

Research Update:

Harriman, TN Series 2025 Electric System And Revenue And Tax Bonds Rated 'A+'; GO Debt Rating Affirmed; Outlook Stable

November 14, 2025

Overview

- S&P Global Ratings assigned its 'A+' long-term rating to [Harriman](#), Tenn.'s roughly 7.5 million series 2025 electric-system and revenue-and-tax bonds.
- At the same time, we affirmed our 'A+' long-term rating and underlying rating (SPUR) on the city's existing general obligation (GO) debt.
- The outlook is stable.

Rationale

Security

The bonds are payable from, and secured by, a pledge of net revenue from the operation of the city's electric-distribution system on behalf of the city by Harriman Utility Board. This is subject to the payment of reasonable and necessary costs of operating, maintaining, repairing, and insuring the system and, in the event of a deficiency in such revenue, from unlimited ad valorem taxes levied on all taxable property in the city.

We rate the series 2025 bonds to the city's full-faith-and-credit pledge, including Harriman's ability to levy ad valorem property taxes without limitation as to rate or amount, which we view as the stronger pledge. In our view, the city electric system's credit quality is weaker than Harriman's GO pledge. Therefore, we use our criteria, "[Methodology: Rating Approach To Obligations With Multiple Revenue Streams](#)," Nov. 29, 2011, to analyze the two pledges' strength.

Harriman intends to use series 2025 bond proceeds to continue to make improvements to the electric system, including additional fiber installations.

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Credit highlights

The rating reflects Harriman's healthy finances, characterized by typically positive financial results, credit-supportive reserves, and manageable debt. At the same time, the city's poorly funded pension liabilities and a limited economic profile compared with those of higher-rated peers somewhat constrain the rating.

The city is currently undergoing various large economic development initiatives, including a hotel project, residential housing, and a potential manufacturing plant. To meet service needs associated with the prospective growth, the district and the utility board have invested in electric improvements mostly relating to the fiber provision and broadband systems. The district expects to borrow an additional \$10 million in the next year, which we have accounted for in our analysis, and do not expect it to materially impair the city's creditworthiness.

Apart from a planned draw on reserves in fiscal 2024 for capital outlays, the city has consistently generated positive operating results. Estimated fiscal 2025 results indicate a \$1 million surplus, which will contribute to fund balance growth. The fiscal 2026 budget totals \$13.2 million and includes a \$1 million fund balance appropriation for one-time capital. Given the city's conservative budgeting practices, we expect that its financial profile will remain at current levels or better and continue to support the rating.

The rating also reflects our opinion of Harriman's:

- Limited tax base with comparably lower income and economic output metrics that will likely continue to constrain the rating. Harriman is in eastern Tennessee, approximately 42 miles west of Knoxville and 82 miles north of Chattanooga. Although Roane County's property tax base is diverse, employment is somewhat concentrated in the professional-and-business service sector at nearly 50%. Harriman residents have access to labor opportunities in the county, specifically the two U.S. Department of Energy facilities: Oak Ridge National Laboratory and Y-12 National Security Complex, which we think provides some employment stability to the local economy.
- Conservative and effective budget construction with more formal reserve and debt policies. We note the presence of monthly budget monitoring and use of long-term historical trend analysis when developing the budget. Officials do not currently maintain formal multiyear financial or capital planning.
- Steady operations contributing to the maintenance of healthy reserves that have improved nominally during the past decade, which we expect the city will maintain. Officials attribute the positive performance to cautious assumptions and a favorable revenue environment, particularly related to recent growth in local sales taxes. The city's leading fiscal 2024 revenue source was local sales taxes, at nearly 49% of general fund revenue, followed by property taxes at 14% and state aid at 13%.
- Approximately \$30.4 million in net direct debt outstanding, including this issuance, with slow amortization and a moderate debt burden. Given medium-term debt plans, we expect that current costs could increase, which we account for in our analysis.
- History of overfunding its full annual pension contribution requirements over the past few years, despite somewhat weak funding levels for the HUB pension plan of 57.2%. This is somewhat offset by a net pension asset in the Tennessee Consolidated Retirement System, an agent multiple-employer, defined-benefit pension plan that is 102% funded.
- For more information on our institutional framework assessment for Tennessee municipalities, see: "[Institutional Framework Assessment: Tennessee Local Governments](#)," Sept. 11, 2024.

Environmental, social, and governance

We reviewed the city's environmental, social, and governance factors and consider them to be neutral in our analysis.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that Harriman will likely maintain healthy reserves and consistent operating results that can support its additional debt needs.

Downside scenario

We could lower the rating if operating performance deteriorates for any reason, decreasing reserves or liquidity to levels we no longer consider commensurate with those of similar-rated peers.

Upside scenario

We could raise the rating if Harriman's economic metrics improve materially while it maintains healthy reserves and reduces pension obligations.

Credit Opinion

Electric fund

While the rating reflects the city's credit factors, we also evaluated the electric system. Our observations are below.

The electric system's key credit characteristics include serving a relatively small customer base (11,200 customers) with below-average incomes; 65% of median household effective buying income in fiscal 2024. Coupled with above-average electric rates--at 110% of the state average in fiscal 2024, according to data from the Energy Information Administration--these factors limit the utility's revenue-raising flexibility, in our view.

We consider the utility's entry into the competitive telecommunications business as presenting additional operating risk that could weaken rate affordability and pressure finances, particularly if it acquires fiber-to-the-home customers below its forecast take rates of 30%-40%. The city reports it is currently serving the first phase of test customers and expects to begin billing for fiber service by the end of the year.

While fixed-charge-coverage (FCC) has remained healthy, averaging 1.35x during the past three fiscal years, we believe it could decline as the electric utility supports fiber buildout and operations. Management reported \$3.5 million of unrestricted system liquidity at unaudited fiscal year-end 2025, down from \$7.4 million in fiscal 2024, largely from subsidizing the fiber system buildout through interfund loans.

Harriman, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.98
Economy	6.0
Financial performance	2

Harriman, Tennessee--credit summary

Institutional framework (IF)	1
Reserves and liquidity	1
Management	2.40
Debt and liabilities	3.50

Harriman, Tennessee--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GDP per capita % of U.S.	74	--	74	76
County PCPI % of U.S.	76	--	76	76
Market value (\$000s)	669,870	563,279	542,547	401,959
Market value per capita (\$)	107,437	90,341	89,618	66,275
Top 10 taxpayers % of taxable value	0.1	0.2	0.2	0.2
County unemployment rate (%)	3.8	3.8	3.6	3.7
Local median household EBI % of U.S.	65	65	66	65
Local per capita EBI % of U.S.	79	79	79	78
Local population	6,235	6,235	6,054	6,065
Financial performance				
Operating fund revenues (\$000s)	--	6,927	6,805	7,709
Operating fund expenditures (\$000s)	--	7,733	9,002	7,837
Net transfers and other adjustments (\$000s)	--	616	2,274	499
Operating result (\$000s)	--	(190)	77	371
Operating result % of revenues	--	(2.7)	1.1	4.8
Operating result three-year average %	--	1.1	2.5	4.9
Reserves and liquidity				
Available reserves % of operating revenues	--	44.4	47.9	48.1
Available reserves (\$000s)	--	3,073	3,262	3,709
Debt and liabilities				
Debt service cost % of revenues	--	4.9	5.2	4.1
Net direct debt per capita (\$)	4,876	2,295	2,504	2,514
Net direct debt (\$000s)	30,400	14,311	15,158	15,248
Direct debt 10-year amortization (%)	35	65	69	--
Pension and OPEB cost % of revenues	--	13.0	14.0	15.0
NPLs per capita (\$)	--	798	835	808
Combined NPLs (\$000s)	--	4,974	5,058	4,898

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$7.5 mil elec sys rev & tax bnds ser 2025 due 06/01/2055

Ratings List

Long Term Rating	A+/Stable
Ratings Affirmed	
Local Government	
Harriman TN Unlimited Tax Pledge	A+/Stable
Pooled	
Harriman, TN Strong Link Unlimited Tax General Obligation and Electric System Revenues	A+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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