

## CREDIT OPINION

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# Jefferson County, TN

Update to credit analysis following upgrade

## Summary

Jefferson County, TN is located in eastern Tennessee (Aaa stable), east adjacent to Knox County (Aa1 stable). The county's local economy is experiencing annual growth given its close proximity to Knoxville and ongoing residential and commercial development. The county's financial position is robust and has strengthened further in recent years given management's conservative budgeting practices and active control of operations, steady growth in local tax revenues. Furthermore, the county's long-term liabilities and fixed costs are manageable, however further debt issuances are in the near term.

## Credit strengths

- » Growing local economy with a diversified tax base
- » Strong financial position

## Credit challenges

- » Slightly below average socioeconomic indicators
- » Future planned debt issuances

## Rating outlook

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

## Factors that could lead to an upgrade

- » Material improvement in resident income indicators
- » Meaningful growth and diversification of taxable base that leads to full value per capita above \$200,000

## Factors that could lead to a downgrade

- » Material reduction in available fund balance ratio
- » Significant contraction of the local economy
- » Increase in long-term liabilities above 250%

## Key indicators

Exhibit 1

### Jefferson (County of) TN

	2022	2023	2024	2025	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	91.7%	91.6%	N/A	N/A	97.7%
Full Value (\$000)	\$5,923,263	\$6,104,713	\$8,901,511	\$9,220,435	\$10,410,077
Population	55,017	55,835	56,864	N/A	80,905
Full value per capita (\$)	\$107,662	\$109,335	\$156,540	N/A	\$119,268
Annual Growth in Real GDP	2.2%	1.8%	N/A	N/A	2.0%
<b>Financial Performance</b>					
Revenue (\$000)	\$50,442	\$63,523	\$62,748	\$64,198	\$110,305
Available fund balance (\$000)	\$43,538	\$54,551	\$61,456	\$72,144	\$50,530
Net unrestricted cash (\$000)	\$56,955	\$63,501	\$70,736	\$83,873	\$84,155
Available fund balance ratio (%)	86.3%	85.9%	97.9%	112.4%	44.6%
Liquidity ratio (%)	112.9%	100.0%	112.7%	130.6%	80.8%
<b>Leverage</b>					
Debt (\$000)	\$63,504	\$55,735	\$56,219	\$52,142	\$43,934
Adjusted net pension liabilities (\$000)	\$27,631	\$17,955	\$15,872	\$10,318	\$60,113
Adjusted net OPEB liabilities (\$000)	\$593	\$464	\$626	\$683	\$3,431
Other long-term liabilities (\$000)	\$3,579	\$4,263	\$4,525	\$4,509	\$4,165
Long-term liabilities ratio (%)	188.9%	123.4%	123.1%	105.4%	123.0%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$4,662	\$4,435	\$3,872	\$3,891	\$3,018
Pension tread water contribution (\$000)	\$315	\$734	\$826	N/A	\$2,301
OPEB contributions (\$000)	\$10	\$21	\$15	\$22	\$161
Implied cost of other long-term liabilities (\$000)	\$581	\$250	\$296	\$313	\$283
Fixed-costs ratio (%)	11.0%	8.6%	8.0%	7.9%	6.3%

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 Morristown, TN Metropolitan Statistical Area.

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

## Profile

Jefferson County is located in northeastern Tennessee. The county seat of Dandridge is approximately 30 miles east of Knoxville.

### Detailed credit considerations

Jefferson County, TN's credit profile reflects the county's strong financial position, underpinned by conservative budgeting practices, prudent management of operations, and sustained growth in local tax revenues. Over the past several years, management's disciplined approach has resulted in a materially strengthened balance sheet, with available fund balance increasing to 112.4% of operating revenues in fiscal 2025 from 86% in fiscal 2023. The improvement has been driven primarily by growth in property tax revenues, reflecting stable tax base expansion and effective revenue forecasting.

The county plans to utilize roughly \$12.5 million of its General Service Debt Fund over the next 3-5 years to finance renovations to their elementary school. While this will result in a modest drawdown, reserves are expected to remain at levels well above those of similarly rated peers, preserving ample flexibility to absorb potential operating pressures or economic volatility.

The rating also incorporates the county's steadily expanding local economy, supported by its proximity to the Knoxville metropolitan area, which provides access to employment opportunities and contributes to ongoing development. Resident income levels, while slightly below the national average, remain adequate and have demonstrated gradual improvement. The county has seen its full value per capita increase from \$109,000 in 2023 to \$162,000 in 2025 reflecting the growing tax base.

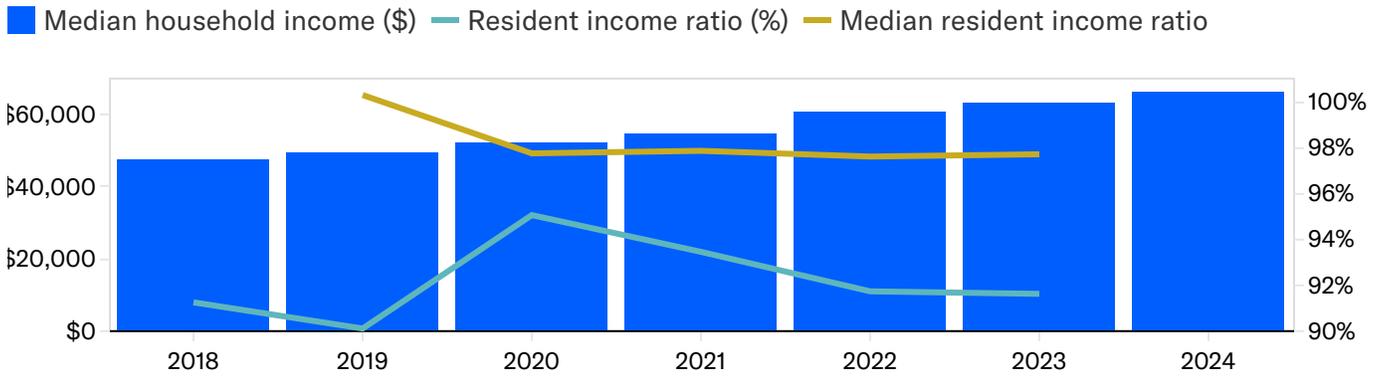
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Despite plans to issue additional debt to fund minor capital needs, the county's long term liabilities are expected to remain manageable. Debt levels are projected to stay moderate, with a rapid amortization profile and no outsized fixed cost burden. Overall, the county's strong financial reserves, sound management practices, and stable economic base support the Aa1 rating

**Economy**

Exhibit 2

**Resident Income**

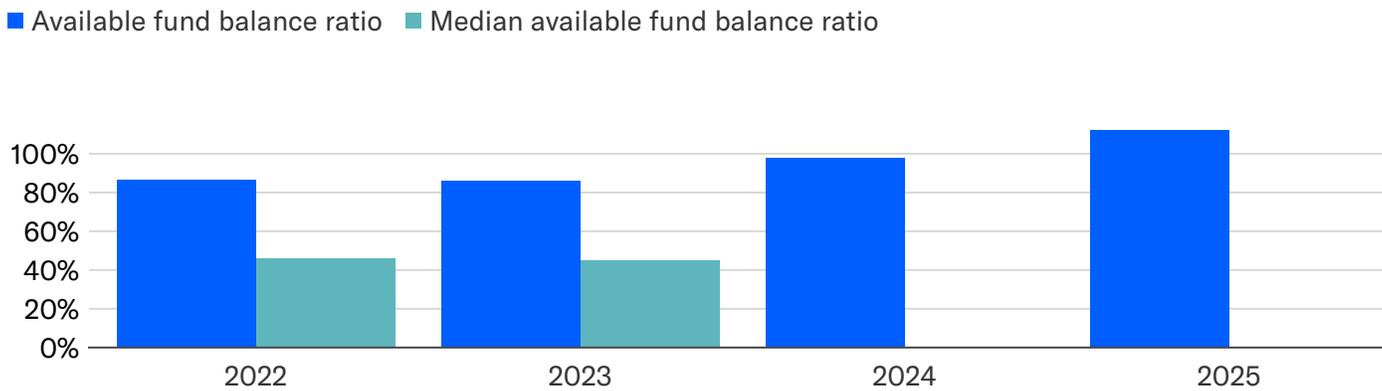


Source: US Census Bureau - American Community Survey 5-Year Estimates; US Bureau of Economic Analysis; Moody's Ratings

**Financial operations**

Exhibit 3

**Fund Balance Ratio**

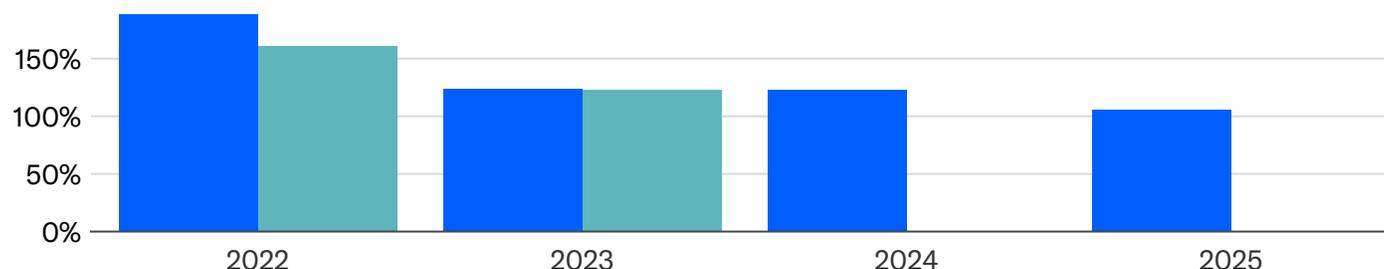


Source: Audited financial statements; Moody's Ratings

## Leverage

Exhibit 4  
Total Primary Government - Long Term Liabilities

■ Long-term liabilities ratio ■ Median long-term liabilities ratio



Source: Audited financial statements; Moody's Ratings

## ESG considerations

### Environmental

Jefferson County's overall environmental issuer profile score is low reflecting relatively low exposure to environmental risks across all categories, including physical climate risk, carbon transition, water management, natural capital and pollution risks. While Jefferson County does have higher exposure to heat stress and extreme rainfall, these risks are partially mitigated by solid management and a historically healthy fiscal position.

### Social

The county has a relatively stable population, moderately below average wealth and income levels and a lower cost of living compared to the rest of the nation. County residents have easy access to basic services and the county scores favorably in health and safety

### Governance

The county has solid operational and fiscal policies and maintains good transparency with its annual disclosures. This, plus a combination of a strong state-wide institutional framework and conservative budgeting, has allowed the county to maintain solid financial operations. The county maintains various debt and fiscal policies which will support continued financial health in the future. Timely annual financial statements and disclosures are also available to the general public.

Tennessee counties have an ample ability to match revenues to expenditures. Their primary operating revenue sources are property taxes, which are not subject to state-imposed caps and sales taxes and state aid, which mainly funds K-12 education provided by counties. Counties can generally implement cost cutting measures easily.

## 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 5

### Jefferson (County of) TN

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	91.6%	10.0%	A
Full value per capita	162,149	10.0%	Aa
Economic growth metric	0.6%	10.0%	Aaa
<b>Financial Performance</b>			
Available fund balance ratio	112.4%	20.0%	Aaa
Liquidity ratio	130.6%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aaa	10.0%	Aaa
<b>Leverage</b>			
Long-term liabilities ratio	105.4%	20.0%	Aa
Fixed-costs ratio	7.9%	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 Morristown, TN Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

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

## Appendix

Exhibit 6

### 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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