

## CREDIT OPINION

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# City of Cookeville, TN

## New Issue

### Summary

Cookeville, TN (Aa1) benefits from a strong financial position, conservative budgeting and prudent fiscal management. The city has historically maintained very healthy reserve and liquidity levels, a trend which continues given ongoing strong local tax revenue collections. The city also benefits from a diverse and growing local economy, which acts as a regional economic hub for the upper Cumberland region, and a highly manageable leverage position. These benefits are somewhat offset by the city's below-average resident income levels.

### Credit strengths

- » Robust financial reserves and liquidity
- » Affordable long-term liabilities
- » Diverse and growing economic base

### Credit challenges

- » Below average resident wealth metrics

### Rating outlook

We do not assign outlooks to local government issuers with this amount of debt outstanding.

### Factors that could lead to an upgrade

- » Improved resident income levels with MHI 110% or higher
- » Evolving into a major economic hub for middle Tennessee
- » Maintenance of strong financial ratios and affordable debt metrics

### Factors that could lead to a downgrade

- » Increase in long-term liabilities ratio to 200% or higher
- » Deterioration of financial position, with available fund balance ratio decreasing below 40% of annual revenues

## Key indicators

Exhibit 1

### Cookeville (City of) TN

	2021	2022	2023	2024	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	74.2%	75.2%	72.7%	N/A	114.1%
Full Value (\$000)	\$3,477,648	\$3,684,679	\$3,836,159	\$5,267,595	\$2,888,367
Population	34,068	34,967	35,544	N/A	22,430
Full value per capita (\$)	\$102,080	\$105,376	\$107,927	N/A	\$125,640
Annual Growth in Real GDP	6.5%	2.1%	1.3%	N/A	2.0%
<b>Financial Performance</b>					
Revenue (\$000)	\$127,067	\$142,423	\$159,275	\$157,373	\$52,335
Available fund balance (\$000)	\$102,855	\$114,935	\$129,907	\$148,026	\$29,526
Net unrestricted cash (\$000)	\$97,912	\$115,394	\$130,001	\$150,865	\$41,432
Available fund balance ratio (%)	80.9%	80.7%	81.6%	94.1%	57.1%
Liquidity ratio (%)	77.1%	81.0%	81.6%	95.9%	79.6%
<b>Leverage</b>					
Debt (\$000)	\$24,697	\$30,138	\$38,723	\$44,092	\$37,305
Adjusted net pension liabilities (\$000)	\$124,915	\$63,243	\$43,970	\$42,623	\$45,496
Adjusted net OPEB liabilities (\$000)	\$54,455	\$44,484	\$26,854	\$25,890	\$4,376
Other long-term liabilities (\$000)	\$1,524	\$3,898	\$4,001	\$4,306	\$1,726
Long-term liabilities ratio (%)	161.8%	99.5%	71.3%	74.3%	210.2%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$1,688	\$1,732	\$2,105	\$2,690	\$2,477
Pension tread water contribution (\$000)	\$2,949	\$469	\$1,640	N/A	\$1,199
OPEB contributions (\$000)	\$1,335	\$1,418	\$1,235	\$1,286	\$179
Implied cost of other long-term liabilities (\$000)	\$108	\$107	\$272	\$278	\$115
Fixed-costs ratio (%)	4.8%	2.6%	3.3%	3.7%	9.6%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Putnam County, Tennessee.

Sources: US Census Bureau, Cookeville (City of) TN's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

The City of Cookeville is the county seat of Putnam County, located in north central Tennessee, approximately 80 miles east of Nashville.

## Detailed credit considerations

Cookeville, TN's local economy is expected to continue its trend of growth in the coming years which will lend to further property tax and sales tax growth. The city serves as an economic hub within the Upper Cumberland region of the state, drawing on a diverse range of industries to sustain its local economy. Key sectors include manufacturing, retail, healthcare, and education, each contributing to the city's economic landscape. In particular, education plays a significant role in Cookeville's economic makeup, primarily through Tennessee Tech University (TTU). Additionally, the healthcare sector in Cookeville is anchored by the Cookeville Regional Medical Center (CRMC), a comprehensive healthcare facility that serves as a major employer in the area with over 2,200 employees. Tax base growth continues throughout the city and full value per capita has grown to \$148,199 as of fiscal 2024. Resident wealth and income metrics in the city have been increasing moderately but are below average with median household income (MHI, adjusted for regional price parity) of 72.7% of the US MHI, although this figure is somewhat skewed given the large student population in the city.

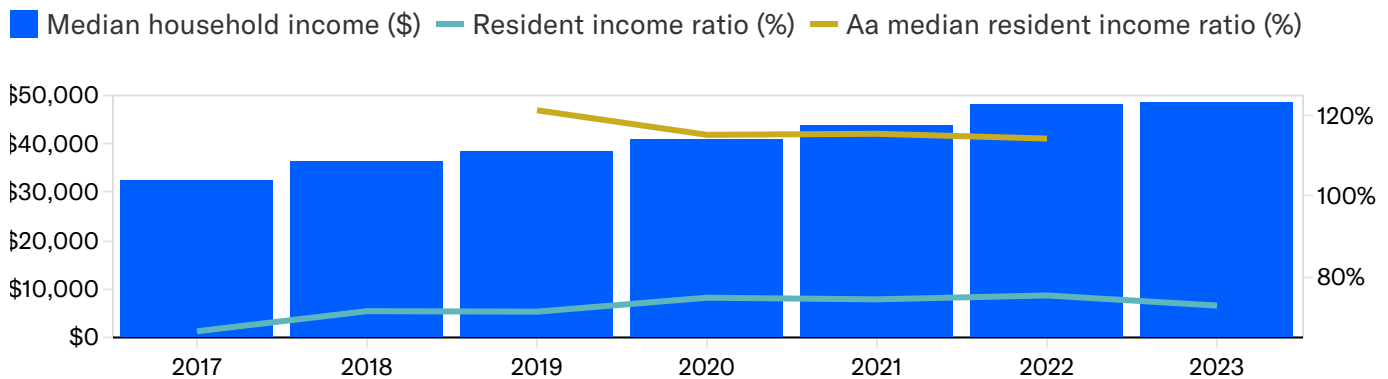
The city's financial position is strong and is expected to remain so going forward given management's prudent fiscal management. As of fiscal 2024, the city had a healthy available fund balance ratio of 94.1% of annual revenues and a liquidity ratio of 95.9% of annual revenues. Increases in fund balance during fiscal 2024 can be attributed to both conservative budgeting and solid revenue collections (local option sales tax and property taxes being the largest sources). Business type activities (which include electric, gas, water & sewer)

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which make up approximately 64% of annual revenues, remain strong as well and consistently record surplus operations. Management anticipates fiscal 2025 (FYE 6/30) ended on another positive note and projects that General Fund reserves and cash balances will decrease modestly due to a land purchase. The fiscal 2026 budget is in line with previous years and includes the purchase of a new fire truck (at an estimated cost of \$2.2 million), which could modestly decrease reserves again depending on overall budget performance.

The city's leverage position is modest and will continue to remain low despite additional debt borrowings in the near term. As of fiscal year-end 2024, the city's long-term liabilities ratio and fixed cost ratio was 74.3% and 3.7%, respectively. The long-term liabilities ratio will increase going forward given a Series 2024 bond issue, the addition of the current Series 2025 issue and an expected \$16 million debt issue in fiscal 2026, but will most likely remain around 100% of annual revenues, a figure which is highly manageable.

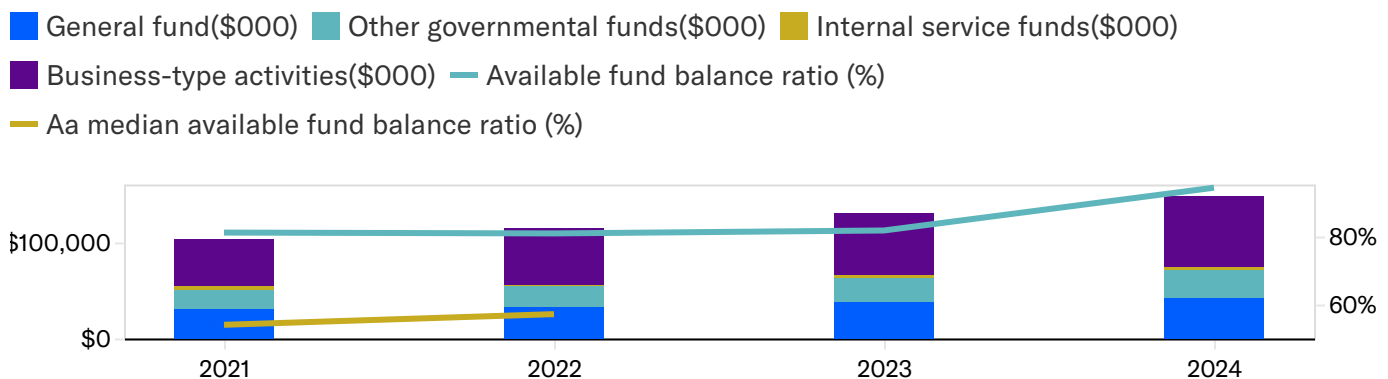
Exhibit 2

**Resident Income is below average for rating category**

Source: Moody's Ratings

**Financial operations**

Exhibit 3

**Fund Balance continues to grow**

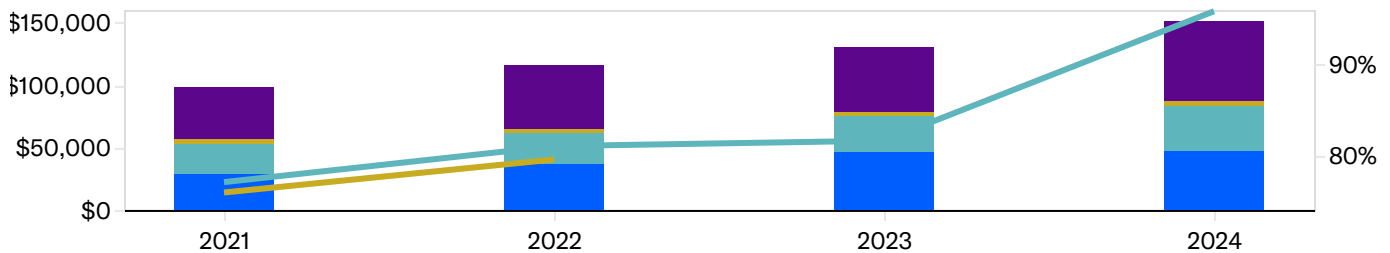
Source: Moody's Ratings

## Liquidity

Exhibit 4

### Cash remains strong

■ General fund 
 ■ Other governmental funds 
 ■ Internal service funds 
 ■ Business-type activities  
— Liquidity ratio (%) 
 — Aa median liquidity ratio (%)



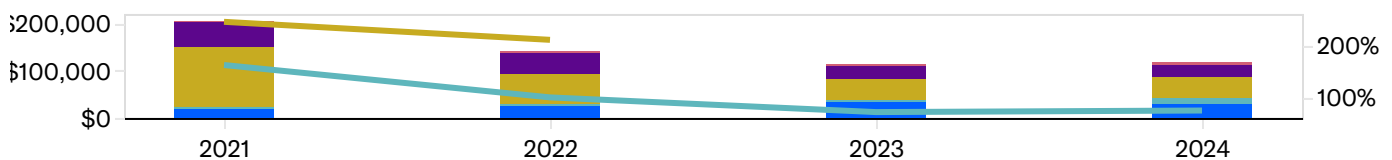
Source: Moody's Ratings

## Leverage

Exhibit 5

### Total Primary Government - Long Term Liabilities

■ Governmental Debt(\$000) 
 ■ Business-Type Activity Debt(\$000)  
■ Adjusted net pension liabilities(\$000) 
 ■ Adjusted net other post-employment liabilities(\$000)  
■ Other long-term liabilities(\$000) 
 — Long-term liabilities ratio (%)  
— Aa median long-term liabilities ratio (%)



Source: Moody's Ratings

## ESG considerations

### Environmental

Environmental considerations do not present a material risk to the city's credit profile. According to data from Moody's ESG Solutions, the city has higher exposures to heat stress and wildfires. This risk is however minimized by the city's historically healthy financial position and prudent management which provides added flexibility to respond to contingencies and resilience against short-term shocks.

### Social

Social issues are unlikely to pose a material credit risk over the near-term.

### Governance

The city is generally conservative with its operations and active in managing operations to generate strong finances.

Tennessee Cities have an institutional framework score of Aaa. The sector has one or more major revenue sources that are not subject to any caps. Revenue predictability is typically highly stable and predictable. Across the sector, fixed and mandated costs tend to be highly stable and predictable with minor fluctuations under 5% annually.

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 6

### Cookeville (City of) TN

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	72.7%	10.0%	Baa
Full value per capita	148,199	10.0%	Aa
Economic growth metric	0.3%	10.0%	Aaa
<b>Financial Performance</b>			
Available fund balance ratio	94.1%	20.0%	Aaa
Liquidity ratio	95.9%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aaa	10.0%	Aaa
<b>Leverage</b>			
Long-term liabilities ratio	74.3%	20.0%	Aaa
Fixed-costs ratio	3.7%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
<b>Assigned Rating</b>			<b>Aa1</b>

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Putnam County, Tennessee Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Cookeville (City of) TN's financial statements and Moody's Ratings

## Appendix

Exhibit 7

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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