

Bond Case Briefs

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Buckhead City Opponent Criticizes Reporting of Atlanta Bond Sale by SaportaReport.

A founder of an organization opposed to Buckhead cityhood has criticized a story that appeared in SaportaReport concerning Atlanta's sale of bonds this month with terms that contain a poison pill for the cityhood movement.

Michael Handelman, executive director of Neighbors for a United Atlanta, Inc. indicates in a [column](#) the Dec. 20 [story](#) errs by comparing interest rates levied on bonds sold by Atlanta and by Bexar County, Texas, home of San Antonio.

"This comparison, however, is absurd. Comparing two bond sales in different states (with correspondingly dissimilar statutes governing municipal debt) is like comparing the quality of a single apple at Publix with a randomly selected banana at Kroger," Handelman wrote. "Not only are the technical details of bonds between the two governments different, cherry-picking a single data point of another bond issuance within a \$4 trillion US bond market is meaningless."

Neighbors for a United Atlanta was incorporated on Dec. 3 as a non-profit corporation. It provides a Roswell address and names as incorporators Caren Solomon Bharwani, Handelman and William Haney, according to records of Georgia's Secretary of State.

The SaportaReport story Handelman cites appeared under the headline, "Buckhead cityhood effort doesn't seem to cause hike in Atlanta's borrowing costs." The report included this observation:

"A side-by-side comparison of the bond issuances isn't appropriate. No issuers and no deals are alike. However, the two governments share similarities," the story reads. "Both are at the top-tier of credit ratings issued by Moody's Investors Service. Bexar County is at the very top of the scale for its planned sale, while Atlanta is one step lower in the credit ratings for its package. In addition, both governments are the center of burgeoning metroplexes in the South. Both are competing for high-tech jobs."

This Atlanta bond sale illuminates one argument raised for months by cityhood opponents.

The contention is that Buckhead's deannexation likely would result in higher borrowing costs for taxpayers in Atlanta and all cities in Georgia. Investors would recognize the potential for deannexations statewide and with them a reduction in cities' ability to repay loans as their property tax revenues shrink. Investors would offset the risk of non-payment by raising interest rates, according to this argument.

The story reported that this scenario does not appear to be the case in this bond issuance. Terms of Atlanta's bonds include a poison pill: If Buckhead deannexes, it must pay its entire share of the debt, in one lump sum, within a year of the vote to deannex. The measure provides some assurance to investors that they will be repaid regardless of the outcome of the Buckhead cityhood movement.

For a real-time comparison to another city bond issuance, the story reported interest rates investors

will pay Atlanta with the rates investors will pay Bexar County.

Both are Sunbelt governments and both have top-tier credit ratings from Moody's Investors Service, with Bexar County one notch higher on Moody's scale. Atlanta sold about \$188 million and Bexar County about \$411 million.

Rates for Atlanta's bonds range from 0.509 percent to 2.388 percent. Rates for Bexar's bonds range from 0.651 percent to 2.621 percent, according to information provided by an affiliate of the Municipal Securities Rulemaking Board. The Atlanta deal closed on Dec. 23 and Bexar County's closed on Dec. 30.

Handelman's letter cites issues including various aspects of credit ratings, Atlanta's debt and Atlanta's spending before ending with comments that include this look to the future:

What happens when the current low-interest-rate environment, high investor demand for municipal debt, and a well-performing and stable property tax base flips? For Atlanta, as the cost of new debt increases from higher credit risk, it means that the finely tuned balance of property taxes funding debt service and essential services starts to unravel. This situation inevitably leads to tough decisions to decrease essential services or increase property taxes... The consequences for Atlanta, a hypothetical Buckhead City, and other municipalities in Georgia, may not be immediately apparent in market data, but when clouds, wind and rain appear on the economic horizon, all of us in Georgia will be shivering.

Note to readers: To read Michael Handelman's column, [click here](#). To read the SaportaReport piece that triggered Handelman's column, [click here](#).

SaportaReport

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