,960	1,465
2008 Public Improvement	2/1/2008	36,820	12/1/2018	11/6/2014	2019-2021	4.0 - 5.0	10,940	6,080
2009 Refunding	5/28/2009	78,025	1/14/2016	1/14/2016	2022-2023	4.125 - 5.250	20,305	33,530
		<u>\$ 232,845</u>					<u>\$ 121,525</u>	<u>\$ 60,930</u>
<b>Revenue Bonds</b>								
2009A Water & Wastewater	6/25/2009	\$ 750,000	11/1/2019	3/12/2015	2020-2039	6.0-6.25	\$ 608,885	\$ 608,885
	10/22/2009	<u>\$ 448,965</u>	11/1/2039	5/4/2017	2020-2039	4.25-5.50	<u>\$ 240,210</u>	<u>\$ 240,210</u>
		<u>\$ 1,198,965</u>					<u>\$ 849,095</u>	<u>\$ 849,095</u>

#### I. Restricted Net Position and Restricted Assets

The various bond covenants require certain restrictions of Net Position of the Department of Aviation. Restricted Net Position at June 30, 2017 is as follows (dollars in thousands):

	Department of Aviation
Debt service and debt service reserve	\$ 417,463
Capital Projects	<u>652,115</u>
Total	<u>\$ 1,069,578</u>

The General Fund, because of covenants required by the 1998 Georgia Municipal Association Certificates of Participation, is required to keep certain restricted balances. This includes the investment account related to the 1998 lease pool, as discussed further in Note III. H. The Municipal Option Sales Tax Fund (MOST), as required by City ordinance, is required to transfer all revenue collections to the Department of Watershed Management for the purpose of funding water, wastewater and storm water infrastructure improvement and repair. The Other Governmental Funds contain restricted assets representing amounts which are required to be maintained pursuant to City ordinances for capital

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### I. Restricted Net Position and Restricted Assets, continued

purposes, renewal and extension and sinking funds, and funds received for specific purposes pursuant to U. S. Government grants.

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources that may be used only to service outstanding debt. Other assets are restricted by bond ordinances for capital purposes. Restricted assets of the enterprise funds at June 30, 2017 are as follows (dollars in thousands):

	Department of Watershed Management	Department of Aviation	Total
Renewal and Extension Fund:			
Cash and cash equivalents	—	15,652	15,652
Other assets	—	3,483	3,483
Passenger Facility Charge Fund:			
Cash and cash equivalents	—	16,657	16,657
Other assets	—	38,872	38,872
Investments	—	584,191	584,191
Customer Facility Charge Fund:			
Cash and cash equivalents	—	34,812	34,812
Other assets	—	4,142	4,142
Construction Fund:			
Cash and cash equivalents	—	66,258	66,258
Other assets	—	179	179
Investments	—	281,888	281,888
Sinking Funds:			
Cash and cash equivalents	—	394,673	394,673
Investments	—	22,790	22,790
Construction Revenue Funds:			
Cash and cash equivalents	205,815	—	205,815
Sinking Fund:			
Cash and cash equivalents	213,470	—	213,470
Investments - Guaranteed Investment Contracts	—	—	—
Total	<u>\$ 419,285</u>	<u>\$ 1,463,597</u>	<u>\$ 1,882,882</u>

#### IV. Other Information

##### A. Risk Management

###### General

The City purchases a variety of insurance policies, including but not limited to all risks property and specific liability policies. The City also purchases distinct and separate insurance policies for Hartsfield-Jackson Atlanta International Airport, including but not limited to property, airport owners and operators liability, and environmental liability. The policy limits are established in order to maximize potential recovery via insurance in the event of loss. Policy limits may range up to \$1 billion based on exposure to loss, and policies are subject to a range of deductibles.

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Risk Management, continued**

The City also administers an Owner Controlled Insurance Program (OCIP) that provides insurance coverage for enrolled contractors for certain construction projects at the airport. These policies include, but are not limited to, builders risk, general liability, workers' compensation and pollution liability.

Insurance requirements are established with contractors and consultants that do business with the City based on the scope of services and nature of the project(s). Contractors and consultants are generally required to maintain certain types of insurance coverage including but not limited to, general liability, automobile liability, workers' compensation and professional liability. There has not been any material change to insurance coverage from the previous year.

##### Self-insurance

The City is self-insured for workers' compensation, parts of the medical and dental plan, and general claims liabilities. The City pays for such claims as they become due. These claim liabilities are accounted for in the governmental activities of the government-wide financial statements and the applicable enterprise funds.

##### Workers' Compensation

The City's workers' compensation liability is calculated by an outside actuary. Liabilities are reported when it is probable a loss has occurred and the amount can be reasonably estimated including amounts for claims incurred but not yet reported. The calculation of the present value of future workers' compensation liabilities, as calculated by the outside actuary, is based on a discount rate of 3.5% for 2017. The City has annual excess insurance coverage with a \$5 million per occurrence retention with no annual aggregate limit.

##### Health and Dental Insurance

The City's medical plan under Blue Cross Blue Shield Point of Service and its dental plan under Cigna are fully self-insured. The Kaiser HMO, OHS dental access plan and Spectra vision plan are fully insured. The City's health and dental liability is calculated by an outside actuary firm. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported.



# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Risk Management, continued

Changes in the balances of claims liabilities for workers' compensation, health/dental insurance and general claims liabilities during the year ended June 30, 2017 were as follows (dollars in thousands):

	Beginning of period liability	Period claims and changes in estimates	Claim payments	End of period liability
Workers' compensation:				
2015	\$ 43,539	\$ 16,684	\$ (7,264)	\$ 52,959
2016	\$ 52,959	\$ 23,830	\$ (3,996)	\$ 72,793
2017	\$ 72,793	\$ 16,720	\$ (20,750)	\$ 68,763
Health and Dental claims:				
2015	\$ 6,080	\$ 64,415	\$ (63,565)	\$ 6,930
2016	\$ 6,930	\$ 59,502	\$ (60,502)	\$ 5,930
2017	\$ 5,930	\$ 76,402	\$ (74,908)	\$ 7,424
General claims liability:				
2015	\$ 28,348	\$ 9,390	\$ (8,790)	\$ 28,948
2016	\$ 28,948	\$ 4,546	\$ (11,248)	\$ 22,246
2017	\$ 22,246	\$ 8,125	\$ (6,485)	\$ 23,886

#### B. Commitments and Contingent Liabilities

##### Litigation

The City is subject to various suits and proceedings arising in the ordinary conduct of its affairs and has been named as defendant in numerous lawsuits. The City has accrued amounts related to litigation where an outcome unfavorable to the City is probable and the amount can be reasonably estimated. The City has been named as defendant in several other suits and actions claiming personal and property damages. In the opinion of the City Attorney, all suits and actions now pending, or likely to be filed, will be resolved without a material effect on the financial position of the City.

##### Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

##### Construction and Commitments

At June 30, 2017, the total estimated remaining costs on committed projects are \$801.1 million for the Department of Aviation, and \$163.9 million for the Department of Watershed Management.

##### Department of Aviation

In an Assignment, Assumption and Release Agreement and Claim Resolution Agreement dated February 25, 2011, the City entered into settlement agreements with Northwest and the Georgia Environmental Protection Division (EPD) to settle all claims in exchange for transfer and assumption of environmental obligations of Leased Space formerly between Northwest and the Georgia EPD.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### **B. Commitments and Contingent Liabilities, continued**

As of June 30, 2017, a restricted noncurrent asset is recorded for approximately \$5.1 million a result of this settlement.

##### Department of Watershed Management

##### *Other Governments*

In July 1968, the City and DeKalb County, Georgia (DeKalb County) entered into an agreement (the "Clayton Agreement") providing for the construction of a 120 million gallons per day (MGD) water pollution control facility to be known as the R.M. Clayton Water Reclamation Center (the "Plant").

Pursuant to the Clayton Agreement, the City agreed to assume responsibility for the financing, construction, operation, and maintenance of the Plant. The Clayton Agreement gives DeKalb County the right to use 25 MGD, or 20.83%, of the plant capacity. The Clayton Agreement with DeKalb County was amended in 1987, to increase DeKalb County's capacity in the Plant to 50 MGD, which is 48.54% of the 103 MGD of average daily flow capacity.

In 1977, DeKalb County entered into an agreement for 2.62 MGD, or 5.82%, of the capacity rights in the South River Water Reclamation Center and 2.60 MGD, or 12.38%, of the capacity rights in the Intramural Creek Water Reclamation Center. These two Water Reclamation Centers, along with the R.M. Clayton Water Reclamation Center, are hereafter referred to as the "Plants".

Additional capital improvements may be made to the Plants to relieve excessive flows and/or loads that impair the efficient operation of the City's sewer system, to improve existing processes, to improve the efficiency of current operations, or to comply with applicable laws. In any such event, the DWM and DeKalb County have agreed to share the costs of such capital improvements, generally upon the basis of relative sewerage flow contributed by the City and DeKalb County, respectively.

DeKalb County, Fulton County, the City of Hapeville, the City of East Point and the City of College Park (collectively, the "Municipalities") share in the costs of the operation and maintenance of the R.M. Clayton, South River, Intramural Creek and Utoy Creek Water Reclamation Centers based upon the ratio that their sewerage flow bears to the total flows to the plants. The Municipalities' share of the operation and maintenance costs for the plants was \$20,030,000 for the period ended June 30, 2017. These payments are treated as operating revenue for the Department of Watershed Management.

The Municipalities have agreed to share in the capital improvement costs made to certain plants with their share being based on their portion of the sewerage flow. The Municipalities' shares of the capital improvement costs was \$17,638,000 for the year ended June 30, 2017. These payments are treated as non-operating revenue and are included in capital contributions. The amounts receivable from the Municipalities is included in the amount due from other governmental units in the accompanying financial statements.

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **B. Commitments and Contingent Liabilities, continued**

###### **Consent Decrees for Wastewater System**

The Department is subject to two related consent decrees the City entered into to resolve alleged violations of the Federal Clean Water Act and the Georgia Water Quality Control Act.

On October 10, 1995, the Upper Chattahoochee Riverkeeper Fund, Inc. (the "Riverkeeper"), brought suit against the City pursuant to the citizen suit provision of the Clean Water Act seeking injunctive relief and the assessment of civil penalties. Subsequently, the United States of America, acting at the request and on behalf of the Environment Protection Agency (EPA), and the State of Georgia, at the request of the Georgia Environmental Protection Division (EPD), also filed a complaint against the City alleging violations of the Clean Water Act and seeking similar relief. The actions were consolidated.

The plaintiffs alleged that the City violated the terms of its permits that authorize discharge of wastewater from the City's Combined Sewer Overflows (CSO) Control Facilities and its wastewater treatment facilities. In 1998, the plaintiffs and the City agreed to the entry of a consent decree relating to the CSO Control Facilities. On December 20, 1999, the First Amended Consent Decree (the "FACD") was entered with the United States District Court for the Northern District of Georgia. The United States, the State of Georgia, and the City are the parties to the FACD. Because claims brought by Riverkeeper were resolved under the CSO Consent Decree, Riverkeeper is not a party to the FACD.

###### **CSO Consent Decree**

With respect to the October 10, 1995 action brought against the City by the Riverkeeper, the court dismissed allegations regarding the phosphorus reduction program and common law nuisance claims, but found that the City violated federal and State water pollution laws with regard to the City's operation of its Tanyard Creek, Proctors Creek/North Avenue, and Proctor Creek/Greensferry CSO treatment facilities. As mentioned, the City and the citizen plaintiffs settled the lawsuit in what is referred to as the CSO Consent Decree (EPA and the EPD also joined). The CSO Consent Decree required the City to study the performance of the existing CSO treatment facilities, evaluate treatment alternatives that may be necessary for meeting State water quality standards, and improve the performance, maintenance, operation, and management of the existing treatment facilities. As of June 30, 2017, all projects required under the CSO Consent Decree were substantially complete.

###### **First Amended Consent Decree**

The FACD resolved allegations regarding the City's wastewater treatment facilities, inter-jurisdictional requirements, and the City's sewerage collection and transmission system. For the wastewater treatment facilities, the FACD requires the City to: continue its ongoing wastewater treatment facilities Capital Improvement Program to complete upgrades at the R.M. Clayton, Utoy Creek, Intrenchment Creek, and South River Water Reclamation Centers; install and implement a maintenance management

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **B. Commitments and Contingent Liabilities, continued**

system, revise the current operations program, and implement upgrades to the current laboratory information system; and review its inter-jurisdictional agreements to address over-loading and pretreatment issues. There are milestones that must be completed on schedule. The provisions regarding the wastewater treatment facilities were completed in March 2004. All capital improvements, upgrades, and repairs under the FACD had an original completion date of July 1, 2014.

##### **Amendment to the First Amended Consent Decree**

On September 24, 2012, the court entered an amendment to the FACD. This amendment contained five changes: (1) it extended the deadlines on the work to rehabilitate and provide capacity relief in the City's sewerage collection and transmission system with the final deadline for this work under the FACD extended from 2015 to 2027; (2) it eliminated the requirement that sewer lines that were merely surcharging as opposed to overflowing be upgraded; (3) it required that the City complete one major project, the Peachtree Creek Storage and Pump Station by July 1, 2014; (4) it required the City to reassess its financial capability on July 1, 2020 and accelerate remaining projects if financial conditions substantially improve; and (5) it required the City to report certain performance metrics to federal and state environmental protection agencies on a semi-annual basis as opposed to a quarterly basis. This amendment will allow the City to continue to improve the financial condition of its water and wastewater system, balance its competing system needs, and prevent a substantial increase in the burden on its ratepayers.

##### **Clean Water Atlanta Program**

The City is actively seeking federal and state grants and loans and other sources of funding to perform the tasks outlined above as part of its Clean Water Atlanta (the "CWA") Program. Key elements of the comprehensive funding and financing plan include:

- **Municipal Option Sales Tax (MOST)** - Effective October 1, 2004, the Georgia General Assembly enacted a statute that allowed the City of Atlanta to impose a 1% sale and use tax dedicated to water and wastewater purposes subject to approval through a referendum of the voters in the City. The statute provided that the tax would be for an initial four-year term with up to two four-year extensions that were also subject to voter referendum. The voters approved the first term in July 2004, the second term in March 2008, and the third term in March 2012. In 2010, the statute was amended to allow up to three four-year extensions. The voters approved the fourth term in March 2016. The fourth four-year term will end on September 30, 2020. Since October 1, 2004, a 1% Municipal sales and use tax has been collected for retail sales and use occurring in the incorporated city limits of Atlanta. Proceeds from this tax are specifically for funding renovations to the City's water and sewer system. Each four year term of the MOST may raise an amount of revenue not to exceed \$750,000,000. Proceeds from the MOST for fiscal year 2017 were \$131,710,000, of which \$11,228,000 were receivable from the Georgia Department of Revenue at June 30, 2017.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### B. Commitments and Contingent Liabilities, continued

- Federal Appropriation - Some small Federal grants have been obtained and efforts to secure additional Federal grants continue.
- State GEFA Loans - The State of Georgia passed legislation to provide up to \$50 million per year in low interest Georgia Environmental Facilities Authority (GEFA) loans to the City. The City is pursuing the maximum loan amount for each year of the CWA Program. Liabilities for these loans will be recorded at the time funds are drawn. In fiscal year 2016, the City received \$14,654,000 in GEFA funding. As of June 30, 2017, the City had \$176,874,000 in short and long-term loans outstanding to GEFA.
- The Atlanta City Council approved annual increases to the current water and wastewater rates to support revenue bonds financing the five year portion (2008 - 2012) of the CWA Capital Improvement Program. The graduated three tiered rate structure is intended to minimize, to the extent possible, the impact of rate increases on ratepayers to maintain affordability and to permit water conservation. The fiscal year 2013-2017 rates are summarized below. In addition to the rates shown below, each water and wastewater bill includes a \$.15 per 100 cubic feet security surcharge. In July 2012, the City Council approved holding the current water and wastewater rates at fiscal year 2012 levels through fiscal year 2017.

#### Graduated Monthly Water Rate Structure:

Water Consumption	2013	2014	2015	2016	2017
Base Charge	\$ 6.56	\$ 6.56	\$ 6.56	\$ 6.56	\$ 6.56
0-3 ccf	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58	\$ 2.58
4-6 ccf	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.34
Above 7 ccf	\$ 6.16	\$ 6.16	\$ 6.16	\$ 6.16	\$ 6.16

#### Graduated Monthly Wastewater Rate Structure:

Water Consumption	2013	2014	2015	2016	2017
Base Charge	\$ 6.56	\$ 6.56	\$ 6.56	\$ 6.56	\$ 6.56
1-3 ccf	\$ 9.74	\$ 9.74	\$ 9.74	\$ 9.74	\$ 9.74
4-6 ccf	\$ 13.64	\$ 13.64	\$ 13.64	\$ 13.64	\$ 13.64
Above 7 ccf	\$ 15.69	\$ 15.69	\$ 15.69	\$ 15.69	\$ 15.69

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### B. Commitments and Contingent Liabilities, continued

##### Consent Orders for Drinking Water System

The City is subject to two administrative Consent Orders issued by the Georgia Department of Natural Resources Environmental Protection Division. They are dated December 9, 1997, and March 21, 2003. Those Orders require capital improvement at the Chattahoochee and Hemphill Treatment Plants, as well as operational improvement to ensure compliance with Georgia Rules for Safe Drinking water. While the City is in substantial compliance with the provisions of both Orders, certain aspects of the capital program remain to be completed.

##### Estimated Capital Costs to Complete Compliance with Decrees and Orders

The DWM is in the midst of a Capital Improvement Program mandated by court orders, regulatory and priority requirements. This Capital Improvement Program details all of the improvements needed through 2027 to meet the aforementioned objectives. The current cost estimate of the overall Capital Improvement Program is approximately \$2.89 billion.

The following is a summary of the funded and unfunded future costs to complete projects by type based on the current estimate:

Project Types	Total 2006-2027 CIP (In Millions)
Wastewater Projects:	
Consent Decree Program (CSO)	\$ 723
First Amended Consent Decree Program (SSO)	1,863
Regulatory	130
Renewal & Extension Fund Projects	828
Subtotal	3,544
Water Projects:	
Consent Order	80
Non-Consent Order	2,017
Subtotal	2,097
Grand total	\$ 5,641

#### V. Pension and Postemployment Benefits

##### A. Pensions

The City maintains the following separately administered pension plans:

Plan Type	Plan Name
Agent multiple-employer, defined benefit	The General Employees' Pension Plan
Single employer, defined benefit	Firefighters' Pension Plan
Single employer, defined benefit	Police Officers' Pension Plan
Single employer, defined contribution	General Employees' Defined Contribution Plan

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Pensions, continued**

A stand-alone audited financial report is issued for each of the three defined benefit plans and can be obtained at the below address. The defined contribution plan does not have separately issued financial statements. At page 129 is a condensed financial statement for the defined contribution plan.

City of Atlanta  
68 Mitchell Street, S.W.  
Suite 1600  
Atlanta, Georgia 30335

The valuation date for the three defined benefit plans is July 1, 2015, with the results rolled forward to the measurement date of June 30, 2016. The allocation of the pension liability is based upon fiscal year 2016 contributions from the various departments. The City is presenting net pension liability as of June 30, 2016 for the fiscal year 2017 financial statements.

##### **The General Employees' Pension Plan**

###### ***Plan Description***

The General Employees' Pension Plan (GEPP) is an agent multiple-employer defined benefit plan and was established by a 1924 Act of the State of Georgia Legislature to provide retirement benefits for full-time permanent employees of the City of Atlanta (the City), excluding sworn personnel of the Police and Fire Rescue Departments, and the employees of the Atlanta Board of Education (the School System) who are not covered under the Teachers Retirement System of Georgia. Until 1983, the Georgia Legislature established all requirements and policies of the GEPP. By a constitutional amendment, effective July 1983, control over all aspects of the GEPP transferred to the City under the principle of Home Rule. The types of benefits offered by the GEPP are: retirement, disability, and pre-retirement death benefits. Classified employees and certain non-classified employees pay grade 18 and below not covered by either the Firefighters' or Police Officers' Pension Plans, and hired after September 1, 2005 are required to become members of the GEPP.

The funding methods and determination of benefits payable were established by the legislative acts creating the GEPP, as amended, and in general, provide that funds are to be accumulated from employee contributions, City and School System contributions, and income from the investment of accumulated funds.

##### **General Employees' Pension Plan**

###### ***a. Administration of the GEPP***

The GEPP is administered as an agent multiple-employer defined benefit pension plan by the Board of Trustees (the Board). Board membership includes The Mayor or his designee, the City's Chief Financial Officer, a member of the City Council, two active City employee representatives, one retired City representative, one active School System representative, and one retired School System Representative. All modifications to the GEPP must be supported by actuarial analysis and receive the recommendations of the City Attorney, the Chief Financial

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Pensions, continued

Officer, and the Board of Trustees. Each pension law modification must be adopted by at least two-thirds vote of the City Council and approved by the Mayor.

##### *b. Contribution requirements of the GEPP - The City*

Under the Georgia Legislature principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Pension Board has the authority to administer the GEPP. The funding methods and determination of benefits payable were established by the Atlanta Code of Ordinances, Part 1, Section 6 legislative acts creating the GEPP, as amended, and in general, provide that funds are to be accumulated from employee contributions, City contributions, and income from the investment of accumulated funds.

Employees hired on or after September 1, 2011 who are below pay grade 19 or its equivalent are required to participate in a hybrid defined benefit plan with a mandatory defined-contribution component. The defined-benefit portion of the GEPP includes a 1% multiplier, which includes a mandatory employee contribution of 3.75% of salary that is matched 100% by the City.

Additionally, these employees may voluntarily contribute up to an additional 4.25% of salary, which is also matched 100% by the City. Employees vest in the amount of the City's contributions at a rate of 20% per year and become fully vested in the City's contribution after 5 years of participation.

Beginning on November 1, 2011, employees participating in the GEPP and hired before September 1, 2011, or after January 1, 1984, had an increase of 5% in their mandatory contributions into the GEPP fund in which they participate. The contribution is such that the new contribution is 12% of salary (without a designated beneficiary) or 13% of salary (with a designated beneficiary).

There is a cap on the maximum amount of the City's contribution to the GEPP measured as a percentage of payroll. The City's annual contribution to the Plan may not exceed 35% of payroll of the participants in the City's three defined benefit plans, which include General Employees', Firefighters' and Police Officers' Pension Plans. In the event that this 35% cap is reached, the City will fund any overage for the first 12-month period from its reserves. During that period, the City's management must agree on an alternative method to reduce the overage. If no alternative is reached, beginning in the second 12-month period, the City and the participants will equally split the cost of the coverage, subject only to a provision that employee contributions may not increase more than 5%. Contribution requirements may be amended by the Board under the authority of the City ordinance, but the employer contribution requirement is subject to State minimums. During fiscal year 2017, the City had an actuarial assessment conducted to review the pay cap. The assessment determined the City was at 21.1%, which is well within the cap. The 35% cap is not projected to be reached until fiscal year 2039 based on the updated results projected forward with Pension Reform. During the year ended June 30, 2017, the City contributions were \$53,817,000.



## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Pensions, continued

###### *Contribution requirements to the GEPP - the School System*

Employer contributions for the School System changed in 2014 as a result of the Atlanta Board of Education adopting a resolution (Report 13/14-01177) dated June 2, 2014, to the funding policy. Beginning fiscal year 2015 contributions under the prior policy are based on a level percent of payroll amortization method using a closed amortization period with 12.5 years remaining as of July 1, 2013. The new policy increases the prior year's contribution 3.0% annually until the Plan is fully funded.

Employee contributions for the School System are:

Unmarried employees without dependents	7% of base salary
Unmarried employees with dependent minor children	8% of base salary
Married employees	8% of base salary

###### *c. Description of GEPP benefit terms - The City*

In June 2011, the City Council approved changes for the City's GEPP, effective on September 1, 2011 for new hires, and November 1, 2011 for existing employees.

Prior to the change approved in June 2011, the GEPP provided monthly retirement benefits that initially represent 3% for each year of credited service times the participants' final average three-year earnings (limited to 80% of the average). Retirement benefits were adjusted annually based on the change in the consumer price index, limited to 3% per year. Upon the death of a vested participant who has beneficiary coverage, his or her eligible beneficiary(ies) would be entitled to three fourths of the amount the deceased participant was receiving or would have been entitled to receive.

The retirement age increased to age 62 for participants in the GEPP. Early Retirement Age is changed from any age (as long as vested) with penalty to age 52 for hires after September 1, 2011. Upon retirement, these participants will receive an annually calculated cost of living increase to their pension benefit that may not exceed 1% and is based upon the Consumer Price Index. Sick and vacation leave are no longer applied to retirement benefits for employees hired after September 1, 2011.

Below are the terms the GEPP has established to receive benefits.

###### **Normal Pension:**

Hired before July 1, 2010:

Age 65 or Age 60 after completing five years of service.

Monthly benefit is 2.5% of average monthly salary for each year of credited service.

Hired between July 1, 2010 and October 31, 2011:

Age 65 or Age 60 after completing 10 years of service.

Monthly benefit is 2.0% of average monthly salary for each year of credited service.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Pensions, continued

Hired after October 31, 2011:

Age 65 or Age 62 after completing 15 years of service.

Monthly benefit is 1.0% of average monthly salary for each year of credited service.

This amount cannot be less than \$12 per month for each year of service, capped at 80% of average monthly salary.

The average monthly salary for participants hired before November 1, 2011, is the average of the highest consecutive 36 months of salary. For those employees hired after October 31, 2011, the average monthly salary is the average of the highest consecutive 120 months of salary.

##### Early Pension:

The monthly benefit for employees hired before November 1, 2011, is reduced by one half of 1% per month for the first 60 months and by one quarter of 1% per month for the remaining months by which age at retirement is less than 60. More favorable early retirement adjustments may apply to participants in prior plans. Unreduced early retirement is available with 30 years of credited service. For employees hired after October 31, 2011, the monthly benefit amount is reduced by one half of 1% per month before age 62.

##### Disability:

Service requirement:

Five years of credited service for non-job-related disability. None for job related disability.

Normal pension based on service accrued and final average salary at disability, payable immediately; cannot be less than 50% of average monthly salary. This amount is payable until attainment of normal retirement age at which time the benefit is recalculated to include years while disabled as years of service.

##### d. *Description of GEPP benefit terms - the School System*

The major provisions of the GEPP for the School System are as stated below.

*Normal Pension:* a participant may retire at age 65 or age 60 after completing 15 years of service. The monthly benefit is 2.5% of the average monthly salary for each year of credited service. This amount cannot be less than \$17 per month for each year of service, and is capped at 80% of average monthly salary. Average monthly salary is defined as the highest average monthly base compensation over any 36-month period.

*Early Pension:* a participant must have 5 years of credited service. The normal pension monthly amount is reduced by one half of 1% per month for the first 60 months and one quarter of 1% per month for the remaining months by which age at retirement is less than 60. Unreduced early retirement is available with 30 years of credited service.

*Disability:* a participant must have 5 years of credited service for non-job related disability. For job-related disability there is no service requirement. Normal pension is based on service

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Pensions, continued**

accrued and final average salary at disability, payable immediately; cannot be less than 50% of the average monthly salary. This amount is paid until attainment of normal retirement age at which time the benefit is recalculated to value years while disabled as years of service.

##### **Firefighters' and Police Officers' Plans**

###### **Plan Description**

The City of Atlanta, Firefighters' (FPP) and Police Officers' (PPP) Pension Plans are single-employer defined-benefit plans. They were established by a 1924 Act of the State of Georgia Legislature to provide retirement benefits for full-time sworn firefighters and police officers' of the City of Atlanta (the City) Fire Rescue Department and the Police Department. Until 1983, the Georgia Legislature established all requirements and policies of the FPP and PPP. By a constitutional amendment, effective July 1983, control over all aspects of the FPP and PPP transferred to the City under the principle of Home Rule. The types of benefits offered by the FPP and PPP are: retirement, disability, and pre-retirement death benefits. Participants should refer to the Atlanta, Georgia, Code of Ordinances, Section 6 (Plan agreement) for more complete information. Under the principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Board has the authority to establish and amend benefit terms and contributions.

###### ***a. Administration of the FPP and PPP***

The FPP and PPP are administered as a single-employer defined-benefit plans by separate Boards of Trustees with each Board including an appointee of The Mayor or his designee, the City's Chief Financial Officer, a member of City Council, two active employee representatives and one retired employee representative. All modifications to the FPP and PPP must be supported by actuarial analysis input and receive the recommendations of the City Attorney, the Chief Financial Officer, and the pertinent Board of Trustees. Each pension law modification must be adopted by at least two thirds vote of the City Council and approved by the Mayor.

###### ***b. Contribution Requirements to the FPP and PPP***

Under the Georgia Legislature principle of Home Rule and the Atlanta Code of Ordinances, Section 6, the Board has the authority to administer the FPP and PPP including establishing and amending contribution requirements. The funding methods and determination of benefits payable were established by the Atlanta Code of Ordinances, Section 6 legislative acts creating the FPP and PPP, as amended, and in general, provide that funds are to be accumulated from employee contributions, City contributions, and income from the investment of accumulated funds.

Sworn personnel employed by the Fire Rescue Department and Police Department are required to contribute to the FPP and PPP. Employees must contribute either 8% of base pay, if hired after August 31, 2011, 12% of base pay if hired before September 1, 2011 without an eligible beneficiary, or 13% of base pay if hired before September 1, 2011 with an eligible beneficiary.

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Pensions, continued

Contribution requirements may be amended by the Board under the authority of the City ordinance, but the employer contribution requirement is subject to State minimums.

On November 1, 2011, the sworn personnel of the Fire Rescue Department and Police Department participating in the FPP and PPP and hired before September 1, 2011, or after January 1, 1984, had an increase of 5% in their mandatory contributions into the FPP and PPP. The contribution is such that the new contribution is 12% of salary (without a designated beneficiary) or 13% of salary (with a designated beneficiary). Beginning in fiscal year 2012, there is a cap on the maximum amount of the City's contribution to the defined-benefit pension funds measured as a percentage of payroll. The City's annual contribution to the funds may not exceed 35% of payroll of the participants in the three Plans in aggregate. In the event that this 35% cap is reached, the City will fund any overage for the first 12 month period from its reserves. During that period, the City's Management must agree on an alternative method to reduce the overage. If no alternative is reached, beginning in the second 12 month period, the City and the participants will equally split the cost of the overage, subject only to a provision that employee contributions may not increase more than 5%. During fiscal year 2015 the City had an actuary assessment conducted to review the pay cap. The assessment determined the City was at 26.9%, well within the cap.

Employees hired on or after September 1, 2011 who are sworn members of the Fire Rescue Department and Police Department are required to participate in a hybrid defined-benefit plan with a mandatory defined-contribution component. The defined-benefit portion of this plan will include a 1% multiplier. The retirement age increased to age 57 for participants in the FPP and PPP. Early Retirement Age is changed from any age (as long as vested) with penalty to age 52 for hires after September 1, 2011. Upon retirement, these participants will receive an annually calculated cost of living increase to their pension benefit that may not exceed 1% and is based upon the Consumer Price Index. Sick and vacation leave are no longer applied to retirement benefits for hires after September 1, 2011.

Contributions to the FPP and PPP during the year ended June 30, 2017 were \$17,901,000 and \$27,493,000 respectively.

##### *c. Description of the Benefit Terms for FPP and PPP*

In June 2011, the City Council approved changes to the benefits for the FPP and PPP, effective on September 1, 2011 for new hires, and November 1, 2011 for existing employees. Currently, sworn personnel employed by the Fire Rescue Department and Police Department are required to contribute to the FPP and PPP.

Prior to the change approved in June 2011, the FPP and PPP provided monthly retirement benefits that initially represent 3% for each year of credited service times the participants' final average three-year earnings (limited to 80% of the average). Retirement benefits were adjusted annually based on the change in the consumer price index, limited to 3% per year. Upon the death of a vested participant who has beneficiary coverage, his or her eligible beneficiary(ies) would be

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Pensions, continued

entitled to three fourths of the amount the deceased participant was receiving or would have been entitled to receive. Below are the terms the FPP and PPP has established to receive benefits.

Normal retirement age:

*Age 65 with at least five years of service*

*Age 57 with at least 15 years of service*

*Age 55 with at least 15 years of service (hired before September 1, 2011)*

*Age 55 with at least 10 years of service (hired before July 1, 2010)*

*Any age with at least 30 years of service*

For early retirement there is an adjustment of the retirement benefit being reduced by 0.5% for each month by which the participant's early retirement age precedes normal retirement age (for employees hired after August 31, 2011). The retirement benefit is reduced by 0.5% for each of the first 60 months and by 0.25% for each additional month by which the participant's early retirement age precedes the normal retirement age (for employees hired before September 1, 2011).

Early retirement age:

*Age 47 with at least 15 years of service (hired after August 31, 2011)*

*Any age with at least 15 years of service (hired during the period July 1, 2010 through August 31, 2011)*

*Any age with at least 10 years of service (hired before July 1, 2010)*

For participants who incur a catastrophic injury in the line of duty, the basic pension formula is 100% of the top salary for the grade and position occupied by the participant at the time of disability.

For a service-connected disability for participants hired before 1986, the basic pension formula is the greater of 70% of the top salary for the employee's grade and position occupied by the participant at the time of disability or basic pension formula, offset by worker's compensation payments such that the combination of payments does not exceed 100% of the participant's salary at the time of disability.

For participants hired on or after January 1, 1986, the basic pension formula is the greater of 50% of average monthly earnings at the time of disability or basic pension formula, offset by worker's compensation payments such that the combination of payments does not exceed 75% of the participant's salary at the time of disability (payable until the earlier of recovery from disability or Normal Retirement Age).

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Pensions, continued

Pre-retirement death benefit:

- 75% of the basic pension formula (payable to the eligible beneficiary upon death not in the line-of-duty).*
- 100% of base pay offset by worker's compensation or other payments (payable to the eligible beneficiary for first two years after death in the line-of-duty).*
- 75% of the larger of the basic pension formula or 70% of top salary for the employee's grade (payable to the eligible beneficiary beginning two years after death in the line-of-duty).*
- 75% of the basic pension formula (payable to the eligible beneficiary beginning two years after death in the line-of-duty if the employee was covered by the 1986 amendment).*

#### Membership

As of the beginning of the fiscal year ended June 30, 2016, pension plan membership consisted of the following:

	General Employees - The City	Firefighters	Police Officers
Inactive plan members or beneficiaries currently receiving benefits	3,834	992	1,446
Inactive plan members entitled to, but not yet receiving benefits	241	21	55
Active plan members	3,307	1,042	2,023
Total membership	7,382	2,055	3,524

#### The Plans' Investments

The investments for the Plans are made within the Public Retirement Systems Investment Authority Law of the Georgia Code (OCGA 47-20-80). The Boards have been granted the authority by City Ordinance to establish and amend the Plan investment policy. The Boards are responsible for making all decisions with regard to the administration of their Plan, including the management of Plan assets, establishing the investment policy and carrying out the policy on behalf of the Plan.

The Plans' investments are managed by various investment managers under contract with the respective Board who have discretionary authority over the assets managed by them and within the Plans' investment guidelines as established by the Board. The investments are held in trust by the Plans' custodian in the Plans' names. These assets are held exclusively for the purpose of providing benefits to members of the respective Plans' and their beneficiaries.

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Pensions, continued**

State of Georgia Code and City statutes authorize the Plans to invest in U.S. government obligations, U.S. government agency obligations, State of Georgia obligations, obligations of a corporation of the U.S. government, the Georgia Fund 1 (a government investment pool maintained by the State of Georgia), and alternative investments. The Plans invest in repurchase agreements only when they are collateralized by U.S. government or agency obligations. The Plans are also authorized to invest in collateralized mortgage obligations (CMOs) to maximize yields. These securities are based on cash flows from interest payments on underlying mortgages. CMOs are sensitive to prepayment by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and mortgagees refinance their mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if mortgagees pay on mortgages longer than anticipated, the cash flows are greater and the return on the initial investment would be higher than anticipated.

In the development of the current asset allocation plan, each of the Boards reviews the long-term performance and risk characteristics of various asset classes, balancing the risks and rewards of market behavior, and reviewing state legislation regarding investments options. There were no changes to the policy in fiscal year 2017. The policy may be amended by the Board with a majority vote of its members.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of real rates of return for each major asset class included in the Plan's target asset allocation as of June 30, 2017, are summarized in the tables on page 119.

**CITY OF ATLANTA, GEORGIA**

Notes to Financial Statements

Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**A. Pensions, continued**

General Employees' Plan

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	50%	6.70%
International equity	20%	8.10%
Fixed income	25%	2.10%
Alternative investments	5%	6.20%
	<u>100%</u>	

Firefighters' and Police Officers' Plans

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad equity market	7%	6.01%
Domestic large-cap equity	30%	6.91%
Domestic mid-cap equity	15%	8.91%
Domestic small-cap equity	9%	5.01%
International equity	9%	3.31%
Fixed income	25%	0.81%
Alternative investments	5%	7.51%
	<u>100%</u>	

For the year ended June 30, 2017, the annual money-weighted rate of return for General Employees', Firefighters' and Police Officers' Pension Plan investments, net of pension plan investment expense was 13.32%, 13.15%, and 14.19%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.



# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Pensions, continued

##### Net Pension Liability

The total pension liability is based on the July 1, 2015 actuarial valuation rolled forward to June 30, 2016 using standard roll-forward techniques (dollars in thousands):

	General Employees' - the City	Firefighters'	Police Officers'	Total
Total pension liability	\$ 1,915,577	861,493	1,317,840	4,094,910
Plan fiduciary net position	1,122,786	612,637	950,415	2,685,838
Net pension liability	<u>792,791</u>	<u>248,856</u>	<u>367,425</u>	<u>1,409,072</u>
Plan fiduciary net position as a percentage of the total pension liability	58.61%	71.11%	72.12%	65.59%

The net pension liability of the General Employees' (the City), Firefighters' and Police Officers' Plans allocated among the general government, the Department of Aviation, the Department of Watershed Management and Other Non-major Enterprise Funds as June 30, 2017 (dollars in thousands):

	General Employees'	Firefighters'	Police Officers'	Total
General Government	\$ 385,296	\$ 188,384	\$ 338,766	\$ 912,446
Department of Airport	91,092	60,472	28,659	180,223
Department of Watershed Management	259,718	—	—	259,718
Other Non-major Enterprise	56,685	—	—	56,685
Total	<u>\$ 792,791</u>	<u>\$ 248,856</u>	<u>\$ 367,425</u>	<u>\$ 1,409,072</u>

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Pensions, continued

##### Changes in Net Pension Liability

The City is presenting net pension liability for the year June 30, 2017 based on the June 30, 2016 measurement date, as follows (dollars in thousands):

<u>General Employees' - the City</u>	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 1,873,213	1,153,715	719,498
Changes for the year:			
Service cost	20,230	—	20,230
Interest expense	136,155	—	136,155
Demographic experience	1,610	—	1,610
Contributions - employer	—	54,236	(54,236)
Contributions - employee	—	19,173	(19,173)
Net investment income	—	12,257	(12,257)
Benefit payments and refunds	(115,631)	(115,631)	—
Administrative expenses	—	(964)	964
Net changes	42,364	(30,929)	73,293
Balances at June 30, 2016	<u>\$ 1,915,577</u>	<u>1,122,786</u>	<u>792,791</u>

<u>Firefighters'</u>	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 853,690	644,649	209,041
Changes for the year:			
Service cost	12,013	—	12,013
Interest expense	62,584	—	62,584
Demographic experience	(22,794)	—	(22,794)
Contributions - employer	—	16,454	(16,454)
Contributions - employee	—	5,667	(5,667)
Net investment income	—	(9,895)	9,895
Benefit payments and refunds	(44,000)	(44,000)	—
Administrative expenses	—	(238)	238
Net changes	7,803	(32,012)	39,815
Balances at June 30, 2016	<u>\$ 861,493</u>	<u>612,637</u>	<u>248,856</u>

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Pensions, continued

<u>Police Officers'</u>	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balances at June 30, 2015	\$ 1,294,907	983,385	311,522
Changes for the year:			
Service cost	21,573	—	21,573
Interest expense	95,436	—	95,436
Demographic experience	(34,253)	—	(34,253)
Contributions - employer	—	25,441	(25,441)
Contributions - employee	—	11,825	(11,825)
Net investment income	—	(10,177)	10,177
Benefit payments and refunds	(59,823)	(59,823)	—
Administrative expenses	—	(236)	236
Net changes	22,933	(32,970)	55,903
Balances at June 30, 2016	\$ 1,317,840	950,415	367,425

#### Discount Rate

The discount rates used to measure the total pension for the Plans is as indicated below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the actuarial determined contributions rates from employers and employees. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Following are the discount rates as of June 30, 2016:

General Employees' Plan		Firefighters'	Police Officers'
City	School System		
7.50%	7.50%	7.41%	7.41%

#### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Plans, calculated using the discount rates for each Plan as of June 30, 2016, as well as what the Plan net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (dollars in thousands):

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Pensions, continued

	Discount Rate		
	1% Decrease 6.5%	Current 7.5%	1% Increase 8.5%
General Employees - the City	\$ 1,010,358	792,791	609,869
General Employees - School System	\$ 559,931	500,583	449,684
	6.41%	7.41%	8.41%
Firefighters' Pension	\$ 357,411	248,856	159,048
Police Officers' Pension	\$ 547,233	367,425	220,715

#### Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015 rolled forward to the June 30, 2016 measurement date, using the following actuarial assumptions, applied to all periods included in the measurement.

	Inflation	Salary increases	Investment rate of return
General Employees'	2.75%	3.50%	7.50%
Firefighters'	2.25%	4.00%	7.41%
Police Officers'	2.25%	4.00%	7.41%

Each of the Plans last experience study was conducted in 2011.

The actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate are as follows:

	General Employees' - the City	Firefighters'	Police Officers'
Valuation date	July 1, 2015	July 1, 2015	July 1, 2015
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percentage, closed	Level percentage, closed	Level percentage, closed
Remaining amortization period	25 years	26 years	26 years
Asset valuation method	Market value	Market value	Market value

For the General Employees' Plan, the mortality rates were based on the RP-2000 Combined Healthy Mortality Table set to reasonably reflect future mortality improvement based on a seven and a half

## **CITY OF ATLANTA, GEORGIA**

### **Notes to Financial Statements**

**Year Ended June 30, 2017**

#### **Notes to the Financial Statements - Continued**

##### **A. Pensions, continued**

year review of mortality experience for the 2003 - 2011 period. The mortality will be assessed again at the time of the next review, and further adjustment or expected improvement in life expectancy will be made if warranted.

Firefighters' and Police Officers' Pension Plans mortality rates were based on the sex-distinct rates set forth in the RP-2000 Mortality Table projected to 2015 by Scale AA, as published by the Internal Revenue Code (IRC) Section 430; future generational improvements in mortality have not been reflected.

##### **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The City recognized total pension expense of \$116,118,000 for the year ended June 30, 2017. Of the total pension expense, \$80,623,000 was recognized in the governmental activities and \$35,495,000 was recognized in the business type activities.

Deferred outflows of resources totaling \$288,936,000, with \$99,212,000 of contributions made after the plan's measurement date, \$35,355,000 for demographic gains/losses, \$22,040,000 for assumption changes, and \$132,329,000 represents the pension plans net differences between projected and actual investment earnings..

The deferred inflows of resources totaling \$98,244,000 including demographic and assumption changes.

**CITY OF ATLANTA, GEORGIA**  
Notes to Financial Statements  
Year Ended June 30, 2017

**Notes to the Financial Statements - Continued**

**A. Pensions, continued**

The following table presents a summary of deferred inflows and outflows of resources related to the pension plans (dollars in thousands):

	Year of deferral	Amortization period (in years)	Beginning of year balance	Additions	Deductions	End of year balance
<b><u>General employees'</u></b>						
Deferred Inflows						
Difference between expected and actual experience	2015	4.00	(1,049)	—	350	(699)
						\$ (699)
Deferred Outflows						
Net difference between projected and actual pension investments income	2014	5.00	(68,673)	—	22,892	(45,781)
	2015	5.00	22,014	—	(5,504)	16,510
	2016	5.00	—	72,652	(14,530)	58,122
Demographic gain/loss	2016	4.00	—	1,610	(403)	1,207
Contributions subsequent to the measurement date			54,235	53,817	(54,234)	53,818
						\$ 83,876
<b><u>Firefighters'</u></b>						
Deferred Inflows						
Demographic gain/loss	2015	11.95	(20,961)	—	1,913	(19,048)
	2016	12.10	—	(22,796)	1,884	(20,912)
						\$ (39,960)
Deferred Outflows						
Net difference between projected and actual pension investments income	2014	5	(42,797)	—	14,265	(28,532)
	2015	5	36,432	—	(9,108)	27,324
	2016	5	—	56,703	(11,341)	45,362
Contributions subsequent to the measurement date			16,454	17,901	(16,454)	17,901
Demographic gain/loss	2014	12.3	8,451	—	(820)	7,631
Assumption changes	2014	12.3	13,609	—	(1,321)	12,288
						\$ 81,974
<b><u>Police Officers'</u></b>						
Deferred Inflows						
Demographic gain/loss	2015	10.65	(29,493)	—	3,056	(26,437)
	2016	11.03	—	(34,253)	3,106	(31,147)
						(57,584)
Deferred Outflows						
Net difference between projected and actual pension investments income	2014	5	(67,005)	—	22,335	(44,670)
	2015	5	51,175	—	(12,794)	38,381
	2016	5	—	82,016	(16,403)	65,613
Contributions subsequent to the measurement date			25,440	27,493	(25,440)	27,493
Demographic gain/loss	2014	11.08	29,799	—	(3,282)	26,517
Assumption changes	2014	11.08	10,959	—	(1,207)	9,752
						123,086
						<b>\$ (98,243)</b>
						<b>\$ 288,936</b>

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Pensions, continued

The following table presents a summary of allocations to the departments in the collective deferred outflows and deferred inflows of resources as indicated above for the year ended June 30, 2017 (amounts in thousands):

	Balance June 30, 2017	General Government	Department of Watershed Management	Department of Aviation	Other non-major enterprise funds
<u>General employees'</u>					
Deferred Inflows					
Difference between expected and actual experience	(699)	(340)	(229)	(80)	(50)
	(699)	(340)	(229)	(80)	(50)
Deferred Outflows					
Net difference between projected and actual pension investments income	28,851	14,022	9,451	3,315	2,063
Demographic gain/loss	1,207	587	395	139	86
Contributions subsequent to the measurement date	53,817	26,693	17,106	6,184	3,834
	83,875	\$ 41,302	\$ 26,952	9,638	\$ 5,983
<b>Deferred amount to be amortized</b>	<b>\$ 29,359</b>	<b>\$ 14,269</b>	<b>\$ 9,617</b>	<b>\$ 3,374</b>	<b>\$ 2,099</b>
<u>Firefighters'</u>					
Deferred Inflows					
Demographic gain/loss	(39,959)	(30,249)	—	(9,710)	—
	(39,959)	(30,249)	—	(9,710)	—
Deferred Outflows					
Net difference between projected and actual pension investments income	44,154	33,424	—	10,730	—
Assumption changes	12,288	9,302	—	2,986	—
Demographic gain/loss	7,631	5,777	—	1,854	—
Contributions subsequent to the measurement date	17,901	13,784	—	4,117	—
	81,974	62,287	—	19,687	—
<b>Deferred amount to be amortized</b>	<b>\$ 24,114</b>	<b>\$ 18,254</b>	<b>\$ —</b>	<b>\$ 5,860</b>	<b>\$ —</b>
<u>Police Officers'</u>					
Deferred Inflows					
Demographic gain/loss	(57,584)	(53,093)	—	(4,491)	—
	(57,584)	(53,093)	—	(4,491)	—
Deferred Outflows					
Net difference between projected and actual pension investments income	59,324	54,697	—	4,627	—
Assumption changes	9,752	8,991	—	761	—
Demographic gain/loss	26,517	24,449	—	2,068	—
Contributions subsequent to the measurement date	27,493	25,294	—	2,199	—
	123,086	113,431	—	9,655	—
<b>Deferred amount to be amortized</b>	<b>\$ 38,009</b>	<b>\$ 35,044</b>	<b>\$ —</b>	<b>\$ 2,965</b>	<b>\$ —</b>

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Pensions, continued

Contributions subsequent to the measurement date of June 30, 2016 in the amount of \$99,211,000 will be recognized as a reduction of the net pension liability during the year ended June 30, 2017. Other amounts reported as deferred outflow of resources and deferred inflow of resources related to pensions will be recognized in pension expense as follows (amount in thousands):

##### General employees'

	Amortization amount	General Government	Department of Watershed Management	Department of Aviation	Other non-major enterprise units
2018	\$ (2,804)	\$ (1,362)	\$ (919)	\$ (322)	\$ (201)
2019	(2,804)	(1,362)	(919)	(322)	(201)
2020	20,436	9,931	6,695	2,348	1,462
2021	14,531	7,062	4,760	1,670	1,039
2022 and thereafter	—	—	—	—	—
	<u>\$ 29,359</u>	<u>\$ 14,269</u>	<u>\$ 9,617</u>	<u>\$ 3,374</u>	<u>\$ 2,099</u>

##### Firefighters'

2018	\$ 4,527	\$ 3,427	\$ —	\$ 1,100	\$ —
2019	4,527	3,427	—	1,100	—
2020	18,792	14,226	—	4,566	—
2021	9,684	7,331	—	2,353	—
2022 and thereafter	(13,416)	(10,157)	—	(3,259)	—
	<u>\$ 24,114</u>	<u>\$ 18,254</u>	<u>\$ —</u>	<u>\$ 5,860</u>	<u>\$ —</u>

##### Police Officers'

2018	\$ 5,189	\$ 4,784	\$ —	\$ 405	\$ —
2019	5,189	4,784	—	405	—
2020	27,524	25,377	—	2,147	—
2021	14,730	13,581	—	1,149	—
2022 and thereafter	(14,623)	(13,482)	—	(1,141)	—
	<u>\$ 38,009</u>	<u>\$ 35,044</u>	<u>\$ —</u>	<u>\$ 2,965</u>	<u>\$ —</u>

#### Defined Contribution Plan

Atlanta, Georgia Code of Ordinances Section 6-2(c) sets forth the City's General Employees' Defined Contribution Plan. The Plan provides funds at retirement for employees of the City and in the event of death, provides funds for their beneficiaries, through an arrangement by which contributions are made to the Plan by employees and the City. The current contribution of the City is 6% of employee payroll. Employees also make a mandatory pretax contribution of 6% plus have the option to contribute amounts up to the amount legally limited for retirement contributions.



## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### A. Pensions, continued

Each employee directs how the funds in their retirement account shall be invested. The employee may direct lump sum distributions from their retirement account upon separation from the City, death, disability (pursuant to the City's disability retirement provisions), or retirement. There are no assets in a Trust accumulated to pay benefits.

City of Atlanta has a contract with ING Life Insurance and Annuity Company (now Voya Financial Inc.) for managing the 401(a) Defined Contribution Plan, 457(b) and 457 Roth Deferred Compensation Plans (collectively, the "Pension Plans"). Under the current contract, Voya uses an Accumulation Unit Value (AUV) pricing of investments instead of the Net Asset Value (NAV). Both are units of value used to determine the daily worth of participant accounts. NAV is the measure of value for shares of a mutual fund, while AUV is the measure of value for units of a Separate Account.

All modifications to the Plan, including contribution requirements, must receive the recommendations and advice from the offices of the Chief Financial Officer and the City Attorney, respectively. Each pension law modification must be adopted by at least two-thirds vote of the City Council and approved by the Mayor.

All new employees, hired after July 1, 2001, who previously would have been enrolled in the General Employees' Defined Benefit Plan, were enrolled in the General Employees' Defined Contribution Plan.

During 2002, persons employed prior to July 1, 2001 were given the option to transfer to the General Employees' Defined Contribution Plan.

Effective September 1, 2005, classified employees and certain non-classified employees pay grade 18 and below then enrolled in the General Employees' Defined Contribution Plan had the one-time option of transferring to the General Employees' Pension Plan. Classified employees and certain non-classified employees pay grade 18 and below, not covered by either the Police Officers' or Firefighters' Pension Plans, hired after September 1, 2005 are required to become members of the General Employees' Pension Plan.

##### Amendments to Defined Contribution Plan

Employees hired on or after September 1, 2011, who are either sworn members of the police department or the Fire Rescue Department, or who are below payroll grade 19 or its equivalent, are required to participate in the mandatory defined contribution component which includes a mandatory employee salary contribution of 3.75% and is matched 100% by the City. Additionally, these employees may voluntarily contribute up to an additional 4.25% of salary which is also matched 100% by the City. Employees vest in the amount of the City's contributions at a rate of 20% per year and become fully vested in the City's contribution after 5 years of participation.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### A. Pensions, continued

As of June 30, 2017, there were 1,733 participants in the General Employees' Defined Contribution Plan. The covered payroll for employees in the Plan was approximately \$128,606,000. Employer contributions for the year ended June 30, 2017, were approximately \$11,056,000 and employee contributions were approximately \$10,979,000, totaling 17.2% of covered payroll. In addition, there were another 3,267 Defined Contribution Plan participants in the hybrid plans.

The General Employees' Defined Contribution Plan uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices and there were no non-governmental individual investments that exceeded 5% of the net position of the Plan.

Condensed financial statement information for the Defined Contribution Plan for the year ended June 30, 2017, is shown below (dollars in thousands):

Current assets:	
Investment	
Domestic fixed income securities	\$ 37,317
Domestic equities	29,509
Alternative partnerships	—
Co-mingled funds	70,281
Other assets	8,054
Total Assets	<u>\$ 145,161</u>
Current liabilities	
Account payable	26
Total net position held in trust for pension benefits	<u>145,135</u>
Additions:	
Employer contributions	11,056
Employee contributions	10,979
Refunds and other	12,686
Total additions	<u>34,721</u>
Deductions:	
Benefit Payments	8,168
Administrative expenses	48
Total deductions	<u>8,216</u>
Change in net position held in trust for pension benefits	<u>\$ 26,505</u>

#### B. Post-Employment Benefits

*Plan Description:* The City of Atlanta Retiree Healthcare Plan (Plan) is a single-employer defined benefit healthcare plan which provides Other Post-employment Benefits (OPEB) to eligible retirees, dependents and their beneficiaries. The Plan was established by legislative acts and functions in accordance with existing City laws. OPEB of the City includes health, dental, and vision care and life insurance. Separate financial statements are not prepared for the Plan.

# CITY OF ATLANTA, GEORGIA

## Notes to Financial Statements

Year Ended June 30, 2017

### Notes to the Financial Statements - Continued

#### B. Post-Employment Benefits, continued

*Funding Policy:* The City is not required by law or contractual agreement to provide funding for OPEB other than the pay-as-you-go amounts necessary to provide current benefits to retirees, eligible dependents and beneficiaries. For the fiscal year ended June 30, 2017, the City made \$48.9 million “pay-as-you-go” payments on behalf of the Plan. Retiree contributions vary based on the plan elected, dependent coverage and Medicare eligibility. Eligible retirees receiving benefits contributed \$41.7 million through their required contributions.

*Annual OPEB Cost and Net OPEB Obligation:* The City’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC); an amount actuarially determined using the Entry Age Normal actuarial method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the elements of the City’s OPEB cost for the year, the amount actually contributed on behalf of the Plan, and changes in the City’s net OPEB obligation to the Plan for the year ended June 30, 2017 (dollars in thousands):

	City-Wide	DWM	DOA	Other Business-type	General Government
Annual Required Contribution	\$ 81,414	\$ 14,820	\$ 10,389	\$ 4,321	\$ 51,884
Interest on Net OPEB Obligation	17,924	3,262	2,287	951	11,424
Adjustment to Annual Required Contribution	(21,338)	(3,884)	(2,723)	(1,132)	(13,599)
Annual OPEB Cost (expense)	78,000	14,198	9,953	4,140	49,709
"Pay As You Go" Payments Made	(48,947)	(8,261)	(6,258)	(5,179)	(29,249)
Increase in Net OPEB Obligation	29,053	5,937	3,695	(1,039)	20,460
Net OPEB Obligation - Beginning of Year	448,099	106,924	60,465	27,501	253,209
Net OPEB Obligation - End of Year	\$ 477,152	\$ 112,861	\$ 64,160	\$ 26,462	\$ 273,669

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ended June 30, 2015 - 2017 were as follows (dollars in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Paid	Net OPEB Obligation
June 30, 2015	\$ 74,141	58.4%	\$ 415,658
June 30, 2016	\$ 76,158	57.4%	\$ 448,099
June 30, 2017	\$ 78,000	62.8%	\$ 477,152

*Funded Status and Funding Progress:* As of July 1, 2016, the most recent actuarial valuation date, the Plan was not funded. The unfunded actuarial accrued liability (UAAL) for benefits was \$1.14 billion. The covered payroll was \$384.5 million, and the ratio of the UAAL to the covered payroll was 297.36%. The Plan membership as of July 1, 2016, was 14,898; consisting of 7,603 current

## CITY OF ATLANTA, GEORGIA

### Notes to Financial Statements

Year Ended June 30, 2017

#### Notes to the Financial Statements - Continued

##### **B. Post-Employment Benefits, continued**

retirees, beneficiaries and dependents and 7,295 current active participants. There are no terminated participants entitled but not yet eligible.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The determined actuarial valuations of OPEB provided under the Plan incorporated the use of various assumptions including demographic and salary increases among others. Amounts determined regarding the funded status of the Plan and the annual required contributions of the City are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, shown as required supplementary information following the notes to the financial statements, presents multi-year trend information on the actuarial value of plan assets relative to the actuarial accrued liability for benefits. Under the provisions of GASB 45, *Accounting and Financial reporting by employers for postemployment benefits other than pensions*, the City elected to use the June 30, 2016, actuarial report as the basis for determining the current year ARC requirement.

*Actuarial Methods and Assumptions:* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2016, actuarial valuation, the Entry Age Normal Actuarial Cost Method was used. It is amortized as a level percent of payroll over a 21 year period and a closed amortization method. The actuarial assumptions included 4.0 investment rate of return and an annual medical cost trend rate of 7 percent initially, graded down to 4.5 percent over five years. Both rates include a 3 percent inflation assumption. Currently there are no assets set aside that are legally held exclusively for OPEB.

##### Deferred Compensation Plan

The City has adopted a deferred compensation plan in accordance with the 1997 revisions of Section 457 of the Internal Revenue Code. The plan, available to all City employees, allows an employee to voluntarily defer up to 25% of his/her gross compensation, not to exceed certain limits per year. Each participant selects one of three providers to administer the investment of the deferred funds. Administrative costs of the plan are deducted from the participants' accounts. The plan assets are held in custodial accounts for the exclusive benefit of the plan participants and their beneficiaries, and are therefore not included in the City's financial statements.

## **CITY OF ATLANTA, GEORGIA**

### Notes to Financial Statements

Year Ended June 30, 2017

#### **Notes to the Financial Statements - Continued**

##### **VI. Subsequent Events**

###### General Government

On August 2, 2017, the City of Atlanta and Atlanta Fulton County Recreation Authority issued the Zoo Atlanta Parking Facility Project, Series 2017 Bonds (the “Series 2017” Bonds) in the par amount of \$30,390,000.

On October 5, 2017, the City of Atlanta and Atlanta Development Authority (ADA) issued the Homeless Opportunity Project Series 2017 Bonds (the “Series 2017 Bonds”) in the par amount of \$25,700,000.

In December 2017, the City of Atlanta passed legislation to combine the Boards of Trustees for its three separate pension plans in order to improve administrative efficiency, governance and investment returns.

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## **APPENDIX C**

### **SUMMARIES OF THE PRINCIPAL DOCUMENTS**

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## SUMMARIES OF THE PRINCIPAL DOCUMENTS

The following is a summary of certain provisions of the Agreement and the Indenture, and does not purport to be definitive or a complete statement of the terms thereof. Reference is hereby made to the documents for complete recitals of the terms and provisions thereof.

### CERTAIN DEFINITIONS

*“Additional Certificates”* means any certificates issued under the Indenture.

*“Additional Payments”* means the amount or amounts payable by the City pursuant to the Agreement, during the Initial Term and each Renewal Term of the Agreement, from Legally Available Funds, for the following items:

1. the annual fees of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture;
2. the reasonable fees and charges of the Trustee and any paying agent appointed under the Indenture with respect to the Series 2018 Certificates for acting as paying agent as provided in the Indenture;
3. the reasonable fees and charges of the Trustee for extraordinary services rendered by it and extraordinary expenses incurred by it as Trustee under the Indenture;
4. the reasonable fees, including but not limited to the administrative fee of the Trustor and out-of-pocket expenses of the Trustor, relating to the Projects not otherwise required to be paid by the City under the terms of the Agreement;
5. the costs of maintenance, operation and repair with respect to the Projects and utility charges as required by the Agreement;
6. the costs of insurance as required by the Agreement;
7. the costs of taxes and governmental charges and assessments as required by the Agreement;
8. an amount (if any) equal to any franchise, succession, capital levy or transfer tax, or any income, excess profits or revenue tax, or any other tax, assessment, charge, or levy (however denominated) levied, assessed, or imposed by the State of Georgia or any political subdivision thereof upon the Installment Payments payable under the Agreement or upon the Projects;
9. any amount required to be deposited with the Trustee into the Reserve Fund in order to maintain therein an amount equal to the Reserve Fund Requirement; and
10. any amount of interest required to be paid on any of the foregoing items as a result of the City’s failure to pay any such items when due, as required by the Agreement.

*“Agency Agreement”* means an agency agreement between the City and the Trustor, whereby the City agrees to act as agent for the Trustor with respect to the Projects.

*“Agreement”* means that certain Installment Sale Agreement, dated as of February 1, 2018, between the Trustor and the City with respect to the Trustor’s sale of the Projects to the City, and any amendments and supplements thereto.

“*Appropriation Date*” means the later of (i) the date of the first regularly scheduled meeting of the Council in May of the Initial Term and any Renewal Term (i.e., the first Monday of May, as such meeting may be continued or recessed beyond such date), or (ii) June 30 of the Initial Term and any Renewal Term.

“*Business Day*” means any day when banks are not required or authorized by law or executive order to be closed in the City, New York, New York or the city in which the principal corporate trust office of the Trustee is located.

“*Calendar Year*” means the twelve month period extending from January 1 to the next succeeding December 31.

“*Certificate*” or “*Certificates*” means all of the then outstanding certificate(s) of participation authenticated and delivered under the Indenture.

“*Certificate Payment Dates*” means June 1 and December 1 of each year, commencing December 1, 2018, so long as any Certificates are outstanding under the Indenture, on which any Distribution is payable pursuant to the Certificates.

“*Certificate Payment Fund*” means the fund of that name created pursuant to the Indenture.

“*Certificateholder*” or “*Holder*” or “*Owner*” means a Person in whose name a Certificate is registered in the Register.

“*City*” means the City of Atlanta, or any successor or assign.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

“*Council*” means the governing body of the City.

“*Completion Certificate*” means the certificate evidencing completion of each applicable Project.

“*Completion Date*” means the date of completion of the acquisition, construction and improvement of each applicable Project, as evidenced by the delivery of the Completion Certificate.

“*Construction Contract*” means any construction contract or contracts between the City and any contractor and between any contractor or subcontractor and its immediate subcontractor regarding construction of any of the Facilities, a copy of each of which is or will be on file with the City.

“*Costs of Construction*” means all costs which the City, in its capacity as agent to the Trustor pursuant to the Agency Agreement, or the Trustor is required to pay under the terms of any contract or contracts for the acquisition, construction, and improvement of the Projects.

“*Credit Enhancer*” means for any Series of Certificates, the issuer of a municipal bond insurance policy with respect to such Series, or any successor thereto or assignee thereof.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the Trustor or the City relating to the financing of the Projects under the Indenture, including, but not limited to, all costs paid or incurred by the City or the Trustor under the Agreement at any time prior to or after delivery of the Certificates with respect to the issuance, sale, and delivery of the Certificates, including, but not limited to, initial or acceptance fees and expenses of the Trustee, legal, accounting, financial advisory fees (not including compensation to Underwriters), rating agency and project supervisor’s fees and expenses, recording and filing fees, fees and expenses of the Trustor, printing and engraving, and other fees and costs in connection therewith.

“*Delivery Costs Fund*” means the fund of that name created pursuant to the Indenture.

*“Distributions”* means those amounts payable pursuant to the Certificates on each Certificate Payment Date representing the principal and interest components of the Installment Payments to be made by the City pursuant to the Agreement on each corresponding Installment Payment Date and premium, if any, on the Certificates.

*“Event of Default”* means one or more of the events of that name described in the Indenture or in the Agreement, as the case may be.

*“Event of Nonappropriation”* means (i) a failure by the City to appropriate for the payment of the Installment Payments and reasonably estimated Additional Payments payable during a Renewal Term, or the unavailability of such moneys for such purpose; (ii) the Trustee receives written notice from the City, pursuant to the Agreement, that the City has declared an Event of Nonappropriation and is terminating the Agreement; or (iii) during the Initial Term or any Renewal Term, any Additional Payments become due and funds are not legally available to the City to pay such Additional Payments within thirty (30) days after they are due (subject to waiver in writing by the Trustor and the Trustee as described in the Agreement).

*“Facilities”* means the facilities and/or equipment to be constructed and/or installed on the Sites, as more particularly described in the Agreement.

*“Indenture”* means that certain Indenture of Trust and Assignment of Installment Sale Agreement, dated as of February 1, 2018, between Trustor and Trustee, and any amendments and supplements thereto.

*“Initial Term”* means the initial term of the Agreement commencing as of February 1, 2018, and expiring at midnight on December 31, 2018.

*“Installment Payment Commencement Date”* means November 15, 2018, which is the date on which the City becomes obligated to commence payment of Installment Payments under the Agreement.

*“Installment Payment Dates”* means May 15 and November 15 of each year commencing on the Installment Payment Commencement Date, so long as the Series 2018 Certificates are outstanding.

*“Installment Payments”* means the total of the amounts (comprising a principal component, if any, and an interest component) payable by the City pursuant to the Agreement in consideration of the use and enjoyment of the Projects during the term of the Agreement, on the dates and in the amounts as set forth in a schedule attached to the Agreement, as such schedule may be revised hereafter in accordance with the Indenture.

*“Legally Available Funds”* shall mean funds which have been annually appropriated by the City from its general fund and other lawful sources and for which (at the time a determination is to be made as to the availability of the funds) the appropriation remains in full force and effect and such funds may be legally expended for the purposes appropriated.

*“Interests Hereby Secured”* means the Certificates and the portion of the Distributions representing the principal component thereof and the portion of the Distributions representing the interest component thereon and premium thereon, if any, and all additional amounts and other sums at any time due and owing from or required to be paid by or on behalf of the Trustor, including all amounts owed to the Credit Enhancer (if any) and the Trustee, under the terms of the Certificates or the Indenture.

*“Lien”* means any interest in Property securing an obligation owed to, or a claim by, a Person other than the owner of the Property, whether such interest is based on the common law, statute or contract, and including but not limited to the security interest lien arising from a mortgage, encumbrance, pledge, conditional sale or trust receipt or a lease, consignment or bailment for security purposes.

*“Net Proceeds”* when used with respect to any performance or payment bond proceeds, or proceeds from policies of insurance required by the Agreement, or any condemnation award, or any proceeds resulting from default under a Construction Contract, with respect to the Facilities, or proceeds from any reletting or sale of the Projects,

means the amount remaining after deducting all reasonable expenses (including fees and expenses of the Trustee and attorneys' fees) incurred in the collection of such proceeds or award from the gross proceeds thereof.

*"New Money Project"* means any undertaking financed or refinanced by Certificates issued under a Supplemental Indenture in connection with the acquisition of goods, materials, real and personal property, services and supplies authorized by the laws of the State of Georgia to be the subject of a multiyear lease or lease purchase contract as authorized by O.C.G.A. § 36-60-13, as amended.

*"Officer's Certificate"* when used with respect to the City means a certificate signed by the Authorized City Representative or, when used with respect to the Trustor, the Authorized Trustor Representative, and delivered to the Trustee.

*"Option Price"* means the price as specified in the Agreement at which the City may purchase from the Trustor all or a portion of the Projects on any Optional Payment Date.

*"Optional Payment Date"* means any December 1 during the term of the Agreement upon which the City may purchase all or a portion of the Projects for the then applicable Option Price.

*"Payments"* means the total of the amounts payable by the City as Installment Payments and Additional Payments pursuant to the Agreement.

*"Permitted Encumbrances"* means, as of any particular time, (i) liens for taxes and assessments not then delinquent or which the City may, pursuant to the terms of the Agreement, permit to remain unpaid; (ii) the Agreement, the Indenture and the Security Agreement and any financing statements naming the Trustor or the City as debtor and naming the Trustor or the Trustee as secured party now or hereafter filed to perfect the security interests granted by the Indenture or the Security Agreement; (iii) utility, access, and other easements and rights-of-way, restrictions, and exceptions that an Authorized City Representative certifies to the Trustee will not interfere with or impair the Projects; and (iv) such other defects, irregularities, encumbrances and clouds on title as may be consented to by the Trustor.

*"Person"* means an individual, estate, partnership, corporation, trust or unincorporated organization, and a government or agency or political subdivision thereof.

*"Plans and Specifications"* means the plans and specifications and any "as-built" drawings prepared for and showing the Projects, as and when they are approved by the City, the same being duly certified by an Authorized City Representative, which plans and specifications will be on file with the City, and be available for reasonable inspection by the Trustor, the Trustee, and their duly authorized representatives.

*"Projects"* means the Facilities and the Site, collectively.

*"Property"* means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

*"Rebate Fund"* means the fund of that name created pursuant to the Indenture.

*"Record Date"* means, with respect to any Certificate Payment Date, the fifteenth day of the month preceding the Certificate Payment Date.

*"Redemption Fund"* means the fund of that name created pursuant to the Indenture.

*"Renewal Term"* means the additional and consecutive one-year periods ending on December 31 of each successive year during the Term of the Agreement, subject to the right of the City to terminate the Agreement pursuant to the terms thereof.

*"Reserve Fund"* shall mean the fund created pursuant to the Indenture.

*“Reserve Fund Requirement”* shall mean the least of (i) the maximum annual debt service with respect to the Certificates, (ii) ten percent (10%) of the proceeds of the Certificates or (iii) 125% of the average annual debt service with respect to the Certificates.

*“Security Agreement”* means that certain Deed to Secure Debt and Security Agreement, dated February 22, 2018, between Trustor and the Trustee, and all amendments and supplements thereto.

*“Series”* or *“Series of Certificates”* means a separate Series of Certificates issued under the Indenture or a Supplemental Indenture.

*“Series 2018 Certificates”* means the Certificates authorized to be issued under the Indenture.

*“Site”* or *“Sites”* means collectively those certain parcels of land situated in Fulton County, Georgia, as more particularly described in the Agreement, as such may be amended from time to time, on which the Facilities are situated and any additions thereto.

*“Supplemental Indenture”* means any agreement supplementing or modifying the provisions of the Indenture and entered into by the Trustor and the Trustee pursuant to the terms of the Indenture.

*“Term of the Agreement”* means the term of the Agreement which expires on the earliest of (i) the expiration of any Renewal Term during which an Event of Nonappropriation, if any, occurs with respect to the Agreement, (ii) an Event of Default under the Agreement and a termination of the Agreement, or (iii) a discharge of the Indenture.

*“Trust Estate”* means all right, title, interest, claims and demands of Trustor in and to the Installment Payments and the Agreement (except for certain rights as to fees and expenses and to indemnification) and any and all other rights, properties and interests assigned to the Trustee pursuant to the granting clauses of the Indenture.

*“Trustee”* means U.S. Bank National Association, Atlanta, Georgia, and its successors and any corporation resulting from or surviving any consolidation or merger which it or its successors and any successor trustee at the time serving as successor trustee under the Indenture.

*“Trustor”* means the Georgia Municipal Association, Inc., a Georgia nonprofit corporation or any successor to the duties or functions of the Trustor.

*“Underwriters”* means, for the Series 2018 Certificates, Samuel A. Ramirez & Company, Inc. and Security Capital Brokerage, Inc.

## **THE AGREEMENT**

### **Term of the Agreement**

The Initial Term of the Agreement will commence as of February 1, 2018, and will expire at midnight on December 31, 2018. The Agreement will automatically renew for additional and consecutive one-year Renewal Terms ending on December 31 of each successive year thereafter to and including the day following the last Certificate Payment Date, subject to the right of the City to terminate the Agreement by giving written notice to the Trustee on or before December 1 of the then current Renewal Term of its decision not to extend and renew the term of the Agreement and not to appropriate the Aggregate Payment Amount for the next succeeding Renewal Term. The terms and conditions of the Agreement during any Renewal Term will be the same as the terms and conditions during the Initial Term, except that the Installment Payments due in each year during such Renewal Term will be as specified in the payment schedules contained in the Agreement.

## **Termination of the Agreement**

The term of the Agreement will expire or terminate, as appropriate, as to the City upon the first to occur of any of the following events: (a) the expiration of any Renewal Term during which an Event of Nonappropriation occurs (which is not thereafter waived by the Trustee as provided in the Agreement); (b) an Event of Default and a termination of the term of the Agreement by the Trustee as provided in the Agreement; or (c) discharge of the Indenture as provided therein.

The expiration or termination of the term of the Agreement as to the City will terminate all obligations of the City under the Agreement (except to the extent that the City has incurred any obligation to pay the Aggregate Payment Amount for the Initial Term or for any Renewal Term from Legally Available Funds or to pay fees and expenses of the Trustee or other amounts payable by the City pursuant to the Indenture or the Agreement) and will terminate the City's rights with respect to the Projects; provided, however, that all other terms of the Agreement and the Indenture, including all obligations of the Trustee with respect to the holders of the Series 2018 Certificates and the receipt and disbursement of funds, will continue until the lien of the Indenture is discharged, as provided in the Indenture. The termination or expiration of the term of the Agreement as to the City, of itself, will not discharge the lien of the Indenture.

## **Installment Payments; Additional Payments**

*Installment Payments.* The City has agreed, subject to the availability of annual appropriations of Legally Available Funds by it therefor and otherwise subject to the limitations of the Agreement, to pay to the Trustee, for the account of the Trustor, for the Initial Term and for each Renewal Term, Installment Payments in the respective semiannual installments and on the respective Installment Payment Dates 15 days before each Certificate Payment Date (or on the next succeeding Business Day if such May 15 or November 15, as the case may be, is not a Business Day) of each year as indicated in the Schedule of Installment Payments attached to the Agreement, commencing on the Installment Payment Commencement Date.

*Credit on Installment Payments.* There will be credited against Installment Payments any amount held in the Certificate Payment Fund on any Installment Payment Date next preceding each Certificate Payment Date (other than amounts resulting from the prepayment of Installment Payments and any amounts required for payment of past due principal or interest with respect to any Series 2018 Certificates due but not presented for payment), including the portion of the proceeds of the sale of the Series 2018 Certificates which is deposited in the Certificate Payment Fund as accrued interest and earnings derived from the investment of funds held in the Certificate Payment Fund available for such purpose.

If at any time, and so long as, the aggregate amount of moneys available under the Indenture is sufficient to pay (i) the Distributions on the Series 2018 Certificates as they become due, (ii) all other expenses under the Indenture (including the fees and charges of the Trustee and any paying agent and the expenses of the Trustor due or to become due through the date on which the last of the Series 2018 Certificates is to be paid), and (iii) any other monetary obligation of the City under the Agreement (including the fees and charges of the Trustee and the Trustor), and if the City is not at the time otherwise in default on any obligation under the Agreement, the City is entitled to use and occupy the Projects from the date on which such aggregate moneys are deposited with the Trustee during the remainder of the term of the Agreement without further payment of any Installment Payments during that interval (but otherwise on the terms and conditions of the Agreement).

*Additional Payments.* In addition to the Installment Payments described above, and as part of the Aggregate Payment Amount payable during the Initial Term and each Renewal Term of the Agreement, the City has agreed to pay, from Legally Available Funds appropriated for such purposes, Additional Payments for each such term. Additional Payments are comprised of certain fees, costs, levies, charges, taxes, assessments or other expenses incurred in connection with the Agreement, the Series 2018 Certificates or the Projects.

## **Nonappropriation; Vacating the Projects**

In the event that (i) sufficient funds are not appropriated by the Council pursuant to the Agreement (or a written notice to that effect has been given to the Trustee pursuant to the Agreement) for the payment of the

Installment Payments and reasonably estimated Additional Payments payable during such Renewal Term, or are otherwise not available for such purpose or (ii) the Trustee receives written notice from the City pursuant to the Agreement that the City has declared an Event of Nonappropriation and is terminating the Agreement, then an Event of Nonappropriation will be deemed to have occurred. An Event of Nonappropriation will also be deemed to have occurred (subject to waiver in writing by the Trustor and the Trustee as described in the Agreement) if, during the Initial Term or any Renewal Term, any Additional Payments become due, and funds are not legally available to the City to pay such Additional Payments within thirty (30) days after they are due. The Trustee may waive any Event of Nonappropriation which is cured by the City within a reasonable time if, in the Trustee's judgment, such waiver is in the best interests of the holders of the Series 2018 Certificates. If an Event of Nonappropriation occurs, the City is not obligated to make payment of the Installment Payments or Additional Payments provided for in the Agreement beyond the last day of the Renewal Term during which such Event of Nonappropriation occurs; provided, however, if an Event of Nonappropriation occurs and the City continues to occupy the Projects, the City will continue to be liable for the portion of the Installment Payments and Additional Payments which would have been payable during such Renewal Term equal to the portion of such Renewal Term (or prior Renewal Term if the City's occupancy lasts beyond a single Renewal Term) during which the City continues to occupy the Projects, subject to the availability of sufficient Legally Available Funds for such purpose. The Trustee will, upon the occurrence of an Event of Nonappropriation, be entitled (subject to the limitations imposed on the Trustee pursuant to the Agreement) to institute foreclosure proceedings under the Security Agreement as trustee for the benefit of the holders of the Series 2018 Certificates and to sell or lease all or any portion of the Projects and will be further entitled to all moneys then on hand in all funds and accounts created under the Indenture less any moneys then due and owing to the Trustee for services performed under the Agreement, the Security Agreement, or the Indenture. All property, funds and rights acquired by the Trustee upon the termination of the Agreement by reason of an Event of Nonappropriation will be held by the Trustee under the Indenture for the benefit of the holders of the Series 2018 Certificates as set forth in the Indenture until the Distributions on the Series 2018 Certificates are paid in full and, after payment of all amounts due under the Indenture, and any excess, after discharging any obligations of the City to the Trustor, will thereafter be paid to the City as provided in the Indenture.

Upon the occurrence of an Event of Nonappropriation or an Event of Default, the City will have all responsibility for vacating the Projects. The City will vacate the Projects immediately upon an Event of Default; provided, however, if the Event of Default was caused by the City's failure to appropriate Installment Payments for the following calendar year, the City will not be required to vacate the Projects until the expiration of the current Renewal Term.

### **Acquisition and Construction of the Projects**

The City has agreed to provide for the acquisition, construction and equipping of the Projects and may enter into one or more Construction Contracts in connection therewith. Construction Contracts for the construction of the Projects will be awarded to contractors licensed under the laws of the State of Georgia after following the procedures required by the City's Charter and any ordinances, rules and regulations promulgated thereunder and the applicable laws of the State of Georgia relating to the awarding of contracts of a similar nature by the City.

### **Maintenance and Operation**

The City is required, at its own expense, to maintain, manage and operate the Projects and all improvements thereon in good order, condition and repair, ordinary wear and tear excepted. The City is required to provide or cause to be provided all security service, custodial service, janitor service, power, gas, telephone, light, heating and water, and all other public utility services. The City is required to keep the Projects and any and all improvements thereto free and clear of all liens, charges and encumbrances, except for the Permitted Encumbrances and those caused or consented to in writing by the Trustee.

### **Insurance**

The City is required, at its own expense, to carry the following policies of insurance and provide the Trustee and the Trustor with evidence of the same during the Term of the Agreement:

(a) “All Risk” property insurance that provides coverage for the Facilities, against loss or damage due to insured casualty risks covered by insurance generally available on commercially reasonable terms including business interruption, extra expense coverage and terrorism, in an amount equal to the replacement value for the facility and all equipment, furniture, fixtures, machinery and/or personal property, with appropriate sub-limits. Such insurance shall be maintained in an amount not less than the full aggregate principal amount of Series 2018 Certificates outstanding, subject to deductible conditions specified in the Agreement.

The City may insure the property to the same extent under a blanket insurance policy or policies which cover not only such property, but other properties.

(b) Commercial General Liability insurance with policy limits of \$1,000,000 combined Single Limit for Bodily Injury and Property Damage and \$2,000,000 aggregate, and Umbrella/Excess Liability Insurance in excess of primary Commercial General Liability insurance in the minimum amount of \$5,000,000 per occurrence and \$5,000,000 in the aggregate.

(c) Statutory Workers’ Compensation Insurance to comply with applicable state laws, to include all areas involved in operations under the Agreement, and Employer’s Liability:

Bodily Injury by Accident/Disease - \$1,000,000 each accident  
Bodily Injury by Accident/Disease - \$1,000,000 each employee  
Bodily Injury by Accident/Disease - \$1,000,000 policy limit

(d) Automobile Liability Insurance in the amount of at least One Million Dollars (\$1,000,000) Bodily Injury and Property Damage combined single limit including all owned, non-owned and hired vehicles.

Each such insurance policy will be with an insurance company authorized to do business in the State of Georgia and rated “A” or better by A.M. Best.

All policies or certificates or other documents issued by the respective insurers for insurance will provide that such policies or certificates will not be cancelled or materially changed without at least thirty (30) days prior written notice to the Trustee. All policies of insurance must list the Trustor and the Trustee as additional insureds.

The City is required to provide to the Trustee and the Trustor at the earliest possible time, evidence of a duly issued and authorized certificate or certificates of insurance evidencing the insurance coverage required to be obtained and maintained by the City.

## **Taxes**

In the event that the Projects or any portion thereof is deemed, for any reason, to be deemed subject to taxation, assessments or charges lawfully made by any governmental body which may be secured by a lien against the Projects, an Additional Payment will be paid by the City equal to the amount of all such taxes, assessments and governmental charges then due. With respect to special assessments or other governmental charges which may be lawfully paid in installments over a period of years, the City will be obligated to provide for Additional Payments only for such installments as are required to be paid during any Renewal Term. The City may not allow any liens for taxes, assessments or governmental charges to exist with respect to the Projects or any portion thereof (including, without limitation, any taxes levied upon the Projects or any portion thereof which, if not paid, will become a charge on the payments and receipts from the Projects or any portion thereof prior to or on a parity with the charge thereon and the pledge and assignment thereof to be created and made in the Indenture), or any interest therein (including the interest of the Trustor) or the payments and revenues derived therefrom or under the Agreement.

## **Alterations, Additions and Improvements**

The City has the right during the term of the Agreement to make any alterations, additions or improvements of any kind, structural or otherwise, as it deems necessary or desirable, on or to the Projects; provided, however, that no such alteration, addition, or improvement materially reduces or otherwise adversely affects the value of the



Projects or materially alter or change the character or use of the Projects or impair the exclusion from gross income of the interest component of the Installment Payments for federal income tax purposes.

### **Damage, Destruction, and Condemnation**

If, during the term of the Agreement, (i) the Projects are destroyed, in whole or in part, or damaged by fire or other casualty or event; or (ii) title to, or the temporary or permanent use of, the Projects or any portion thereof or the estate of the City, the Trustor, or the Trustee in the Projects or any portion thereof is taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority; or (iii) a material defect in construction of the Projects become apparent; or (iv) title to or the use of all or any portion of the Projects is lost by reason of a defect in title; then, subject to the provisions of the Agreement, the City will continue to pay Installment Payments and Additional Payments and to take such action as it deems necessary or appropriate to repair and replace the Projects.

In accordance with the Indenture, the Trustee will cause the Net Proceeds of any insurance policies received by the Trustee, performance bonds or condemnation awards with respect to the Projects, or Net Proceeds received by the Trustee as a consequence of defaults under Construction Contracts for the Facilities, to be deposited into the Insurance Fund to be applied as provided in the Agreement and in the Indenture, and, so long as no Event of Default or Event of Nonappropriation exists, all Net Proceeds so deposited will be applied to the prompt repair, restoration, modification, improvement or replacement of the Projects by the City, except as otherwise provided in the Agreement. The balance of any Net Proceeds remaining after the repair, restoration, modification, improvement or replacement has been completed are to be deposited into the Acquisition Fund, if received prior to the Completion Date and, if received thereafter, are to be deposited into the Certificate Payment Fund.

If an Event of Default or an Event of Nonappropriation exists, the Trustee will direct in writing the application of the Net Proceeds.

If such Net Proceeds are insufficient to pay in full the cost of any such repair, restoration, modification, improvement or replacement, the City will, within ninety (90) days after the occurrence of the event giving rise to such Net Proceeds, either:

(i) commence and thereafter complete the work and pay any cost in excess of the Net Proceeds, in which case the City will not be entitled to any reimbursement therefor from the Trustee or the holders of the Series 2018 Certificates, nor will it be entitled to any diminution of the Installment Payments or Additional Payments; or

(ii) discharge its obligation to repair or replace the Projects by causing such Net Proceeds to be deposited into the Redemption Fund for the purpose of causing the mandatory prepayment of the Series 2018 Certificates in accordance with the Indenture. If such Net Proceeds are sufficient to prepay all outstanding Series 2018 Certificates and all Additional Payments due and owing by the City, upon such deposit the Agreement will no longer apply to the Projects, and all obligations of the City with respect to the Projects will terminate.

### **Liens**

Except for payments made or required to be made under the Indenture, the City will pay or cause to be paid, when due, all sums of money that become due for, or purporting to be for, any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Projects and which may be secured by any mechanics', materialmen's or other lien against the Projects, or the Trustor's interest therein, and will cause each such lien to be fully discharged and released; provided, however, that if the City desires to contest any such lien, and if such lien is reduced to final judgment or such process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, then and in any such event the City will immediately pay and discharge such judgment.

### **Events of Default**

Any of the following constitutes an "Event of Default" under the Agreement:

(a) Failure by the City to pay any Installment Payments required to be paid within five (5) days after the times specified in the Agreement as the respective due dates therefor; or

(b) Failure by the City to pay any Additional Payments during the term of the Agreement for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is received by the City from the Trustee; or

(c) Failure by the City to vacate the Projects by the expiration of the Initial Term or Renewal Term during which an Event of Nonappropriation occurs; or

(d) Failure by the City to observe and perform any covenant, condition, or agreement in the Agreement on its part to be observed or performed, other than as referred to in (a), (b) and (c) above, for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the City by the Trustee, unless the Trustee agrees in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

(e) The City files a petition in bankruptcy or is adjudicated a bankrupt or insolvent, or makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver of itself or of its property, or institutes proceedings for its reorganization or proceedings instituted by others for its reorganization which has not be dismissed within thirty (30) days after the institution thereof; or

(f) a receiver or liquidator of the City or of any substantial portion of its property is appointed and the order appointing such receiver or liquidator is not vacated within thirty (30) days after the entry thereof.

The foregoing provisions of the Agreement are subject to the following limitations: (i) the obligations of the City to make payments of the Installment Payments and the Additional Payments are subject to the provisions of the Agreement with respect to an Event of Nonappropriation; and (ii) if, by reason of Force Majeure, the City is unable in whole or in part to carry out any agreement on its part in the Agreement, other than the obligations of the City to pay Installment Payments, among others, the City will not be deemed in default during the continuance of such inability. The City has agreed to remedy with all reasonable dispatch the cause or causes preventing the City from carrying out its agreement.

### **Remedies of Event of Default or Event of Nonappropriation**

Upon the occurrence and continuance of any Event of Default or Event of Nonappropriation, the Trustee may, or at the written request of the owners of not less than a majority in aggregate principal amount of the Series 2018 Certificates is required to give immediate notice to the City to vacate the Projects in accordance with the Agreement immediately and is required to without any further demand or notice (i) terminate the Agreement and the City's possessory rights under the Agreement, re-enter the Projects and eject all parties in possession thereto therefrom, and use its best efforts to relet or sell the Projects or any portion thereof subject to the Trustee's giving preference to those lessees or buyers whose use or ownership would preserve the exemption from federal income taxation of the interest on the interest component of the Installment Payments so long as such preferred reletting or sale is under the best terms and conditions for Certificate holders or (ii) to take any action at law or in equity deemed necessary or desirable to enforce its rights with respect to the Project.

Upon the termination of the term of the Agreement by reason of an Event of Nonappropriation or an Event of Default, all moneys then held in any fund or account under the Indenture will be held by the Trustee for the benefit of the holders of the Series 2018 Certificates. The Net Proceeds received on such leasing or sale and such other moneys will be applied from time to time as in accordance with the Indenture. In the event that such Net Proceeds and other moneys exceed the amount required to prepay the Series 2018 Certificates then outstanding at 100% of the principal amount thereof plus accrued interest to the prepayment date, together with fees, expenses, or other amounts payable by the City under the Agreement or the Indenture, the excess moneys, if any, following payment of all amounts due the Trustee and the Trustor are to be paid to the City as provided in the Indenture. The

Trustee will be entitled to foreclose the Projects pursuant to the Security Agreement and to lease the Projects for such period as is necessary for the Trustee to obtain sufficient moneys to pay, or to sell the Projects for sufficient moneys to pay, the Distributions on the Series 2018 Certificates in full, and the obligations of the Trustee with respect to the holders of the Series 2018 Certificates and the receipt and disbursement of funds will continue until the lien of the Indenture is discharged as provided in the Indenture.

The Trustee will be entitled to lease or institute foreclosure proceedings and sell the Projects or any portion thereof as provided in the Agreement and in the Security Agreement after the occurrence of an Event of Nonappropriation or an Event of Default.

## **THE INDENTURE**

### **Pledge of Indenture**

The Trustor has absolutely, unconditionally and irrevocably assigned the Installment Payments to the Trustee. As security for the Series 2018 Certificates, the Trustor has pledged under the Indenture all of its right, title and interest in and to the Agreement (except for rights to payment of fees and expenses of the Trustor and certain rights to indemnification) and any and all other moneys and obligations which are held by the Trustee under the Indenture.

### **Parity of Certificates**

Each Series of Certificates issued under the Indenture or a Supplemental Indenture will be equally and ratably secured under the Indenture, without preference, priority or distinction, provided, however, that any Series of Certificates may have other security pledged to its payment. In connection with the issuance of each Series of Certificates, the Trustee may create additional accounts and subaccounts within any Fund or Account established by the Indenture. There is no requirement that any Certificates bear interest at the same rate or in the same manner as any other Certificates, have the same, or an earlier or later, maturity, or be subject to optional or extraordinary redemption prior to maturity on the same basis as any other Certificates.

### **Issuance of Additional Certificates**

There may be issued one or more Series of Additional Certificates (a) to pay additional costs to acquire, construct, install or complete any Projects, (b) to expand or improve any Projects, (c) to refund all or a portion of any Series of Certificates or (d) for any combination of such purposes. Each such Series of Additional Certificates will be issued pursuant to a Supplemental Indenture and a supplement to the Agreement and will be equally and ratably secured under the Indenture with the Series 2018 Certificates and any Additional Certificates issued under the Indenture, without preference, priority or distinction of any Certificates over any other Certificates, except that any municipal bond insurance policy for any Series will secure only such Series or portion thereof. The procedure to and the requirements for issuing Additional Certificates are set forth in the Indenture.

Unless provided otherwise in a Supplemental Indenture, all Additional Certificates will be in substantially the same form as the Series 2018 Certificates, but will bear such date or dates, bear interest at such rate or rates, have such maturity amount or amounts and date or dates, and redemption dates and redemption premiums, contain an appropriate series designation, and be issued at such prices as approved by the Trustor.

The Trustor will not issue any Certificates payable from Installment Payments except the Series 2018 Certificates and Additional Certificates.

### **Source of Payment of Certificates**

The Certificates are payable solely from the Installment Payments and the Trust Estate. The Installment Payments that the City is required to pay in accordance with the Agreement have been absolutely assigned to the Trustee and are to be remitted directly to the Trustee and deposited into the Certificate Payment Fund in accordance with the Indenture.

## **Limited Obligations**

The City's obligation to make Installment Payments is subject to the availability of annual appropriations of Legally Available Funds. The Distributions payable with respect to the Certificates are limited obligations and are payable solely from the Trust Estate, which is comprised primarily of the Installment Payments. Neither the full faith and credit nor the taxing powers of the State, nor any political subdivision of the State, including the City, is pledged to the payment of the Distributions or other costs appertaining thereto. The Distributions do not and will never constitute an indebtedness of the State or any political subdivision of the State, or the City, within the meaning of any State constitutional provision or limitation nor give rise to or be a general obligation or liability of nor a charge against the general credit or taxing powers of the State or any political subdivision of the State, including the City.

THE OBLIGATION OF THE CITY TO MAKE PAYMENTS UNDER THE AGREEMENT IS ANNUALLY RENEWABLE AND MUST BE DERIVED FROM LAWFULLY AVAILABLE FUNDS AS PROVIDED THEREIN. THE ISSUANCE OF THE CERTIFICATES DOES NOT DIRECTLY OR CONTINGENTLY OBLIGATE THE CITY TO MAKE ANY PAYMENTS BEYOND THOSE APPROPRIATED FOR THE CITY'S THEN CURRENT CALENDAR YEAR. THE CERTIFICATES DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CERTIFICATES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE TRUSTOR. NEITHER THE CITY'S OFFICERS AND AGENTS, NOR ANY PERSONS EXECUTING THE CERTIFICATES, WILL BE LIABLE PERSONALLY ON THE CERTIFICATES OR BE SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THE ISSUANCE THEREOF.

## **Funds**

The Indenture provides for the establishment of the following funds to be held by the Trustee in trust:

- A. Certificate Payment Fund;
- B. Acquisition Fund;
- C. Reserve Fund;
- D. Insurance Fund;
- E. Delivery Costs Fund; and
- F. Rebate Fund, and within it a Series 2018 Rebate Account.

## **Certificate Payment Fund**

The following will be deposited into the Certificate Payment Fund, as and when received:

- (i) any amount in the Acquisition Fund to be paid into the Certificate Payment Fund in accordance with the Indenture;
- (ii) all Installment Payments and Additional Payments;
- (iii) the proceeds of the sale or reletting of the Projects or any portion thereof in the event that the Certificates are not prepaid in accordance with the Indenture;
- (iv) any other amount to be deposited therein pursuant to the provisions of the Indenture; and

(v) all other moneys received by the Trustee under and pursuant to any of the provisions of the Agreement which are required or which are accompanied by directions that such moneys are to be paid into such Certificate Payment Fund.

Except as provided in the Indenture, moneys in the Certificate Payment Fund will be used solely for the payment of the Distributions on the Certificates. The moneys deposited into the Certificate Payment Fund pursuant to the Indenture will be used to pay Distributions on the Certificates on the next Certificate Payment Date.

#### **Disbursements from Acquisition Fund**

So long as no Event of Nonappropriation or Event of Default shall occur and be continuing and the City's right to control the construction and installation of the Facilities has not otherwise been terminated pursuant to the Agreement, the Trustee is authorized by the Indenture to make payments as requested by the City from the Acquisition Fund to pay the Costs of Construction upon receipt of certain documentation, including, among other things, a written requisition substantially in the form set forth in Indenture. In the case of a disbursement for any Costs of Construction upon any portion of the Site which was not covered by the Security Agreement delivered contemporaneously with the issuance of the Series 2018 Certificates, the Trustee must also receive (i) a recorded copy of the deed conveying such portion of the Site to the City and (ii) a first amendment to the Security Agreement covering such portion of the Site. The Trustee is required to transfer any balance remaining in the Acquisition Fund on or after June 1, 2021 to the Certificate Payment Fund to pay Distributions, unless the City receives an opinion of counsel to the effect that such transfer is not required under the Indenture to maintain the exclusion of interest from inclusion in gross income for federal income tax purposes.

#### **Reserve Fund**

(a) The moneys held in the Reserve Fund shall be transferred into the Certificate Payment Fund on any Certificate Payment Date to the extent necessary to have on deposit therein the full amount of the Distributions payable on such date. The Trustee shall promptly advise the City in writing of any transfer of funds from the Reserve Fund made pursuant to the Indenture. No amount held in the Reserve Fund is available or used to fund a deficiency (or for any other purpose) in any fund or account other than the Certificate Payment Fund, except as provided in the Indenture. Moneys and securities in the Reserve Fund shall be used in their entirety before the Trustee makes a claim under any surety bond or letter of credit or similar financial instrument and all amounts available to be drawn under any such surety bond or letter of credit shall be used before the Trustee makes a claim under any insurance policy; provided that if the Trustee determines that there shall be insufficient moneys in the Reserve Fund to make up any shortfall in the Certificate Payment Fund, then the Trustee shall, at least five (5) days prior to the Certificate Payment Date, make a claim under any surety bond in accordance with the terms thereof in the amount of such shortfall; provided, further, that if any letter of credit is then in place, the Trustee shall draw pro rata on any surety bond and any such letter of credit (calculated by reference to the coverage then available thereunder).

(b) Any balance remaining in the Reserve Fund on the Certificate Payment Date on which the final Distribution is to be paid shall be transferred into the Certificate Payment Fund. If, but only so long as, the amounts available in the Certificate Payment Fund and Reserve Fund are equal at any time to the amount of the Distributions to be payable hereunder, together with all other amounts payable pursuant to the Indenture, the Trustee shall transfer all such amounts then held in such Reserve Fund into the Certificate Payment Fund, and the City shall be deemed to have paid the Distributions hereunder.

(c) Upon receipt by the Trustee of any late Installment Payments for which moneys had theretofore been withdrawn from the Reserve Fund and deposited into the Certificate Payment Fund as provided in the Indenture, the Trustee shall apply such late Installment Payments first to the payment of any surety bond costs due (and to the reimbursement of amounts with respect to any letter of credit, if any, on a pro rata basis), and second to the replenishment of the Reserve Fund by depositing a portion or all of such Installment Payments into the Reserve Fund in an amount equal to the amount so withdrawn therefrom.

(d) Prior to receipt of a Completion Certificate in connection with the Projects, the Trustee shall, upon the valuation of the Reserve Fund pursuant to the Indenture, transfer any moneys in the Reserve Fund in excess of

the Reserve Fund Requirement into the Acquisition Fund, and after receipt of the Completion Certificate the Trustee shall, upon the valuation of the Reserve Fund pursuant to the Indenture, transfer any moneys in the Reserve Fund in excess of the Reserve Fund Requirement into the Certificate Payment Fund for application as set forth in the Indenture.

(e) The obligation to fund the Reserve Fund with respect to any Certificates may be fulfilled by depositing into the Reserve Fund an irrevocable surety bond or an irrevocable letter of credit which is rated by Moody's, S&P, Fitch, Kroll or A.M. Best & Company in the "AA" or greater rating category (without regard to rating category modifiers), which has a term not less than the final maturity date of the Certificates which it is given to secure and which is payable on any Certificate Payment Date in an amount equal to any portion of the balance then required to be maintained within the Reserve Fund.

### **Insurance Fund**

All Net Proceeds from performance or payment bonds, proceeds from policies of insurance required by the Agreement, or condemnation awards, or any proceeds resulting from a default under a Construction Contract with respect to a Project under the Agreement which are received in excess of \$100,000 by the Trustee will be deposited into the Insurance Fund. The City is required to file an Officer's Certificate with the Trustee, within ninety (90) days after the occurrence of the event giving rise to such Net Proceeds, directing the application and disbursement of such funds as follows:

(A) to the prompt repair, replacement, restoration, modification or improvement of the damaged or destroyed portion of a Project if such Officer's Certificate states that such Net Proceeds, together with any other funds lawfully available to the City for such purpose, are sufficient to pay in full the costs of such repair, replacement, restoration, modification, or improvement, and the Trustee is hereby authorized to disburse moneys from such Insurance Fund as so directed by such Authorized City Representative upon receipt of a written requisition; or

(B) to the prepayment, in whole or in part, of the Certificates in accordance with the Indenture, and the Trustee will withdraw moneys from such Insurance Fund and deposit them into the Redemption Fund (established under the Indenture) to be applied to such prepayment as directed by the City in accordance with the Agreement.

### **Rebate Fund**

At the direction of the City, moneys in the Rebate Fund will be disbursed, as set forth in the Indenture, by the Trustee, solely from amounts in the Rebate Fund to the United States of America at least 90% of the Rebate Amount as set forth in the Rebate Amount Certificate prepared with respect to such rebate computation date as required by the Indenture.

No such payment will be made if the City, as agent for the Trustor, receives and delivers to the Trustee and the Trustor an opinion of Bond Counsel to the effect that (a) such payment is not required under the Code in order to prevent the Series 2018 Certificates from becoming "arbitrage bonds" within the meaning of Section 148 of the Code or (b) such payment should be calculated and paid on some alternative basis under the Code, and the City complies with such alternative basis.

If, at any time, the Trustee holds moneys in the Rebate Fund in excess of the amount necessary to pay the full Rebate Amount, upon the direction of an Authorized City Representative, as agent for the Trustor, the Trustee will transfer the amount of such excess to the Certificate Payment Fund for the payment of Distributions on the next Certificate Payment Date and credited against the next succeeding payment of Installment Payments.

### **Permitted Investments**

Any moneys held as part of the Certificate Payment Fund, the Acquisition Fund, the Insurance Fund, the Reserve Fund or any accounts in any thereof or in any other fund or account under the Indenture must be invested

and reinvested by the Trustee to the extent permitted by law, at the written direction of the City but only so long as no Event of Default or Event of Nonappropriation has occurred (of which the Trustee has received notice or is deemed to have received notice pursuant to the Indenture) and is continuing (or by the Trustee after the occurrence and during the continuance of any such Event of Default or Event of Nonappropriation) in any of the following permitted investments maturing not later than the date on which the related Distributions on the Certificates are to be paid:

The local government investment pool created in Chapter 83 of Title 36 of the Official Code of Georgia Annotated, as amended, or investments in the following securities, and no others:

(a) bonds or obligations of the City, or obligations of the State of Georgia, or other states, or of other counties, municipal corporations, and political subdivisions of the State of Georgia;

(b) bonds or other obligations of the United States or of subsidiary corporations of the United States government which are fully guaranteed by such government;

(c) obligations of and obligations guaranteed by agencies or instrumentalities of the United States government, including those issued by the Federal Land Bank, Federal Home Loan Bank, Federal Intermediate Credit Bank, and the Central Bank for Cooperatives, and any other agency or instrumentality now or hereafter in existence; provided, however, that all such obligations must have a current credit rating from a nationally recognized rating service of at least one of the three highest rating categories available and have a nationally recognized market;

(d) bonds or other obligations issued by any public housing agency or municipal corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States government, or project notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States government;

(e) certificates of deposit of national or state banks located within the State of Georgia which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan or savings and loan associations located within the State of Georgia which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any of the proceeds of the Bonds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, if any, must be secured by deposit, with the Federal Reserve Bank of Atlanta, Georgia, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within the State, or with a trust office within the State, of one or more of the following securities in an aggregate principal amount equal at least to the amount of such excess: direct and general obligations of the State or other states or of any county or municipal corporation in the State, obligations of the United States or subsidiary corporations referred to in paragraph (b) above, obligations of the agencies and instrumentalities of the United States government referred to in paragraph (c) above, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities referred to in paragraph (d) above;

(f) securities of or other interests in any no load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(i) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referred to in paragraphs (b) and (c) above and repurchase agreements fully collateralized by any such obligations;

(ii) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(iii) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(iv) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State;

(g) interest-bearing time deposits, repurchase agreements, reverse repurchase agreements, rate guarantee agreements, or other similar banking arrangements with a bank or trust company having capital and surplus aggregating at least \$50 million or with any government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York having capital aggregating at least \$50 million or with any corporation which is subject to registration with the Board of Governors of the Federal Reserve System pursuant to the requirements of the Bank Holding Company Act of 1956, provided that each such interest-bearing time deposit, repurchase agreement, reverse repurchase agreement, rate guarantee agreement, or other similar banking arrangement shall permit the moneys so placed to be available for use at the time provided with respect to the investment or reinvestment of such moneys; and any other investments authorized by the laws of the State.

All such investments must at all times be a part of the fund or account from whence the moneys used to acquire such investments have come, and all income and profits on such investments must be credited to, and all losses thereon must be charged against, such funds and accounts equal to each fund's or account's respective proportionate contribution thereto. Any such investments must be made and held by or under the control of the Trustee. The Trustee is required to make such investments in such manner as to assure the availability of moneys to make disbursements from the Acquisition Fund on the anticipated dates of disbursement for the acquisition and construction of a project and to make payments of the Distributions on the Certificates at the times and in the amounts as provided therein. The Trustee may make any and all such investments through its own trust department or the bond department of any bank or trust company under common control with the Trustee. The Trustee is required to sell and reduce to cash a sufficient amount of such investments whenever the cash balance in the Acquisition Fund is insufficient to pay a disbursement in accordance with the Indenture or whenever the cash balance in the Certificate Payment Fund is insufficient to pay the Distributions when payable. The Trustee has no individual liability for investments made in accordance with the Indenture.

### **Discharge of Lien**

If the Trustor pays or causes to be paid, or there otherwise is paid or provision for payment is made from any source, to or for the Certificateholders the Distributions at the times and in the manner stipulated in the Certificates and in the Indenture, and if the Trustor is not then in default in any of the other covenants and promises in the Certificates and in the Indenture and if the City is not then in default in any of its covenants and promises in the Agreement, and if the Trustor pays or causes to be paid to the Trustee all sums of money due or to become due according to the provisions of the Indenture, then all rights and obligations of the Trustor, the City and the Trustee (except the Trustee's obligation to make Distributions on the Certificates) under the Indenture and the Agreement will terminate and be of no further force and effect and the Trustee will cancel and discharge the Indenture and the Agreement; provided, however, that if the Credit Enhancer, if any, will have paid the Distributions on the Certificates pursuant to any municipal bond insurance policy, the Credit Enhancer, if any, will be fully subrogated to the rights of the owners of such Certificates and the rights and obligations of the Trustor, the Trustee and the City under the Indenture and the Agreement will continue until all amounts owed the Credit Enhancer, if any, will have been paid.

Any Certificate will be deemed to be paid, or any portion thereof will be deemed to be paid, within the meaning of the Indenture, when payment of the Distributions either (i) has been made or caused to be made in accordance with the terms of the Certificate, or (ii) has been provided by irrevocably depositing with the Trustee, in trust and irrevocably setting aside exclusively for such payment when due and payable, (1) moneys sufficient to make such payment or (2) Governmental Obligations (provided that such deposit does not, and is not then



reasonably expected to, adversely affect the tax-exempt status of the interest component on the Distributions or cause any of the Certificates to be classified as arbitrage bonds within the meaning of Section 148 of the Code), which are not callable prior to their maturity and which mature and bear interest in such amounts and at such times as will provide such amounts and at such times as will insure the availability of sufficient (such sufficiency to be verified by a certified public accountant or firm thereof) moneys to make such payments when due and payable and all necessary and proper fees, compensation and expenses of the Trustee pertaining to the Certificates and all other liabilities of the City under the Agreement has been paid or the payment thereof provided for to the satisfaction of the Trustee. At such time as a Certificate is deemed to be paid under the Indenture, it will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

Notwithstanding any other provision of the Indenture, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of the Indenture for the payment of Distributions on the Certificates will be applied to and used solely for the payment of the particular Certificates with respect to which such moneys and Governmental Obligations were so set aside in trust.

If moneys or Governmental Obligations have been deposited or set aside with the Trustee pursuant to the Indenture for the payment of Distributions on the Certificates and such Distributions will not have in fact been actually paid in full, no amendment to the provisions of the Indenture will be made without the consent of the holder of each of the Certificates affected thereby.

The Certificates will not be deemed to be paid pursuant to the Indenture until there will have been delivered to the Trustee such documents, reports, certificates and opinions as the Trustee may reasonably request.

If a forward supply contract is employed in connection with a refunding, (i) the required verification report must expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments in the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement will provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement, the terms of the escrow agreement will be controlling.

In the event that the principal and/or interest due on the Certificates will be paid by the Credit Enhancer, if any, pursuant to a municipal bond insurance policy, if any, the Certificates will remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations to the registered owners will continue to exist and will run to the benefit of the Credit Enhancer, if any, and the Credit Enhancer, if any, will be subrogated to the rights of such registered owners.

## **Events of Default and Remedies**

*Events of Default.* The occurrence of any of the following events constitute an “Event of Default” under the Indenture:

- (a) Default by the Trustor in the payment of the principal or premium, if any, with respect to any Certificate when the same becomes due and payable, whether at the stated maturity thereof or upon proceedings for prepayment; or
- (b) Default by the Trustor in the payment of any installment of interest with respect to any Certificate when the same becomes due and payable; or
- (c) The occurrence of any Event of Default as such term is defined in the Agreement; or
- (d) The failure by the Trustor or the City to observe and perform any covenant, condition, or agreement in the Indenture on its part to be observed or performed other than as

referred to in (a), (b) or (c) above for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City or the Trustor by the Trustee, unless the Trustee agrees in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within the applicable period, the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City or the Trustor within the applicable period and diligently pursued until the default is corrected.

*Remedies.* When any Event of Default or Event of Nonappropriation under the Indenture has occurred and is continuing, the Trustee has all the rights and remedies with respect to the Payments and the Trust Estate as the Trustor, as Trustor, has against the Projects under the pertinent provisions of the Agreement, subject to the restrictions and limitations contained therein. The Trustee also has all the rights and remedies with respect to the Projects under the pertinent provisions of the Security Agreement.

*Rights of Certificateholders to Direct Proceedings.* The holders of sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Certificates then outstanding will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture; provided that such direction will not be otherwise than in accordance with the provisions of law and of the Indenture.

*Application of Net Proceeds.* The Net Proceeds of any reletting or sale of the Projects, or any portion thereof, after an Event of Default or an Event of Nonappropriation and the proceeds and the avails of any remedy under the Indenture must be paid to and applied from time to time on such date or dates as the Credit Enhancer, if any, has directed the Trustee. If a municipal bond insurance policy is not in effect or the Credit Enhancer, if any, has wrongfully dishonored a drawing thereunder, the Trustee is required to apply the (i) Net Proceeds resulting from a sale of the Projects on a proportionate basis and (ii) Net Proceeds resulting from the reletting of the Projects first to past due principal and interest components of the Distributions (in the order of maturity and proportionally within a maturity), next to principal and interest currently due, and then to principal and interest to come due. The Trustee may prepay the Certificates in connection with an Event of Default or an Event of Nonappropriation as described in the Indenture.

*Waiver of Event of Default.* The Trustee may, in its discretion, waive any Event of Default under the Indenture and its consequences, and must do so upon the written request of the holders of 66-2/3% in aggregate principal amount of Certificates then outstanding; provided, however, that there will not be waived without the consent of the owner of each Certificate so affected (a) any Event of Default in the payment of the principal components of the Distributions of any outstanding Certificates at the maturity date specified therein or (b) any default in the payment when due of the interest components of the Distributions on any such Certificates unless, prior to such waiver or rescission, all arrears of interest components of the Distributions, as provided in the Indenture on overdue interest components of the Distributions or all arrears of payments of principal components of the Distributions when due, as the case may be, and all expenses of the Trustee have been paid or provided for; and in case of any such waiver or rescission, or in case any proceedings taken by the Trustee on account of any such Event of Default have been discontinued or abandoned or determined adversely, then and in every such case the Trustor, the Trustee, the City, and the Certificateholders will be restored to their former positions and rights under the Indenture, respectively, but no such waiver or rescission will extend to any subsequent or other default, or impair any right consequent thereon.

## **Supplemental Indentures**

*Without Certificateholder Consent.* The Trustor and the Trustee from time to time and at any time with the consent of the City, but without the consent of or notice to any Certificateholders, may enter into an indenture or indentures supplemental to the Indenture and which thereafter will form a part of the Indenture for any one or more or all of the following purposes:

1. to add to the covenants and agreements to be observed by, and to surrender any right or power reserved to or conferred upon, the Trustor;

2. to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which does not, in the judgment of the Trustee, materially adversely affect the interests of the Certificateholders;

3. to subject to the lien of the Indenture additional Property acquired by the Trustor and intended to be subjected to the lien of the Indenture and to correct and amplify the description of any Property subject to the lien of the Indenture;

4. to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect or to permit qualification of the Certificates for sale under the securities laws of any state or of the United States of America;

5. to authorize the issuance of and to secure one or more series of Additional Certificates as provided in and upon compliance with the Indenture to provide for (i) the deposit and disbursement of the proceeds of such Additional Certificates to pay the expenses of the issuance of such Additional Certificates and to pay the costs of completing or expanding any part of the Projects, (ii) the payment of the Distributions on such Additional Certificates, and (iii) such other changes necessary in connection with the issuance of such Additional Certificates as shall not, in the judgment of the Trustee, materially adversely affect the interest of the existing Certificateholders;

6. to make any change that will not materially adversely affect the interest of the Trustee or any Certificateholder.

*Certificateholder Consent Required.* Upon the waiver or consent of the holders of at 66-2/3% in aggregate principal amount of the Certificates then outstanding (a) the Trustor and the Trustee may take any action prohibited, or omit the taking of any action required, by any of the provisions of the Indenture or any indenture supplemental thereto or (b) the Trustor and the Trustee may enter into an indenture or indenture supplemental to the Indenture for the purpose of adding, changing or eliminating any provisions of the Indenture or of any indenture supplemental thereto or modifying in any manner the rights and obligations of the holders of the Certificates and the Trustor; provided, that no such waiver or supplemental indenture will (i) impair or affect the right of any holder to receive payments or prepayments of the Distributions with respect to its Certificate, as therein and provided in the Indenture, without the consent of such holder; (ii) permit the creation of any Lien with respect to any of the Trust Estate, without the consent of the holders of all of the Certificates at the time outstanding, (iii) effect the deprivation of the holder of any Certificate of the benefit of the lien of the Indenture upon all or any part of the Trust Estate without the consent of such holder, (iv) reduce the aforesaid percentage of the aggregate principal amount of Certificates, the holders of which are required to consent to any such waiver or supplemental indenture pursuant to the Indenture, without the consent of the holders of all of the Certificates at the time outstanding, (v) modify the rights, duties or immunities of the Trustee without the consent of the Trustee and the holders of all of the Certificates at the time outstanding, or (vi) cause the interest on the Certificates to be included in the holders' gross income for federal income tax purposes.

### **Amendments to Agreement**

The Trustor and the City may, with the written consent of the Trustee, but without the consent of or notice to the Certificateholders, amend the Agreement (a) whenever, in the opinion of counsel satisfactory to the Trustee and the City, the contemplated amendment is necessary to cause the Agreement to comply with Georgia law or to cause the interest component of the Installment Payments to be or remain exempt from federal income taxation; (b) whenever the effect of such amendment is solely to add further, additional or improved security to the rights of the Trustee and the holders of the Certificates; (c) for the purpose of curing any ambiguity or formal defect or omission in the Agreement; (d) in order to more precisely identify the Projects or to add additional improvements or properties acquired in accordance with the Agreement and the Indenture; (e) for any other purpose that, in the judgment of the Trustee, does not materially adversely affect the Certificateholders; or (f) for the purpose of issuing Additional Certificates.

An amendment relating to Additional Certificates must include, without limitation, a description of the use of the proceeds of such Additional Certificates and an amended schedule of Installment Payments to reflect principal and interest payments on such Additional Certificates.

Except for the amendments, changes or modifications described above, no other amendment, change or modification of the Agreement will be made without the prior written approval or consent of the holders of not less than 66-2/3% in aggregate principal amount of the outstanding Certificates.

**APPENDIX D**

**FORM OF OPINION OF SPECIAL COUNSEL**

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*Set forth below is the proposed opinion of Co-Special Counsel expected to be delivered contemporaneously with the issuance of the Series 2018 Certificates. The opinion is preliminary and subject to change prior to the issuance of the Series 2018 Certificates.*

HUNTON & WILLIAMS LLP  
BANK OF AMERICA PLAZA  
SUITE 4100  
600 PEACHTREE STREET, N.E.  
ATLANTA, GEORGIA 30308-2216

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February 22, 2018

City of Atlanta  
Atlanta, Georgia

Georgia Municipal Association, Inc.  
Atlanta, Georgia

\$43,335,000  
Georgia Municipal Association, Inc.  
Certificates of Participation  
(City of Atlanta Public Safety Projects),  
Series 2018

Ladies and Gentlemen:

We have acted as Special Counsel in connection with (i) the execution and delivery of an Installment Sale Agreement, dated as of February 1, 2018 (the “Installment Sale Agreement”), between the Georgia Municipal Association, Inc. (“GMA”) and the City of Atlanta (the “City”), and (ii) the issuance by GMA of \$43,335,000 in aggregate principal amount of its Certificates of Participation (City of Atlanta Public Safety Projects), Series 2018 (the “Series 2018 Certificates”). The Series 2018 Certificates evidence proportionate undivided ownership interests in the Installment Payments to be paid by the City to GMA, and are issued pursuant to an Indenture of Trust and Assignment of Installment Sale Agreement, dated as of February 1, 2018 (the “Indenture”), between GMA and U.S. Bank National Association, as trustee (the “Trustee”), for the purpose of financing (a) various public safety projects in the City, including (i) the acquisition of certain computer automated dispatch equipment for use in its Emergency E-911 Communications Center, (ii) the construction of a Zone 3 police precinct, (iii) renovations and improvements to the City of Atlanta Detention Center, including roof repairs and elevator installations, (iv) the construction of a fire station, (v) renovations and improvements to the Public Safety Annex parking lot, and (vi) renovations and improvements to the City’s municipal court facility, including common areas and offices, as more particularly described in the Installment Sale Agreement (collectively, the “Projects”), and (b) certain costs incurred in connection with the issuance of the Series 2018 Certificates. The Series 2018 Certificates are

secured by a Deed to Secure Debt and Security Agreement, dated February 22, 2018 (the “Security Agreement”), from GMA to the Trustee creating a lien on and security interest in the Projects. Reference is made to the Installment Sale Agreement, the Indenture and the form of the Series 2018 Certificates for additional information concerning the details of the Series 2018 Certificates, including their payment and redemption provisions, their purpose and the proceedings pursuant to which they are issued. Capitalized terms used herein but not otherwise defined are as defined in the Installment Sale Agreement and the Indenture.

Reference is made to the opinions of the City Attorney and General Counsel for GMA, each dated this date, as to certain matters concerning the City and GMA, respectively. We have not examined the title to any part of the real estate constituting a portion of the Projects, and no opinion as to such matters is expressed herein, either expressly or by implication or to the extent that enforceability of a remedy may be dependent on the title to or ownership of such real estate. Further, no opinion is expressed herein as to the perfection or priority of the security interest in the Projects under the Security Agreement.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the City, GMA and other parties as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”). The City and GMA have covenanted to comply with the provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Series 2018 Certificates and the timely payment to the United States of any arbitrage rebate amounts with respect to the Series 2018 Certificates, all as set forth in the proceedings and documents relating to the issuance of the Series 2018 Certificates (the “Covenants”).

Based on the foregoing, in accordance with customary legal opinion practice, assuming due authorization, execution and delivery by the parties to the agreements other than the City and GMA and subject to the limitations set forth below, we are of the opinion that:

(1) The City is a political subdivision of the State of Georgia validly organized and existing under the laws of the State of Georgia and has full power and authority to execute, deliver and perform its obligations under the Installment Sale Agreement.

(2) The Installment Sale Agreement has been duly authorized, executed and delivered by the City and constitutes a valid and binding agreement of the City, enforceable against the City in accordance with its terms.



(3) GMA is a non-profit corporation validly existing under the laws of the State of Georgia and has full power and authority to execute, deliver and perform its obligations under the Installment Sale Agreement, the Indenture, the Security Agreement and the Series 2018 Certificates.

(4) The Installment Sale Agreement, the Indenture and the Security Agreement have been duly authorized, executed and delivered by GMA and constitute valid and binding agreements of GMA, enforceable against GMA in accordance with their respective terms. The Series 2018 Certificates have been duly authorized and issued in accordance with the Constitution and laws of the State of Georgia and constitute valid and binding limited obligations of GMA enforceable against GMA in accordance with their terms. The Series 2018 Certificates, the premium, if any, and the interest thereon do not constitute a pledge of the faith and credit of the State of Georgia or any political subdivision thereof, including, without limitation, the City.

(5) The rights of the holders of the Series 2018 Certificates and the enforceability of such rights, including enforcement of the obligations of the parties, including the City and GMA, with respect to the Series 2018 Certificates and the other documents described above, may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally; and (b) principles of equity, whether considered at law or in equity. In addition:

(i) the obligation of the City to pay the Installment Payments under the Installment Sale Agreement is subject to the provisions thereof with respect to appropriation of funds on an annual basis; no deficiency judgment may be rendered against the City in any action for breach of a contractual obligation under the Installment Sale Agreement; and the taxing power of the City is not and may not be pledged directly or indirectly to secure any amounts due under the Installment Sale Agreement; and

(ii) no opinion is given as to the enforceability of any indemnification provision in any document.

(6) Under current law, the portion of the Installment Payments paid by the City under the Installment Sale Agreement as interest (the "Interest Component") on the Series 2018 Certificates (a) will not be included in gross income for Federal income tax purposes and (b) will not be an item of tax preference for purposes of the Federal alternative minimum income tax. The opinion in this paragraph (6) is subject to the condition that there is compliance subsequent

City of Atlanta  
Georgia Municipal Association, Inc.  
February 22, 2018

Page 4

to the issuance of the Series 2018 Certificates with all requirements of the Code that must be satisfied in order that the Interest Component not be included in gross income for Federal income tax purposes. Failure by the City or GMA to comply with the Covenants, among other things, could cause the Interest Component received by the holders of the Series 2018 Certificates to be included in gross income for Federal income tax purposes retroactively to their date of issue. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest or other payments on the Series 2018 Certificates.

(7) Under current law, the Interest Component is exempt from income taxation by the State of Georgia.

Our services as Special Counsel have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Series 2018 Certificates and the tax-exempt status of the Interest Component to be received by the holders of the Series 2018 Certificates. We express no opinion herein as to the financial resources of the City or GMA or the City's or GMA's ability to provide for payment of the Series 2018 Certificates or the accuracy or completeness of any information that may have been relied upon by anyone in making the decision to purchase Series 2018 Certificates, including the Preliminary Official Statement dated February 5, 2018, and the Official Statement dated February 14, 2018, relating to the offering of the Series 2018 Certificates.

Very truly yours,

\_\_\_\_\_/10446/15074

## **APPENDIX E**

### **FORM OF CONTINUING DISCLOSURE AGREEMENT**

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**CONTINUING DISCLOSURE AGREEMENT**

**by and between**

**CITY OF ATLANTA**

**and**

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.**

**relating to:**

**\$43,335,000**

**GEORGIA MUNICIPAL ASSOCIATION, INC.  
CERTIFICATES OF PARTICIPATION  
(CITY OF ATLANTA PUBLIC SAFETY PROJECTS),  
SERIES 2018**

**Dated as of February 1, 2018**

This **CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement") dated as of February 1, 2018, is executed and delivered by the **CITY OF ATLANTA**, a municipal corporation duly organized and existing under the laws of the State of Georgia (the "City") and **DIGITAL ASSURANCE CERTIFICATION, L.L.C.**, a limited liability company duly organized and existing under the laws of the State of Florida, and any successor dissemination agent serving hereunder pursuant to Section 11 hereof (the "Dissemination Agent" or "DAC").

**RECITALS:**

**A.** Contemporaneously with the execution and delivery of this Disclosure Agreement, the Georgia Municipal Association, Inc. (the "Issuer") issued and delivered those certain \$43,335,000 in aggregate principal amount of Georgia Municipal Association, Inc. Certificates of Participation (City of Atlanta Public Safety Projects), Series 2018 (the "Series 2018 Certificates"), pursuant to, among other things, that certain Indenture of Trust and Assignment of Installment Sale Agreement, dated as of February 1, 2018 (the "Indenture"), by and between the Issuer and U.S. Bank National Association, as trustee, providing for, among other things, the issuance and delivery of the Series 2018 Certificates and assignment of the Installment Sale Agreement, dated as of February 1, 2018 (the "Installment Sale Agreement"), by and between the Issuer and the City.

**B.** A portion of the proceeds of the Series 2018 Certificates will be used for the purpose of: (a) financing the costs of various public safety Projects (as defined in the Indenture) in the City; and (b) paying certain costs of issuance with respect to the Series 2018 Certificates.

**C.** The City has authorized the preparation and distribution of the Preliminary Official Statement dated February 5, 2018 with respect to the Series 2018 Certificates (the "Preliminary Official Statement") and, on or before the date of the Preliminary Official Statement, the Issuer and the City deemed that the Preliminary Official Statement was final within the meaning of the Rule (as defined herein).

**D.** Upon the initial sale of the Series 2018 Certificates to the Participating Underwriter (as defined herein), the City authorized the preparation and distribution of the Official Statement dated February 14, 2018 with respect to the Series 2018 Certificates (the "Official Statement").

**E.** As a condition precedent to the initial purchase of the Series 2018 Certificates by the Participating Underwriter in accordance with the terms of the Certificate Purchase Agreement dated February 14, 2018, by and among the Participating Underwriter, the Issuer and the City, and in compliance with the Participating Underwriter's obligations under the Rule, the City has agreed to undertake for the benefit of the holders of the Series 2018 Certificates, to provide certain annual financial information and notice of the occurrence of certain events as set forth herein and in the continuing disclosure undertakings of the City.

**NOW THEREFORE**, in consideration of the purchase of the Series 2018 Certificates by the Participating Underwriter and the mutual promises and agreements made herein, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the City and the Dissemination Agent do hereby certify and agree as follows:

**Section 1. Incorporation of Recitals.** The above recitals are true and correct and are incorporated into and made a part hereof.

**Section 2. Definitions.**

(a) For the purposes of this Disclosure Agreement, all capitalized terms used, but not otherwise defined herein shall have the meanings ascribed thereto in the Indenture and the Official Statement, as applicable.

(b) In addition to the terms defined elsewhere herein, the following terms shall have the following meanings for the purposes of this Disclosure Agreement:

**"Actual Knowledge"** as used herein, and for the purposes hereof, a party shall be deemed to have "actual knowledge" of the occurrence of any event only if and to the extent the individual or individuals employed by such party and directly responsible for the administration of this Disclosure Agreement on behalf of such party have actual knowledge of or receive written notice of the occurrence of such event.

**"Annual Filing"** means any annual report provided by the City, pursuant to and as described in Sections 4 and 6 hereof.

**"Annual Filing Date"** means the date, set forth in Sections 4(a) and 4(e) hereof, by which the Annual Filing is to be filed with the MSRB.

**"Annual Financial Information"** means annual financial information as such term is used in paragraph (f)(9) of the Rule and specified in Section 6(a) hereof.

**"Audited Financial Statements"** means the financial statements (if any) of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles, as in effect from time to time, and in conformity with auditing standards and Government Auditing Principles issued by the Comptroller General of the United States.

**"Beneficial Owner"** means any beneficial owner of the Series 2018 Certificates. Beneficial ownership is to be determined consistent with the definition thereof contained in Rule 13d-3 of the SEC, or, in the event such provisions do not adequately address the situation at hand (in the opinion of nationally recognized bond counsel), beneficial ownership is to be determined based upon ownership for federal income tax purposes.

**"Business Day"** means a day other than: (a) Saturday or a Sunday, (b) a day on which banks are authorized or required by law to close, or (c) a day on which the City is authorized or required to be closed.

**"Disclosure Representative"** means the Chief Financial Officer of the City or his or her designee, or such other person as the City shall designate in writing to the Dissemination Agent from time to time as the person responsible for providing Information to the Dissemination Agent.

**"EMMA"** means the Electronic Municipal Market Access system, a service of the MSRB, or any successor thereto.

**"Filing"** means, as applicable, any Annual Filing, Notice Event Filing, Voluntary Filing or any other notice or report made public under this Disclosure Agreement.

**"Fiscal Year"** means the fiscal year of the City, which currently is the twelve month period beginning July 1 and ending on June 30 of the following year or any such other twelve month period designated by the City, from time to time, to be its fiscal year.

**"Information"** means the Annual Financial Information, the Audited Financial Statements (if any), the Notice Event Filings, and the Voluntary Filings.

**"MSRB"** means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

**"Notice Event"** means an event listed in Sections 5(a) and 5(b) hereof.

**"Notice Event Filing"** shall have the meaning specified in Section 5(c) hereof.

**"Obligated Person"** means the City and any person who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Series 2018 Certificates (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities). The City confirms that as of the date hereof it is an Obligated Person with respect to the Series 2018 Certificates.

**"Participating Underwriter"** means, collectively, the original purchasers of the Series 2018 Certificates required to comply with the Rule in connection with the offering of the Series 2018 Certificates.

**"Repository"** means each entity authorized and approved by the SEC from time to time to act as a repository for purposes of complying with the Rule. The repositories currently approved by the SEC as of the date hereof may be found by visiting the SEC's website at <http://www.sec.gov/info/municipal/nrmsir.htm>. As of the date hereof, the only Repository recognized by the SEC for such purpose is the MSRB, which currently accepts continuing disclosure filings through the EMMA website at <http://emma.msrb.org>.

**"Rule"** means Rule 15c2-12 of the SEC promulgated pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time.

**"SEC"** means the United States Securities and Exchange Commission.

**"Third-Party Beneficiary"** shall have the meaning specified in Section 3(b) hereof.

**"Unaudited Financial Statements"** means the financial statements (if any) of the City for the prior Fiscal Year which have not been certified by an independent auditor.

**"Voluntary Filing"** means the information provided to the Dissemination Agent by the City pursuant to Section 8 hereof.



### **Section 3. Scope of this Disclosure Agreement.**

(a) The City has agreed to enter into this Disclosure Agreement and undertake the disclosure obligations hereunder, at the request of the Participating Underwriter and as a condition precedent to the Participating Underwriter's original purchase of the Series 2018 Certificates, in order to assist the Participating Underwriter with compliance with the Rule. The disclosure obligations of the City under this Disclosure Agreement relate solely to the Series 2018 Certificates. Such disclosure obligations are not applicable to any other securities issued or to be issued by the Issuer, whether issued for the benefit of the City or otherwise, nor to any other securities issued by or on behalf of the City.

(b) Neither this Disclosure Agreement, nor the performance by the City or the Dissemination Agent of their respective obligations hereunder, shall create any third-party beneficiary rights, shall be directly enforceable by any third-party, or shall constitute a basis for a claim by any person except as expressly provided herein and except as required by law, including, without limitation, the Rule; provided, however, the Participating Underwriter and each Beneficial Owner are hereby made third-party beneficiaries hereof (collectively, and each respectively, a "Third-Party Beneficiary") and shall have the right to enforce the obligations of the parties hereunder pursuant to Section 9 hereof.

(c) This Disclosure Agreement shall terminate upon: (i) the defeasance, redemption or payment in full of all Series 2018 Certificates, in accordance with the Indenture, as amended, or (ii) the delivery of an opinion of counsel expert in federal securities laws retained by the City to the effect that continuing disclosure is no longer required under the Rule as to the Series 2018 Certificates.

### **Section 4. Annual Filings.**

(a) The City shall provide, annually, an electronic copy of the Annual Filing to the Dissemination Agent on or before the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Filing, the Dissemination Agent shall provide the Annual Filing to the Repository, in an electronic format as prescribed by the MSRB. Not later than the January 31st immediately following the preceding Fiscal Year ended June 30, commencing with the Fiscal Year ending June 30, 2018, shall be the Annual Filing Date. If January 31st falls on a day that is not a Business Day, the Annual Filing will be due on the first Business Day thereafter. Such date and each anniversary thereof is the Annual Filing Date. The Annual Filing may be submitted as a single document or as separate documents composing a package, and may cross-reference other information as provided in Section 6 hereof.

(b) If on the second (2<sup>nd</sup>) Business Day prior to the Annual Filing Date, the Dissemination Agent has not received a copy of the Annual Filing, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by email) to remind the City of its undertaking to provide the Annual Filing pursuant to Section 4(a) hereof. Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Filing no later than 6:00 p.m. on the Annual Filing Date (or if such Annual Filing Date is not a Business Day, then the first Business Day thereafter), or (ii) instruct the Dissemination Agent in writing as to the status of the Annual Filing within the

time required under this Disclosure Agreement, and state the date by which the Annual Filing for such year is expected to be provided. If the Dissemination Agent has not received either (i) the Annual Filing by 6:00 p.m. on the Annual Filing Date, or (ii) notice from the City that it intends to deliver the Annual Filing to the Dissemination Agent by 11:59 p.m. on the Annual Filing Date, the City hereby irrevocably directs the Dissemination Agent, and the Dissemination Agent agrees, to immediately send an Notice Event Filing to the Repository the following Business Day in substantially the form attached hereto as "Exhibit A" without reference to the anticipated filing date for the Annual Filing.

(c) If the Audited Financial Statements are not available prior to the Annual Filing Date, the City shall provide the Unaudited Financial Statements and when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Dissemination Agent for filing with the Repository.

(d) The Dissemination Agent shall:

(i) upon receipt and no later than the Annual Filing Date, promptly file each Annual Filing received under Section 4(a) hereof with the Repository in an electronic format as prescribed by the MSRB;

(ii) upon receipt and no later than the Annual Filing Date, promptly file each Audited Financial Statement or Unaudited Financial Statement received under Sections 4(a) and 4(c) hereof with the Repository in an electronic format as prescribed by the MSRB;

(iii) provide the City evidence of the filings of each of the above when made, which shall be made by means of the DAC system, for so long as DAC is the Dissemination Agent under this Disclosure Agreement.

(e) The City may adjust the Annual Filing Date upon change of its Fiscal Year by providing written notice of such change and the new Annual Filing Date to the Dissemination Agent and the Repository, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(f) Each Annual Filing shall contain the information set forth in Section 6 hereof.

#### **Section 5. Reporting of Notice Events.**

(a) In accordance with the Rule, the City or the Dissemination Agent shall file a Notice Event Filing with the Repository, in the appropriate format required by the MSRB and in a timely manner not in excess of ten (10) Business Days after it has actual knowledge of the occurrence of any of the following Notice Events with respect to the Series 2018 Certificates:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv)     Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v)     Substitution of credit or liquidity providers or their failure to perform;
- (vi)     Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018 Certificates, or other material events affecting the tax status of the Series 2018 Certificates;
- (vii)    Modifications to rights of holders, if material;
- (viii)   Bond calls, if material, and tender offers;
- (ix)     Defeasances;
- (x)     Release, substitution or sale of property securing repayment of the Series 2018 Certificates, if material;
- (xi)     Rating changes;
- (xii)    Bankruptcy, insolvency, receivership or similar event of the Obligated Person. Such an event is considered to occur when there is an appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person;
- (xiii)   The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of an Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or
- (xiv)    Appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b)     In accordance with the Rule, the City or the Dissemination Agent shall file a Notice Event Filing with the Repository, in the appropriate format required by the MSRB and in a timely manner, after the occurrence of a failure of the City to provide the Annual Filing on or before the Annual Filing Date.

(c) The City shall promptly notify the Dissemination Agent in writing upon having Actual Knowledge of the occurrence of a Notice Event; provided, however, to the extent any such Notice Event has been previously and properly disclosed by or on behalf of the City, the City shall not be required to provide additional notice of such Notice Event in accordance with this subsection. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to Section 5(e) hereof. Such notice shall be accompanied with the text of the disclosure that the City desires to make (each a "Notice Event Filing"), the written authorization of the City for the Dissemination Agent to disseminate such information, and the date on which the City desires the Dissemination Agent to disseminate the information.

The Dissemination Agent is under no obligation to notify the City or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will instruct the Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made, or (ii) a Notice Event has occurred and provide the Dissemination Agent with the Notice Event Filing and the date the Dissemination Agent should file the Notice Event Filing.

(d) The Dissemination Agent shall upon receipt, and no later than the required filing date, promptly file each Notice Event Filing received under Sections 5(a) and 5(b) hereof, with the Repository in an electronic format as prescribed by the MSRB.

#### **Section 6. Content of Annual Filings.**

(a) Each Annual Filing shall contain the following annual financial information set forth in the Official Statement:

(i) the table entitled "City of Atlanta, Georgia Statement of Revenues, Expenditures and Changes in Fund Balances General Fund" for the last five Fiscal Years under the heading "FISCAL OVERVIEW OF THE CITY – Statement of Revenues, Expenditures and Changes in General Fund Balances;"

(ii) the table entitled "City of Atlanta, Georgia Ratio of General Bonded Debt Outstanding (Unaudited)" under the heading "FISCAL OVERVIEW OF THE CITY – Ratio of General Bonded Debt Outstanding;"

(iii) the table entitled "Direct and Overlapping Property Tax Rates Last Ten Fiscal Periods" under the heading "APPENDIX A – AD VALOREM TAXATION, COLLECTION AND ENFORCEMENT – Ad Valorem Taxation;"

(iv) the table entitled "Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Periods" under the heading "APPENDIX A – AD VALOREM TAXATION, COLLECTION AND ENFORCEMENT – Assessed Value;"

(v) the table entitled "City of Atlanta, Georgia Property Tax Levies and Collections Last Ten Fiscal Periods" under the heading "APPENDIX A – AD VALOREM TAXATION, COLLECTION AND ENFORCEMENT – Collection and Enforcement;"

(vi) the table entitled "City of Atlanta, Georgia Summary of Long-Term Debt" under the heading "APPENDIX A – CITY DEBT STRUCTURE – Summary of Long-Term Debt;"

(vii) the table entitled "City of Atlanta, Georgia Direct and Overlapping Governmental Activities Debt Last Ten Fiscal Periods" under the heading "APPENDIX A – CITY DEBT STRUCTURE – Direct and Overlapping Debt;"

(viii) the table entitled "City of Atlanta, Georgia Legal Debt Margin Information Last Ten Fiscal Periods" under the heading "APPENDIX A – CITY DEBT STRUCTURE - Legal Debt Margin;" and

(ix) the table entitled "City of Atlanta, Georgia Principal Employers" under the heading "APPENDIX A – CITY ECONOMIC AND DEMOGRAPHIC INFORMATION – Principal Employers."

(b) If available at the time of such filing, the Audited Financial Statements for the prior Fiscal Year. If the Audited Financial Statements are not available by the time the Annual Filing is required to be filed pursuant to Section 4(a) hereof, the Annual Filing shall contain Unaudited Financial Statements of the City prepared in accordance with generally accepted accounting principles, as in effect from time to time, and the Audited Financial Statements shall be filed in the same manner as the Annual Filing when they become available. The Audited Financial Statements (if any) will be provided pursuant to Section 4(c) hereof.

Any or all of the items listed above may be included by specific reference to documents previously filed with the Repository or the SEC, including, but not limited to, official statements of debt issues with respect to which the City is an Obligated Person and the City's Comprehensive Annual Financial Report. If the document incorporated by reference is a final official statement, it must be available from the Repository. The City will clearly identify each such document so incorporated by reference.

#### **Section 7. Responsibility for Content of Reports and Notices.**

(a) The City shall be solely responsible for the content of each Filing (or any portion thereof) provided to the Dissemination Agent pursuant to this Disclosure Agreement.

(b) Each Filing distributed by the Dissemination Agent pursuant to Section 4 or 5 hereof shall be in a form suitable for distributing publicly and shall contain the CUSIP numbers of the Series 2018 Certificates and such other identifying information prescribed by the MSRB from time to time. Each Notice Event Filing shall be in substantially the form set forth in Exhibit "A" attached hereto. If an item of information contained in any Filing pursuant to this Disclosure Agreement would be misleading without additional information, the City shall include such additional information as a part of such Filing as may be necessary in order that the Filing will not be misleading in light of the circumstances under which it is made.

(c) Any report, notice or other filing to be made public pursuant to this Disclosure Agreement may consist of a single document or separate documents composing a package and may incorporate by reference other clearly identified documents or specified portions thereof

previously filed with the Repository or the SEC; provided that any final official statement incorporated by reference must be available from the Repository.

(d) Notwithstanding any provision herein to the contrary, nothing in this Disclosure Agreement shall be construed to require the City or the Dissemination Agent to interpret or provide an opinion concerning information made public pursuant to this Disclosure Agreement.

(e) Notwithstanding any provision herein to the contrary, the City shall not make public, or direct the Dissemination Agent to make public, information which is not permitted to be publicly disclosed under any applicable data confidentiality or privacy law or other legal requirement.

#### **Section 8. Voluntary Filings.**

(a) The City may instruct the Dissemination Agent to file information with the Repository, from time to time (a "Voluntary Filing").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information through the Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Notice Event Filing, in addition to that required by this Disclosure Agreement. If the City chooses to include any information in any Annual Filing, Annual Financial Statement, Voluntary Filing or Notice Event Filing in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Filing, Annual Financial Statement, Voluntary Filing or Notice Event Filing.

(c) Notwithstanding the foregoing provisions of this Section 8, the City is under no obligation to provide any Voluntary Filing.

(d) The Dissemination Agent shall upon receipt promptly file each Voluntary Filing received with the Repository in an electronic format as prescribed by the MSRB.

#### **Section 9. Defaults; Remedies.**

(a) A party shall be in default of its obligations hereunder if it fails or refuses to carry out or perform its obligations hereunder for a period of five Business Days following notice of default given in writing to such party by any other party hereto or by any Third Party Beneficiary hereof, unless such default is cured within such five Business Day notice period. An extension of such five Business Day cure period may be granted for good cause (in the reasonable judgment of the party granting the extension) by written notice from the party who gave the default notice.

(b) If a default occurs and continues beyond the cure period specified above, any nondefaulting party or any Third-Party Beneficiary may seek specific performance of the defaulting party's obligations hereunder as the sole and exclusive remedy available upon any such default, excepting, however, that the party seeking such specific performance may recover from the defaulting party any reasonable attorneys' fees and expenses incurred in the course of enforcing this Disclosure Agreement as a consequence of such default. Each of the parties hereby

acknowledges that monetary damages will not be an adequate remedy at law for any default hereunder, and therefore agrees that the exclusive remedy of specific performance shall be available in proceedings to enforce this Disclosure Agreement.

(c) Notwithstanding any provision of this Disclosure Agreement, the Indenture or the Installment Sale Agreement to the contrary, no default under this Disclosure Agreement shall constitute a default or event of default under the Indenture or the Installment Sale Agreement.

#### **Section 10. Amendment or Modification.**

(a) This Disclosure Agreement shall not be amended or modified except as provided in this Section. No modification, amendment, alteration or termination of all or any part of this Disclosure Agreement shall be construed to be, or operate as, altering or amending in any way the provisions of the Indenture or the Installment Sale Agreement.

(b) Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if: (i) such amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligor on the Series 2018 Certificates, or type of business conducted by such obligor; (ii) such amendment or waiver does not materially impair the interests of the Beneficial Owners of the Series 2018 Certificates, as determined either by an unqualified opinion of counsel expert in federal securities laws retained by the City or by the approving vote a majority of the Beneficial Owners of the Series 2018 Certificates outstanding at the time of such amendment or waiver; and (iii) such amendment or waiver is supported by an opinion of counsel expert in federal securities laws retained by the City, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule, as well as any change in circumstances.

(c) If any provision of Section 6 hereof is amended or waived, the first Annual Filing containing any amended, or omitting any waived, operating data or financial information shall explain, in narrative form, the reasons for the amendment or waiver and the impact of the change in the type of operating data or financial information being provided.

(d) If the provisions of this Disclosure Agreement specifying the accounting principles to be followed in preparing the City's financial statements are amended or waived, the Annual Filing for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to the Beneficial Owners of the Series 2018 Certificates to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall also be quantitative. The City will file a notice of the change in the accounting principles with the Repository on or before the effective date of any such amendment or waiver.

(e) Notwithstanding the foregoing, the Dissemination Agent shall not be obligated to agree to any amendment expanding its duties or obligations hereunder without its consent thereto.

(f) The City shall prepare or cause to be prepared a notice of any such amendment or modification and shall direct the Dissemination Agent to make such notice public in accordance with Section 8 hereof.

#### **Section 11. Agency Relationship.**

(a) The Dissemination Agent agrees to perform such duties, but only such duties, as are specifically set forth in this Disclosure Agreement, and no implied duties or obligations of any kind shall be read into this Disclosure Agreement with respect to the Dissemination Agent. The Dissemination Agent may conclusively rely, as to the truth, accuracy and completeness of the statements set forth therein, upon all notices, reports, certificates or other materials furnished to the Dissemination Agent pursuant to this Disclosure Agreement, and in the case of notices and reports required to be furnished to the Dissemination Agent pursuant to this Disclosure Agreement, the Dissemination Agent shall have no duty whatsoever to examine the same to determine whether they conform to the requirements of this Disclosure Agreement.

(b) The Dissemination Agent shall not be liable for any error of judgment made in good faith by a responsible officer or officers of the Dissemination Agent unless it shall be proven that the Dissemination Agent engaged in negligent conduct or willful misconduct in ascertaining the pertinent facts related thereto.

(c) The Dissemination Agent shall perform its rights and duties under this Disclosure Agreement using the same standard of care as a prudent person would exercise under the circumstances, and the Dissemination Agent shall not be liable for any action taken or failure to act in good faith under this Disclosure Agreement unless it shall be proven that the Dissemination Agent was negligent or engaged in willful misconduct.

(d) The Dissemination Agent may perform any of its duties hereunder by or through attorneys or agents selected by it with reasonable care, and shall be entitled to the advice of counsel concerning all matters arising hereunder, and may in all cases pay such reasonable compensation as it may deem proper to all such attorneys and agents. The Dissemination Agent shall be responsible for the acts or negligence of any such attorneys, agents or counsel.

(e) None of the provisions of this Disclosure Agreement or any notice or other document delivered in connection herewith shall require the Dissemination Agent to advance, expend or risk its own funds or otherwise incur financial liability in the performance of any of the Dissemination Agent's duties or rights under this Disclosure Agreement.

(f) Except as expressly provided herein, the Dissemination Agent shall not be required to monitor the compliance of the City with the provisions of this Disclosure Agreement or to exercise any remedy, institute a suit or take any action of any kind without indemnification satisfactory to the Dissemination Agent.

(g) The Dissemination Agent may resign at any time by giving at least ninety (90) days prior written notice thereof to the City. The Dissemination Agent may be removed for good cause



at any time by written notice to the Dissemination Agent from the City, provided that such removal shall not become effective until a successor dissemination agent has been appointed by the City under this Disclosure Agreement.

(i) In the event the Dissemination Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Dissemination Agent for any reason, the City shall promptly appoint a successor. Notwithstanding any provision to the contrary in this Disclosure Agreement or elsewhere, the City may appoint itself to serve as Dissemination Agent hereunder.

(j) Any company or other legal entity into which the Dissemination Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Dissemination Agent may be a party or any company to whom the Dissemination Agent may sell or transfer all or substantially all of its agency business shall be the successor dissemination agent hereunder without the execution or filing of any paper or the performance of any further act and shall be authorized to perform all rights and duties imposed upon the Dissemination Agent by this Disclosure Agreement, anything herein to the contrary notwithstanding.

## **Section 12. Miscellaneous.**

(a) Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Disclosure Agreement by the officers of such party whose signatures appear on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Disclosure Agreement under applicable law and any resolutions, ordinances, or other actions of such party now in effect, (iii) that the execution and delivery of this Disclosure Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party or its property or assets is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Disclosure Agreement, or its due authorization, execution and delivery of this Disclosure Agreement, or otherwise contesting or questioning the issuance of the Series 2018 Certificates.

(b) This Disclosure Agreement shall be governed by and interpreted in accordance with the laws of the State of Georgia and applicable federal law.

(c) This Disclosure Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

**Section 13. Identifying Information.** All documents provided to the Repository pursuant to this Disclosure Agreement shall be accompanied by identifying information as prescribed by the MSRB.

**Section 14. Severability.** In case any part of this Disclosure Agreement is held to be illegal or invalid, such illegality or invalidity shall not affect the remainder or any other section of this Disclosure Agreement. This Disclosure Agreement shall be construed or enforced as if such

illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application of this Disclosure Agreement affect any legal and valid application.

[SIGNATURE PAGES TO FOLLOW]

**SIGNATURE PAGE TO  
CONTINUING DISCLOSURE AGREEMENT  
GEORGIA MUNICIPAL ASSOCIATION, INC.  
CERTIFICATES OF PARTICIPATION  
(CITY OF ATLANTA PUBLIC SAFETY PROJECTS), SERIES 2018**

**IN WITNESS WHEREOF**, the City and the Dissemination Agent have each caused this Disclosure Agreement to be executed, on the date first written above, by their respective duly authorized officers.

**CITY OF ATLANTA**, a municipal corporation duly organized and existing under the laws of the State of Georgia

By: \_\_\_\_\_  
Keisha Lance Bottoms, Mayor

[SIGNATURES CONTINUED ON FOLLOWING PAGE]

**SIGNATURE PAGE TO  
CONTINUING DISCLOSURE AGREEMENT  
GEORGIA MUNICIPAL ASSOCIATION, INC.  
CERTIFICATES OF PARTICIPATION  
(CITY OF ATLANTA PUBLIC SAFETY PROJECTS), SERIES 2018**

**IN WITNESS WHEREOF**, the City and the Dissemination Agent have each caused this Disclosure Agreement to be executed, on the date first written above, by their respective duly authorized officers.

**DIGITAL ASSURANCE CERTIFICATION, L.L.C.,**  
as Dissemination Agent

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE TO REPOSITORY OF THE OCCURRENCE OF  
[INSERT THE NOTICE EVENT]**

**Relating to**

**\$43,335,000**

**GEORGIA MUNICIPAL ASSOCIATION, INC.  
CERTIFICATES OF PARTICIPATION  
(CITY OF ATLANTA PUBLIC SAFETY PROJECTS), SERIES 2018**

**Originally Issued on \_\_\_\_\_, 2018  
[\*\*CUSIP NUMBERS\*\*])**

Notice is hereby given by the City of Atlanta (the "City"), as obligated person with respect to the above-referenced Series 2018 Certificates issued by the Georgia Municipal Association, Inc. (the "Issuer"), under the Securities and Exchange Commission's Rule 15c2-12, that **[\*\*INSERT THE NOTICE EVENT\*\*]** has occurred. **[\*\*DESCRIBE NOTICE EVENT AND MATERIAL CIRCUMSTANCES RELATED THERETO\*\*]**.

This Notice is based on the best information available to the City at the time of dissemination hereof and is not guaranteed by the City or the Issuer as to the accuracy or completeness of such information. The City will disseminate additional information concerning **[\*\*NOTICE EVENT\*\*]**, as and when such information becomes available to the City, to the extent that the dissemination of such information would be consistent with the requirements of Rule 15c2-12 and the City's obligation under that certain Continuing Disclosure Agreement dated as of February 1, 2018. **[\*\*Any questions regarding this notice should be directed in writing only to the City. However, the City will not provide additional information or answer questions concerning [\*\*NOTICE EVENT\*\*] except in future written notices, if any, disseminated by the City in the same manner and to the same recipients as this Notice\*\*].**

**DISCLAIMER:** All information contained in this Notice has been obtained by the City from sources believed to be reliable as of the date hereof. Due to the possibility of human or mechanical error as well as other factors, however, such information is not guaranteed as to the accuracy, timeliness or completeness. Under no circumstances shall the City have any liability to any person or entity for (a) any loss, damage, cost, liability or expense in whole or in part caused by, resulting from or relating to this Notice, including, without limitation, any error (negligent or otherwise) or other circumstances involved in procuring, collecting, compiling, interpreting, analyzing, editing, transcribing, transmitting, communicating or delivering any information contained in this Notice, or (b) any direct, indirect, special, consequential or incidental damages whatsoever related thereto.

Dated: \_\_\_\_\_

**CITY OF ATLANTA**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_





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