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**Rating Action: Moody's Ratings assigns Aa1 to Knoxville, TN Water Enterprise's \$18M Water System Revenue Bonds, Series PP-2026; outlook is stable**

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15 Dec 2025

New York, December 15, 2025 -- Moody's Ratings (Moody's) has assigned a Aa1 to the City of Knoxville, TN Water Enterprise's proposed \$18 million Water System Revenue Bonds, Series PP-2026. We also maintain the Aa1 rating on the system's outstanding rated parity debt. Post-sale the system will have approximately \$226 million in outstanding debt. The outlook is stable.

**RATINGS RATIONALE**

The Aa1 revenue rating reflects the well-managed financial operations of the water system that continues to provide for solid debt service coverage of 2.82 times (fiscal 2025). Liquidity has remained strong as well and was a solid 390 days at the end of fiscal 2025. The rating also takes into consideration the systems above-average but affordable debt profile. As of fiscal 2025, the enterprise's debt to operating revenues ratio was 2.62 times and management expects annual debt issuances in each of the next five years (estimated total of \$74M including current issuance).

The rating further reflects a mature service area in and around Knoxville that continues to experience growth, especially around the University of Tennessee and downtown areas.

**RATING OUTLOOK**

The stable outlook reflects the expectation that the system will continue to proactively review and adjust rates to maintain healthy financial metrics. The outlook also reflects the system's stable customer base and service area.

**FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING**

- Decrease in debt to operating revenues ratio to below 2.0 times annual revenues
- Ongoing strengthening of debt service coverage and liquidity levels
- Sizeable system growth

**FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING**

- Inability to implement rate increases sufficient to maintain sound financial metrics
- Decline in debt service coverage to below 1.8 times
- Reduced days cash on hand to below 200 days

**PROFILE**

The Knoxville Utilities Board (KUB) provides electric transmission and distribution, fiber broadband services, gas distribution, water treatment and distribution, and sewer collection and treatment to a population of 487,401 (2023 American Community Survey) located in the City of Knoxville (Aa1) and County of Knox (Aa1 stable).

**METHODOLOGY**

The principal methodology used in this rating was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416489>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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