

Research Update:

Jefferson City, TN Series 2025 Unlimited-Tax GO Bonds Rated 'AA-'; Outlook Is Stable

November 26, 2025

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to [Jefferson City](#), Tenn.'s \$5.3 million series 2025 unlimited-tax general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA-' rating on the city's existing debt.
- The outlook is stable.

Rationale

Security

The series 2025 bonds will be secured by the city's full faith and credit, including its ability to levy ad valorem property taxes without limitation as to rate or amount. Bond proceeds will be used to fund the construction of new buildings and the purchase of new vehicles and equipment for the city's fire department.

Credit highlights

The 'AA-' rating is supported by Jefferson City's consistent and strong budgetary surpluses, with very healthy general fund reserves, and its favorable debt burden. The rating is constrained by the city's weak local economy, with below-average incomes despite its slightly growing population.

Jefferson City has demonstrated strong positive financial performance, with general fund surpluses of more than 4.4% of revenues in each of the past six fiscal years. City officials attributed these surpluses to its conservative approach to budgeting and efforts to minimize expenditure growth while revenues have steadily increased due to new developments and property value appreciation. These consistent surpluses have contributed to steady growth in the city's general fund reserves. City officials noted that reserves might decline slightly in the next few years because they plan to cash-fund the purchase of a new fire truck (a roughly \$2 million

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expense), although we expect the city's reserves will remain very healthy on a nominal and relative basis for the foreseeable future.

The 'AA-' rating also reflects our view of the following:

- Located in Jefferson County in northeast Tennessee, Jefferson City's local economy is limited, with gross county product and per capita personal income metrics below U.S. averages. Local effective buying incomes are also lower than the county and U.S. averages, further constraining our view of the city's economy. Major industries in the area include manufacturing, trucking and distribution, and city officials noted that the area's top taxpayers and employers are stable. The local population has been growing steadily, albeit at a slower pace than the county, which has led to some new residential and commercial developments and steady growth in assessed value. The city is also home to Carson-Newman University, and the student enrollment comprises about 33% of the city's overall population.
- The city's financial performance has been consistently positive, which management attributes to its conservative budgeting practices and expenditure controls. For fiscal 2025 (June 30th), the city budgeted for a deficit of about \$300,000 but expects to finish the year (audited financial results pending) with a surplus of about \$800,000 (approximately 5% of revenues). The city budgeted conservatively for a deficit of about \$500,000 in fiscal 2026, although we expect the city will outperform expectations and end the year with a breakeven or surplus result, consistent with its track record of outperforming expectations. We also expect Jefferson City will continue to post solid surpluses in the medium term.
- General fund reserves are very healthy on both a nominal and relative basis, and they have grown more than 60% in the past five years in line with the city's consistent surpluses. The city has a formalized policy to maintain at least 25% of annual expenditures in reserves, and they are well above it. Although city officials might draw on reserves in the near term to purchase a new fire truck, we expect reserves will remain very healthy on a nominal and relative basis over the medium-term.
- Jefferson City's management team uses robust budgeting practices, including line-item budgeting with twice-annual amendments and three years of historical data. The city also provides monthly budget-to-actual reports to the board. Jefferson City does not have a formalized long-term financial plan, although it maintains a comprehensive five-year capital improvement plan. There are formalized policies for debt, reserves, and investments. City officials have also implemented standard protocols to mitigate cyberrisk.
- The city's debt burden is favorable, although current costs are increasing slightly due to this issuance. Some of the city's existing debt is covered by revenues from its water and sewer system, although these utilities are well-performing, and coverage is strong at more than 1.6x. The city's pension plans are well-funded and are not a major budgetary pressure, and it might issue some debt for water-related infrastructure needs in the next few years, although management does not expect to substantially increase the city's overall debt and liabilities burden.
- 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 have reviewed the city's environmental, social, and governance factors and view them all as neutral in our analysis.

Outlook

The stable outlook reflects our expectation that Jefferson City's very healthy reserves will support financial stability over the two-year outlook period, supported by the city's track record of positive financial performance. The stable outlook also reflects our expectation that the city's local economy will remain very weak, but overall stable, and that its debt burden will remain near current levels.

Downside scenario

We could take a negative rating action if the city's financial performance materially worsens, leading to reserve drawdowns to levels that we no longer consider commensurate with those of peers.

Upside scenario

We could take a positive rating action if local economic metrics significantly improve, coupled with the maintenance of healthy reserves and surplus operating results.

Jefferson City, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.42
Economy	6.0
Financial performance	1
Reserves and liquidity	1
Management	2.35
Debt and liabilities	1.75

Jefferson City, Tennessee--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	45	--	45	47
County PCPI % of U.S.	71	--	71	69
Market value (\$000s)	1,045,433	1,015,576	667,412	618,922
Market value per capita (\$)	117,306	113,956	75,636	72,969
Top 10 taxpayers % of taxable value	17.2	15.6	19.6	20.5
County unemployment rate (%)	3.5	3.5	3.4	3.5
Local median household EBI % of U.S.	77	77	73	71
Local per capita EBI % of U.S.	73	73	69	66
Local population	8,912	8,912	8,824	8,482
Financial performance				
Operating fund revenues (\$000s)	--	14,932	12,162	11,952
Operating fund expenditures (\$000s)	--	13,921	11,012	12,441

Jefferson City, Tennessee--key credit metrics

	Most recent	2024	2023	2022
Net transfers and other adjustments (\$000s)	--	(346)	220	1,902
Operating result (\$000s)	--	665	1,370	1,413
Operating result % of revenues	--	4.5	11.3	11.8
Operating result three-year average %	--	9.2	13.1	12.1
Reserves and liquidity				
Available reserves % of operating revenues	--	92.6	108.2	98.3
Available reserves (\$000s)	--	13,823	13,156	11,751
Debt and liabilities				
Debt service cost % of revenues	--	4.9	7.0	7.2
Net direct debt per capita (\$)	2,965	1,500	1,634	1,766
Net direct debt (\$000s)	26,420	13,372	14,417	14,976
Direct debt 10-year amortization (%)	48	42	--	--
Pension and OPEB cost % of revenues	--	4.0	5.0	2.0
NPLs per capita (\$)	--	52	52	--
Combined NPLs (\$000s)	--	460	460	--

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\$5.3 mil GO bnds ser 2025 due 06/01/2050

Long Term Rating AA-/Stable

Ratings Affirmed

Local Government

Jefferson City, TN Unlimited Tax General Obligation AA-/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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