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Given Better Finances, Atlanta Hopes for Upgrade -Official

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Atlanta has made significant financial strides over the past three years, **and** while challenges remain, the city is hopeful for a ratings upgrade in the near future, an **Atlanta** official said Wednesday.

"If you take our fundamentals **and** lay them against [other] cities of our size, we should be double A," Chief Financial Officer Jim Beard told members of the Southern Municipal Finance Society in **Atlanta**. "Putting that fiscal discipline in **and** making the hard choices ... is what got us here."

Atlanta is already rated in the double-A category by Moody's Investors Service at Aa2, but Standard & Poor's rates it single A. Given **Atlanta's** improved fiscal situation, both rating agencies changed their outlooks on the city to "stable" from "negative." Moody's made the change in June **and** S&P in March.

By cutting costs **and** raising some fees **and** taxes, **Atlanta** has been able to rebuild its reserves, after spending them down in recent years to support general operations, according to Moody's. The city's general fund balance was \$94.4 million in fiscal 2011, or about 18% of its revenue, versus a low of \$7.4 million, or 1.6% of revenue, in fiscal 2009, the ratings agency said.

Mr. Beard said the city plans to have that percentage up to 20% for fiscal 2013. Public safety is also a priority. According to Mr. Beard's presentation, the city has hired more than 525 police officers in the last few years. For fiscal 2013, the city plans to swear in 41 additional officers, increasing the size of the police force to 2,000, according to the presentation.

"All this stuff takes a lot of discipline," he said of the city's work to improve its finances. "We're going to work to keep the momentum going."

In addition to improving its reserve fund balance, **Atlanta** implemented significant pension reform in 2011, which is expected to save the city about \$277 million over the next 10 years **and** improve its plans' funded positions, Moody's said in June.

According to Moody's, before the city's pension changes **and** as of January 2011, the police **and** firefighter funds were funded 66% **and** 65.8%, respectively. As of July 1, 2010, **Atlanta's** general employee plan had a funded ratio of 53%.

To be sure, like other U.S. cities, **Atlanta** has been through its share of tough times **and** still faces challenges. The city's unemployment rate, at 9.3% as of July, is higher than the national rate of about 8%, according to the U.S. Bureau of Labor Statistics.

The city also has suffered from the housing bust. The **Atlanta** metropolitan area, as of July, had a foreclosure rate of one in every 283 housing units, the 11th highest of 212 U.S. metro areas with populations of 200,000 or more, according to RealtyTrac.

Mr. Beard said that, anecdotally, **Atlanta** has seen some improvement in its housing market recently, with "firming" pricing in some parts of town. He also noted that the state of Georgia's revenue had increased recently, which he hoped "might trickle down to us."

He added that the city's more stable management also should curry favor with rating agencies **and** investors, noting his CFO position had seen a lot of turnover, changing five times in the past seven years. Mr. Beard has held his current position since last year.

"Wall Street doesn't like" a lot of change in management, he said. Now, "everyone knows, that's Jim, the **Atlanta** guy."

Atlanta's improving financial condition has some investors reconsidering buying the city's debt. Kevin Woods, principal at Asset Preservation Advisors in **Atlanta**, said his firm hasn't bought the city's bonds in about a decade, but that could change if **Atlanta's** fiscal trajectory continues upward.

"We've seen a major difference in leadership," he said. Still, Mr. Woods noted **Atlanta's** days' cash on hand, at around 50 days, could stand to see some improvement, as most double-A-rated cities have around 90 days' cash available. Meantime, he also wants to see the city's transportation situation improved. State residents voted down a sales-tax hike earlier this year that would have helped fund transportation improvements around Georgia, **and** in **Atlanta** in particular.

"It takes me 45 minutes to get home from work, **and** I live nine miles away," he said. "If **Atlanta** wants to keep growing, it's got to figure out its transportation issues."

The **Atlanta** metro area is home to 5.3 million people, according to Moody's. It has the world's busiest airport, Hartsfield-Jackson, **and** the city is the headquarters of 13 Fortune 500 companies, the third highest concentration in the country, Moody's said.

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