MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns a Aa2 rating to Johnson City, TN's Series 2025 GO Bonds

15 Oct 2025

New York, October 15, 2025 -- Moody's Ratings (Moody's) has assigned a Aa2 general obligation unlimited tax (GOULT) rating to Johnson City (City of) TN's proposed $54 million General Obligation Bonds, Series 2025. Concurrently, we have affirmed the city's Aa2 issuer rating and the Aa2 rating on its outstanding GOULT bonds and assigned a negative outlook. Post issuance the city will have approximately $266 million of debt outstanding.

RATINGS RATIONALE

The Aa2 issuer rating reflects a significant near term decline in governmental reserves related to a fiscal 2025 lawsuit settlement. As of fiscal 2024, the city's available fund balance ratio was 27% of annual revenues. Overall available fund balance is projected to decline in fiscal 2025 by an estimated $23 million after the lawsuit payment; the majority of which ($19.3 million) will be drawn from unassigned General Fund balance. The remaining $3.7 million will be paid out of the city's "rainy day" fund which has an outstanding restricted balance of $21.8 million. Although the "rainy day" fund balance is reported as restricted in the audit, management retains discretion over its use, providing additional financial flexibility. Officials anticipate rebuilding unassigned General Fund balance in fiscal 2026 and beyond.

The rating also takes into consideration the city's growing economic base with a solid full value per capita ($154,000 in fiscal 2024) and below average resident incomes. Long-term liabilities are currently manageable at 141.5% of fiscal 2024 revenues and will grow moderately in fiscal 2027 with the expectation of a new debt issuance.

The absence of distinction between the Aa2 issuer rating and GOULT rating reflects the city's general obligation full faith and credit pledge

RATING OUTLOOK

The negative outlook reflects an expected decline in governmental reserves and liquidity in fiscal 2025 due to the payment of an outstanding lawsuit. Uncertainty surrounding the city's ability to rebuild fund balances to prior levels will remain over the near term and if reserves are not replenished, downward rating pressure could occur.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Increase in resident incomes above 100%

- Full value per capita above $180,000

- Increases in available fund balance ratios above 35%

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Failure to rebuild unassigned general fund balance following lawsuit payout.

- Further significant lawsuits

- Increase in long-term liabilities above 200% of revenue.

PROFILE

The City of Johnson City is in the ridge and valley area of northeastern Tennessee (Aaa stable). The city is located principally in Washington County (Aa2), but also includes portions of Carter (Aa3) and Sullivan (Aa2) Counties. The City of Johnson City has a population of approximately 71,455 as of 2023.

METHODOLOGY

The principal methodology used in these ratings was US Cities and Counties published in July 2024 and available at https://ratings.moodys.com/rmc-documents/425429. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

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James Murphy
Lead Analyst

Orlie Prince
Additional Contact

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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