



2019

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2019

CITY OF ATLANTA, GA
KEISHA LANCE BOTTOMS, MAYOR

CITY OF ATLANTA, GEORGIA
Comprehensive Annual Financial Report
For the Year Ended June 30, 2019

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ECONOMIC DEVELOPMENT

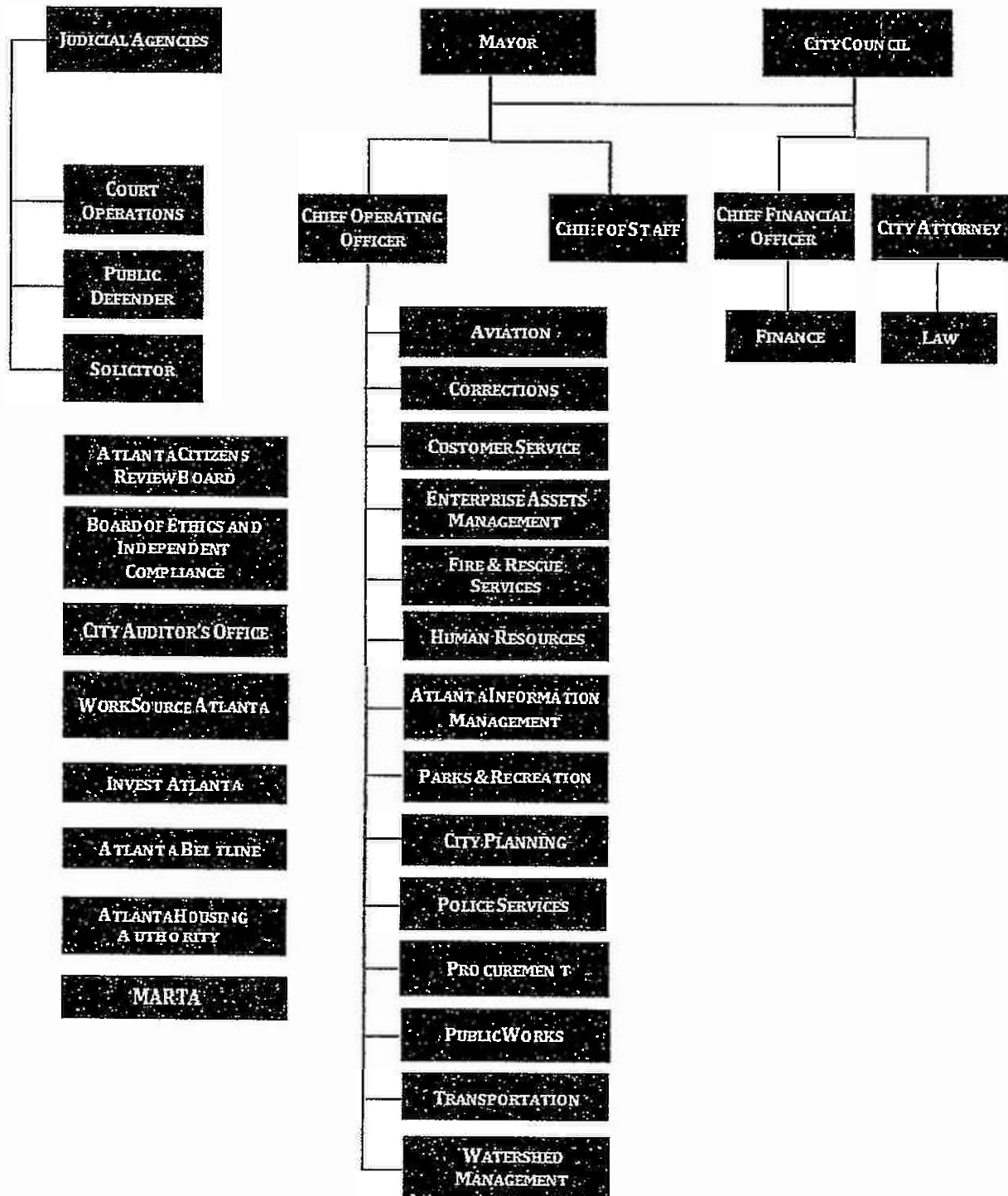
To promote economic development in undeveloped or underdeveloped areas, the City utilizes its redevelopment agent, the Atlanta Development Authority which does business as Invest Atlanta. Invest Atlanta spearheads diverse policies and activities which support increased private investment and job growth. Invest Atlanta also issues limited obligation Tax Allocation District ("TAD") bonds on behalf of the City. TAD bonds are not secured by the full faith and credit of the City, but are secured solely by and payable from specified pledged revenues. The pledged revenues are the tax allocation increments, or the amount of property taxes generated within the TAD that exceed the amount collected from the same area prior to development. Tax allocation districts have proven to be an effective and useful economic development tool. The Atlantic Station mixed-use development and the opening of the world's largest Aquarium were products of TAD bonds and further strengthened the City's core business districts. Development and re-development activities in the Atlanta Beltline TAD are projected to create 30,000 permanent jobs and 48,000 construction jobs. Public transportation initiatives included in the Atlanta Beltline will also play a vital role in ensuring continued building and investing in the City. As of 2019, the Atlanta Beltline consists of five open trails; two trails in design and one trails under construction; seven parks; intensive planning for modern streetcar expansion; more than \$4.7 billion in private economic development; more than 1,600 affordable workforce homes; free fitness classes; a linear arboretum; an urban farm; and the largest temporary public art exhibition in the south. The Department of City Planning manages construction and development activity throughout the City of Atlanta. During fiscal year 2019, the City issued 9,284 building permits worth over \$5 billion in new construction.

On November 5, 2018, Atlanta City Council approved the Gulch development which is the single largest development in the city in nearly 50 years. The approval of the Gulch development consists of \$28 million investment into a Citywide affordable housing fund, required minimum affordable housing residential units of 200 or 20%, whichever is greater, \$2 million commitment for workforce training, \$12 million investment into a Citywide economic development fund, commitment to unprecedented levels of minority and female-owned businesses with a goal of at least 38% utilization and an offer of 10% equity, and \$12 million commitment towards the construction of a new seven-bay fire station.

LOCAL ECONOMY

As of 2018, the Atlanta MSA had a gross domestic product of \$409.9 billion which ranks 10th in the nation. Major improvements at Atlanta Hartsfield-Jackson International Airport bode well for Atlanta's growth, especially the new international terminal. The airport is the world's busiest for passenger traffic and is the number one high-tech airport in the nation. It has excellent access to mass transit. The airport makes the Atlanta area an ideal location to operate corporate headquarters due to its large number of direct domestic and international flights. Multi-state and multi-national companies based in Atlanta are flying executives and salespeople everywhere almost every day. The airport also makes Atlanta an excellent hub from which to manage operations or provide business services to a geographically disperse client base.

City Organization Structure





Opinions

In our opinion, based on our audit and the reports of the 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, 2019, 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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4-20, the schedule of employer net pension liability, schedules of changes in net pension liability, schedules of employer contributions, schedule of investment returns – General Employees; Firefighters and Police Officers' Pension Plans, schedule of changes in net OPEB liability and related ratios, and schedule of revenue, expenditures and changes in fund balances –budget and actual—general fund, on pages 152-164 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedule and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedule are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KPMG LLP

December 17, 2019

CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited) June 30, 2019

are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, police, fire, corrections, public works, parks and recreation and cultural affairs.

The business-type activities of the City include the Departments of Watershed Management (Water and Wastewater System), Aviation (Hartsfield-Jackson Atlanta International Airport), Sanitation (Solid Waste), Parks and Recreational Facilities, City Plaza and Parking Deck.

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Atlanta Fulton County Recreation Authority and the Atlanta Development Authority (d/b/a Invest Atlanta), both of which the City is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government. The Atlanta Housing Opportunity, Inc. is presented as a component unit, however their financial statements are blended with the primary government. Other blended component units of the City include Atlanta Public Safety, Judicial Facilities Authority and Solid Waste Management Authority. Certain organizations are not included within the scope of this report since they were established by the Constitution of the State of Georgia or state laws and are administered by separate boards that act independently of the City. Included in this category are the Atlanta Independent School System and the Atlanta Housing Authority.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds - Funds used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the general fund and capital project fund, which are considered to be major funds. Data from the other twenty-seven governmental funds are combined into a single, aggregated

CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited) June 30, 2019

presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements beginning on page 166 in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget in the Required Supplementary Information section of this report.

The City has a formal fund balance policy applicable to governmental funds included in its Charter. The policy defines fund balance categories consistent with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, sets spending priority within the categories, establishes the authority to commit or assign balances and establishes a minimum fund balance for the general fund. In addition, the policy addresses the time period required for the general fund to replenish any deficiency in the minimum fund balance, as well as specifies how fund balance above the recommended range may be spent. For a full discussion of the City's fund balance policy, please refer to the Notes to the Financial Statements, section I. D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balances.

Proprietary funds - The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the business-type activities of the Water and Wastewater System (Department of Watershed Management), the Hartsfield-Jackson Atlanta International Airport (Department of Aviation), Sanitation Services (Solid Waste), Parks and Recreational Facilities, Parking Deck and City Plaza. Additionally, the Municipal Option Sales Tax (MOST) is reported under the Department of Watershed Management Fund where the activities for the MOST receipts are expended for the purpose intended. The move was completed to be in compliance with the State's guidelines.

An *internal service fund* is a fund used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the maintenance and operation of its fleet of vehicles and its group insurance fund for employees and retirees. Because these services benefit both governmental and business-type functions, the net position and change in net position is impacted through the allocation of services, based upon usage, between governmental activities and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements. The proprietary fund financial statements provide separate information for the Department of Watershed Management and the Department of Aviation, which are considered to be major funds of the City. Conversely, the internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements presented on page 201 in this report.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the basic financial statements in this report.

CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited) June 30, 2019

Table 1. City of Atlanta Net Position, Years Ended June 30, 2019 and June 30, 2018 (in thousands):

	Government Activities		Business-type Activities		Total Primary Government Total	
	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018
Current and other Assets	\$ 1,121,646	\$ 1,110,607	\$ 3,884,656	\$ 3,941,573	\$ 5,006,302	\$ 5,052,180
Capital assets, net of depreciation	1,115,594	1,119,056	11,953,222	11,509,636	13,068,816	12,628,692
Total assets	2,237,240	2,229,663	15,837,878	15,451,209	18,075,118	17,680,872
Deferred outflows of resources	243,603	187,098	361,620	282,975	605,223	470,073
Total assets and deferred outflows of resources	2,480,843	2,416,761	16,199,498	15,734,184	18,680,341	18,150,945
Long-term liabilities						
Current	275,695	233,505	1,351,177	1,047,849	1,626,872	1,281,354
Non-current	2,629,423	3,087,130	6,419,852	6,930,282	9,049,275	10,017,412
Total Liabilities	2,905,118	3,320,635	7,771,029	7,978,131	10,676,147	11,298,766
Deferred inflows of resources	469,862	179,726	235,659	87,617	705,521	267,343
Total Liabilities and deferred inflows of resources	3,374,980	3,500,361	8,006,688	8,065,748	11,381,668	11,566,109
Net Position						
Net investment in capital assets	59,923	156,421	5,958,423	5,921,310	6,018,346	6,077,731
Restricted	775,513	785,519	1,187,039	1,094,488	1,962,552	1,880,007
Unrestricted (deficit)	(1,729,573)	(2,025,541)	1,047,348	652,638	(682,225)	(1,372,903)
Total Net Position	\$ (894,137)	\$ (1,083,601)	\$ 8,192,810	\$ 7,668,436	\$ 7,298,673	\$ 6,584,835

By far the largest portion of the City's net position, \$6.0 billion (82.5%) reflects its net investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debts and deferred outflows/inflows of resources used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City's investment in its capital assets is reported net of related debt and deferred inflows/outflows of resources, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$2.0 billion (26.9%) represents resources that are subject to external restrictions on how they may be used.

The City reported a positive balance of \$1.0 billion in unrestricted net position for business-type activities. For governmental activities, the City reported a negative balance of \$1.7 billion in unrestricted net position, primarily due to the net pension liability as well as the net OPEB liability. The general fund reported a positive balance of \$143.0 million in unrestricted (assigned and unassigned) fund balance. Unrestricted fund balance represents the spendable resources available for governmental activities, without externally enforceable limitation. The major contributing factors to the difference between unrestricted fund balance and unrestricted net position is the exclusion of long term debt and capital asset balances which are not part of the current financial resources measurement focus presentation required of governmental funds.

CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited) June 30, 2019

Financial Analysis - Government-wide Statements, continued

Table 2. City of Atlanta's Changes in Net Position, Years Ended June 30, 2019 and June 30, 2018 (in thousands):

	Government Activities		Business-type Activities		Total Primary Government Total	
	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018
Revenues:						
Program revenues:						
Charges for services	\$ 230,855	\$ 214,808	\$ 1,121,706	\$ 1,059,932	\$ 1,352,561	\$ 1,274,740
Operating grants and contributions	54,924	65,388	—	—	54,924	65,388
Capital grants and contributions	—	—	280,759	263,784	280,759	263,784
General revenues:						
Property taxes	409,911	353,811	—	—	409,911	353,811
Other taxes	374,615	357,300	154,634	145,244	529,249	502,544
Investment income	23,073	9,803	202,915	23,710	225,988	33,513
Other	18,955	704	15,536	29,278	17,431	29,982
Total revenues	1,095,273	1,001,814	1,775,550	1,521,948	2,870,823	2,523,762
Expenses:						
General government:	344,274	392,479	—	—	344,274	392,479
Police	195,031	200,849	—	—	195,031	200,849
Fire	86,236	80,377	—	—	86,236	80,377
Corrections	25,614	33,161	—	—	25,614	33,161
Public Works	121,525	155,416	—	—	121,525	155,416
Parks, Recreation and Cultural Affairs	79,454	81,545	—	—	79,454	81,545
Interest on long-term debt	75,241	59,594	—	—	75,241	59,594
Water and Wastewater System	—	—	483,199	479,911	483,199	479,911
Department of Aviation	—	—	688,909	667,442	688,909	667,442
Sanitation	—	—	56,108	54,955	56,108	54,955
Other	—	—	1,394	3,203	1,394	3,203
Total Expenses	927,375	1,003,421	1,229,610	1,205,511	2,156,985	2,208,932
Change in Net Position before transfers	167,898	(1,607)	545,940	316,437	713,838	314,830
Transfers in(out)	21,566	60,784	(21,566)	(60,784)	—	—
Change in Net Position	189,464	59,177	524,374	255,653	713,838	314,830
Net Position	(1,083,601)	(1,142,778)	7,668,436	7,412,783	6,584,835	6,270,005
Net Position, End of Period	\$ (894,137)	\$ (1,083,601)	\$ 8,192,810	\$ 7,668,436	\$ 7,298,673	\$ 6,584,835

Revenue for the City in fiscal year 2019 totaled approximately \$2.9 billion, a \$347 million increase when compared to the year 2018. Charges for services increased \$77.8 million or 6.1% for the primary government as a whole which is due mainly to concessions, building and land rental, landing fees and Transportation Network Companies (Lyft and Uber) revenue increase. Charges for services of governmental activities increased by \$16.0 million or 7.5%, and business-type activities charges increased by \$61.8 million or 5.8%. The increased charges for business-type activities were the result of increases in passenger traffic and increase in water consumption as a result of continued economic expansion. The decrease in operating grants of \$10.5 million or 16.0%, is primarily the result of decreased federal funding related to multiple projects. Business-type activities capital grants and contributions increased by \$17.0 million due mainly to the Department of Watershed Management interjurisdictional partners who participate in the share of capital contributions related to waste water treatment plants. Property taxes during fiscal year 2019 increased by \$56.1 million or 15.9%, due mainly to new construction projects completed throughout the City. Other taxes

CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited) June 30, 2019

Financial Analysis - Government-wide Statements, continued

increased by \$26.7 million or 5.3% driven primarily by \$7 million for Local Option Sales Tax (LOST), \$9 million for Municipal Option Sale Tax (MOST), \$2 million from Transportation Special Purpose Local Option Sales Tax (TSPLOST), and \$8 million for hotel/motel due to increases in occupancy from convention and sporting event activity such as Super Bowl LIII.

Total expenses for the City were \$2.2 billion in fiscal year 2019, an decrease of \$51.9 million or 2.4% when compared to fiscal year ended June 30, 2018. Total expenses for governmental activities, excluding transfers decreased by \$76.0 million or 7.6% year-over-year. Expenses for business-type activities increased by \$24.1 million, or 2.0% compared to fiscal year 2018.

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CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited) June 30, 2019

Financial Analysis - Business-type activities

Business-type activities -A comparative analysis and discussion of expenses and program revenues for the enterprise operations is presented below.

Figure 3 - Expenses for Business-type Activities, Year Ended June 30, 2019 (in thousands):

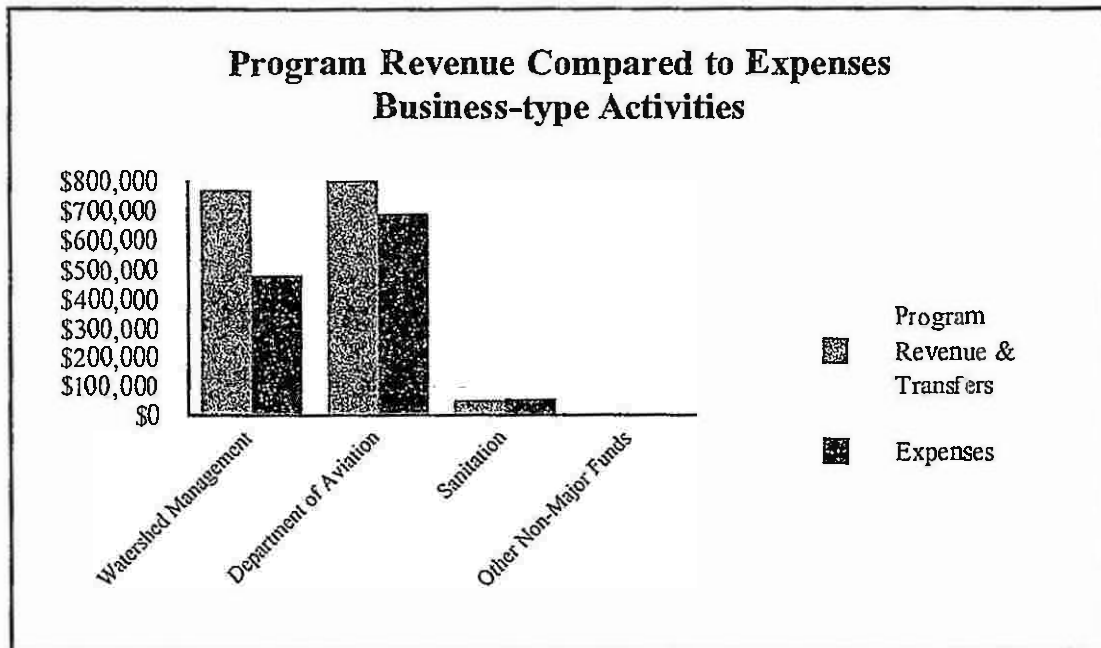
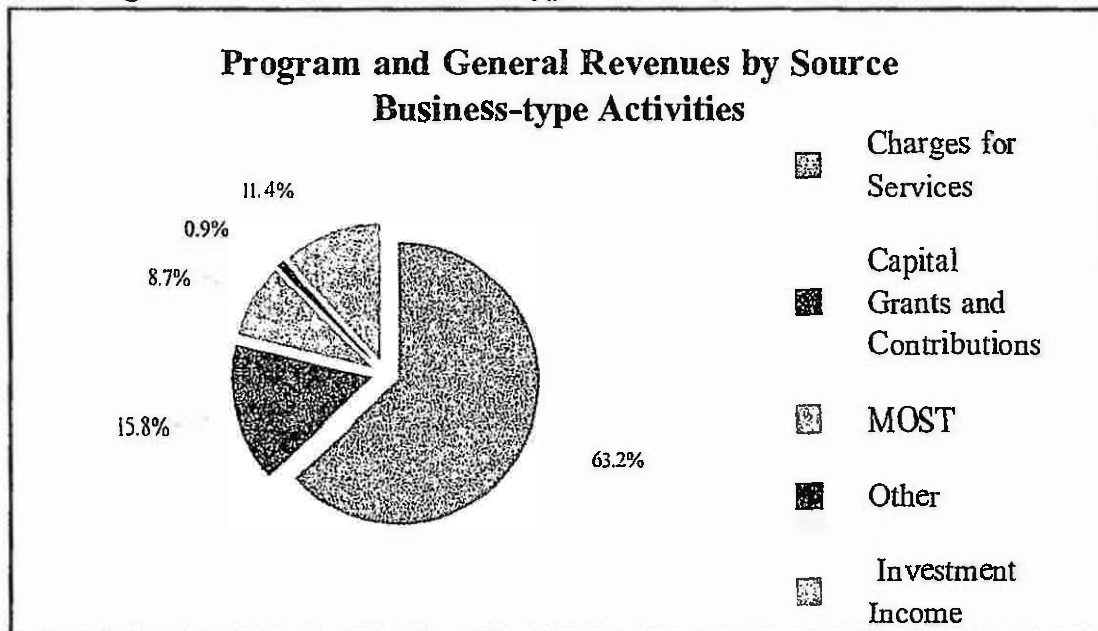


Figure 4 - Program Revenues for Business-type Activities, Year Ended June 30, 2019:



CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited) June 30, 2019

Financial Analysis - Business-type activities, continued

Department of Watershed Management (DWM) The net position for DWM for the twelve month period ended June 30, 2019 increased by \$286.0 million or 9.8% to \$3.2 billion.

Table 3 - Department of Watershed Management Revenues and Expenses - Year Ended June 30, 2019 and June 30, 2018 (in thousands):

	Year Ended June 30		
	2019	2018	Change
REVENUES			
Total operating revenues	\$ 488,089	\$ 478,132	\$ 9,957
Non-operating revenues, net	282,206	162,405	119,801
Total revenues	770,295	640,537	129,758
EXPENSES			
Total operating expenses	334,490	348,842	(14,352)
Non-operating expenses			
Interest expense	143,440	128,893	14,547
Other expenses	5,269	2,176	3,093
Total expenses	483,199	479,911	3,288
Income before Capital Contributions & Transfers	287,096	160,626	126,470
Capital Contributions	21,271	15,961	5,310
Transfers, net	(22,354)	(37,318)	14,964
Change In Net Position	286,013	139,269	146,744
Net Position, beginning of period	2,920,148	2,780,879	139,269
Net Position, end of period	\$ 3,206,161	\$ 2,920,148	\$ 286,013

Total DWM revenues for the year ended June 30, 2019 increased \$129.8 million or 20.3% to \$770.3 million compared to June 30, 2018. Total operating revenues which primarily consist of water and wastewater fees, licenses and permits, and intergovernmental revenue, increased by \$10.0 million or 2.1 % to \$488 million. The increase is due to an increase in other revenue related to recoveries.

Non-operating revenue increased by \$119.8 million which was primarily due to an increase in MOST revenue and non-cash increase in investment income due to an Effective Swap Termination. Of the \$282.2 million in non-operating revenues, for 2019 the MOST (Municipal Option Sale Tax) totaled \$154.6 million compared with \$145.2 million in fiscal year 2018, an increase of 6.5%. Pilot and Franchise Fees paid by DWM are also included as an offset in net transfer amounts and totaled \$20.5 million during fiscal year 2019.

Total DWM expenses increased \$3.3 million or 0.7% to \$483.2 million when compared to the year ended June 30, 2018. The primary reason for the increase was due to an increase in interest expenses related to debt. Total operating revenues less operating expenses, or operating margin, was \$153.6 million for fiscal year 2019, an increase of \$24.3 million or 18.8% compared to fiscal year 2018.

15 40.

CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited)

June 30, 2019

Financial Analysis - Business-type activities, continued

Department of Aviation (DOA) The net position for DOA for the twelve month period ended June 30, 2019 increased by \$232.8 million or 4.8% to \$5.1 billion.

Table 4 - Department of Aviation Revenues and Expenses - Year Ended June 30, 2019 and June 30, 2018 (in thousands):

	Year Ended June 30		
	2019	2018	Change
REVENUES			
Operating revenues	\$ 568,507	\$ 525,477	\$ 43,030
Investment income	78,595	10,062	68,533
Non-operating revenues, net	253,414	238,003	15,411
Total revenues	900,516	773,542	126,974
EXPENSES			
Operating expenses	573,701	557,060	16,641
Interest expense	115,208	110,382	4,826
Total expenses	688,909	667,442	21,467
Income before Capital Contributions & Transfers	211,607	106,100	105,507
Capital Contributions	21,599	14,515	7,084
Transfers Net	(420)	(2,743)	2,323
Change In Net Position	232,786	117,872	114,914
Net Position, beginning of period	4,887,088	4,769,216	117,872
Net Position, end of period	\$ 5,119,874	\$ 4,887,088	\$ 232,786

Total DOA revenues for the year ended June 30, 2019 of \$900.5 million increased by \$127.0 million or 16.4% year over year. Operating revenues are diverse and consist primarily of inside concessions, parking, car rentals, landing fees, terminal rentals and reimbursed operating expenses. Total operating revenues increased \$43.0 million, or 8.2% when compared to fiscal year 2018. Operating revenues increased primarily due to increases in concessions, and parking and transportation network companies.

Non-operating revenues consist of net investment income, passenger facility charges (PFC's), customer facility charges (CFC's), and other non-operating income net of expenses. PFCs were \$209.3 million in fiscal year 2019 compared with \$203.0 million in fiscal year 2018. CFCs, which are collected to fund the financing and operation of the Rental Car Center, were \$41 million in fiscal 2019 compared with \$40 million in fiscal 2018. Net investment income increased to \$78.6 million during fiscal year 2019 compared to \$10.1 million in fiscal year 2018.

Total DOA expenses increased by \$21.5 million or 3.2% to \$688.9 million. Operating expenses for the period were \$573.7 million which reflect an increase of \$16.6 million or 3.0% over June 30, 2018. Repairs, maintenance, and other contractual services contributed \$10.9 million to this increase, which is primarily

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attributed to an increase in security, ground transportation, operations, parking, capital planning and operations expenses for consulting and professional services in fiscal year 2019 compared to 2018. Salaries and employee benefits expenses decreased by \$3.5 million in comparison to fiscal year 2018. Other operating expenses increased by \$3.5 million in comparison to fiscal year 2018. This increase was driven by increases in legal expenses, and fuel facility costs, and were offset by a reduction in major maintenance type expenses. Depreciation and amortization expenses increased by \$4.0 million year over year, which is attributable to a net increase of \$140.4 million of depreciable assets during fiscal year 2019.

The restricted portion of DOA's Net Position represents bond reserve funds that are restricted under the bond ordinance related to aviation debt, and capital projects restricted by Federal PFC regulations for the purposes authorized including the payment of future indebtedness. Major components of the Airport's construction in process are concourse projects, airfield and runway projects, concourse transportation system (AGTS), terminal/passenger projects and security/operations projects.

Financial Analysis of the Government's Funds

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

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

As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$959.3 million, an increase of \$5.9 million or 0.6%. The increase was primarily due to additional property taxes and local option taxes. Unassigned fund balance is available for spending at the City's discretion. As of June 30, 2019, the unrestricted fund balance is the combination of unassigned fund balance of \$117.7 million and assigned fund balance of \$14.9 million and totals \$132.6 million.

The General Fund is the chief operating fund of the City. During fiscal 2019, the fund balance of the general fund increased by \$15.3 million or 8.6% to \$194.2 million. The increase in fund balance of \$15.3 million was primarily due to additional property tax revenues of \$10 million related to new construction, other revenues of \$7 million, local option sales taxes \$8 million, building permitting activity \$5 million offset by over expenditures of \$7 million related to overtime and \$8 million mainly related to personnel expenses and utilities offset by operational efficiencies.

The Capital Project Fund has numerous projects ongoing to address the infrastructure and facilities maintenance backlog of approximately \$900 million. Funding is primarily from the General Obligation bond issued in fiscal year 2015.

CITY OF ATLANTA, GEORGIA

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Financial Analysis - Government Funds, continued

General Fund Budgetary Highlights

The General Fund is used to account for all activities of the City not otherwise accounted for by a specified fund. It is also the largest of the City's funds, comprised of mostly general tax revenues and provides basic city services such as Police, Fire & Rescue, and Parks & Recreation Services. Each departmental expenditure budget must be developed and justified each year during the legally required budget adoption process. Total 2019 General Fund revenues on a generally accepted accounting principles (GAAP) basis were \$619.0 million, \$20.5 million more than the final budget of \$598.5 million. Fiscal year 2019 final revenue budget does not include prior year fund balance. Current year property taxes were \$218.9 million which was \$9.8 million more than budget. Local option sales taxes totaled \$116.7 million which was \$8.0 million more than budget. Licenses and permits revenue of \$123.3 million was \$5.0 million more than budget. The Hotel-Motel transfer-out excise tax is budgeted as transfer-in revenue and amounted to \$21.3 million, an increase of \$1.7 million compared to \$19.6 million in fiscal year 2018.

Total 2019 General Fund expenditures on a GAAP basis were \$608.3 million, which was 13.1 million or 2.2% more than the final budgeted expenditures. An adjustment of \$13.1 million, (indicated on page 164) was made to correct the budget variance. The Department of Fire exceeded their budget due mainly to increased overtime costs. The Department of Parks and Recreation exceeded their budget primarily due to increased park maintenance. Additionally, the Department of Atlanta Information Management was over budget mainly due to post cyber incident costs.

Capital Assets and Debt Administration

Table 5 - Capital Assets Schedule (in thousands):

Capital assets, net of depreciation, for the governmental and business-type activities are as follows:

	Government Activities		Business-type Activities		Total Primary Government Total	
	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018
Land	\$ 228,804	\$ 228,020	\$ 994,565	\$ 994,102	\$ 1,223,369	\$ 1,222,122
Land improvements	17,818	20,064	1,739,433	1,815,119	1,757,251	1,835,183
Buildings and building improvements	289,503	303,274	7,175,053	7,195,398	7,464,556	7,498,672
Other property and equipment	70,071	73,658	312,504	318,271	382,575	391,929
Infrastructure	306,674	338,610	—	—	306,674	338,610
Construction in progress	202,724	155,430	1,731,667	1,186,746	1,934,391	1,342,176
Total	\$ 1,115,594	\$ 1,119,056	\$ 11,953,222	\$ 11,509,636	\$ 13,068,816	\$ 12,628,692

CITY OF ATLANTA, GEORGIA

Management's Discussion and Analysis (Unaudited) June 30, 2019

Capital Assets and Debt Administration, continued

Long-term debt balances for governmental and business-type activities are as follows:

Table 6 - Long-Term Debt Schedule (in thousands):

	Government Activities		Business-type Activities		Total Primary Government Total	
	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018	As of June 30, 2019	As of June 30, 2018
General obligation and annual bonds	\$ 299,095	\$ 325,430	\$ —	\$ —	\$ 299,095	\$ 325,430
Premium on bonds	26,520	30,052	—	—	26,520	30,052
Certificate of participation	67,405	70,685	—	—	67,405	70,685
Premiums	8,139	9,353	—	—	8,139	9,353
APSIFA revenue bonds	22,495	24,850	—	—	22,495	24,850
Premiums	2,701	3,382	—	—	2,701	3,382
SWMA revenue refunding bonds	5,885	7,665	—	—	5,885	7,665
Limited obligation bonds	373,300	431,900	—	—	373,300	431,900
Premium on bonds	14,265	22,000	—	—	14,265	22,000
Section 108 loans	220	440	—	—	220	440
Other general long-term obligations	41,644	42,469	—	—	41,644	42,469
Intergovernmental agreements	424,503	452,845	—	—	424,503	452,845
Notes Payable	982	—	—	—	982	—
Water and Wastewater Revenue Bonds	—	—	2,821,475	2,727,860	2,821,475	2,727,860
Bond issuance discounts	—	—	(1,631)	(4,391)	(1,631)	(4,391)
Bond issuance premiums	—	—	281,788	231,722	281,788	231,722
GEFA notes payable	—	—	193,165	201,680	193,165	201,680
Airport Facilities Revenue Bonds	—	—	2,318,260	2,452,970	2,318,260	2,452,970
Issuance premiums	—	—	98,893	112,536	98,893	112,536
Issuance discounts	—	—	(106)	(123)	(106)	(123)
Bond anticipation notes	—	—	—	300,000	—	300,000
Capital lease obligation (equipment)	—	—	12,570	1,591	12,570	1,591
City Plaza	—	—	8,585	8,915	8,585	8,915
Premiums	—	—	893	988	893	988
Parking Deck	—	—	14,030	14,850	14,030	14,850
Premiums	—	—	1,950	1,917	1,950	1,917
Capital Leases:						
General fund	30,050	37,406	—	—	30,050	37,406
Water and Wastewater System	—	—	143,924	130,691	143,924	130,691
Aviation	—	—	8,498	9,300	8,498	9,300
Parking Deck	—	—	—	—	—	—
Underground Atlanta	—	—	—	—	—	—
Total	\$ 1,317,204	\$ 1,458,477	\$ 5,902,294	\$ 6,190,506	\$ 7,219,498	\$ 7,648,983