

CREDIT OPINION

13 April 2026



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City of Lebanon, TN

Update to credit analysis

Summary

Lebanon, TN (Aa2) benefits from a favorable location in the Nashville metro area, driving strong economic and tax base growth. The city also benefits from well-managed finances supported by ample reserves and liquidity. These benefits are somewhat offset by the below average resident income levels and the city's growing capitals needs that will require significant new debt.

Credit strengths

- » Exceptional financial position
- » Strong economic and tax base growth

Credit challenges

- » Material capital needs to drive above average leverage
- » Below average resident income levels

Rating outlook

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

Factors that could lead to an upgrade

- » Increase in the resident income ratio to at least 110%
- » Ability to maintain a long-term liabilities ratio below 150%

Factors that could lead to a downgrade

- » Decrease in the available fund balance ratio to 40% or lower
- » Increase in the long-term liabilities ratio to 320% or higher

Key indicators

Exhibit 1

Lebanon (City of) TN

	2022	2023	2024	2025	Aa Medians
Economy					
Resident income ratio (%)	87.8%	93.6%	93.7%	N/A	114.1%
Full Value (\$000)	\$6,415,208	\$6,492,049	\$9,870,016	\$10,785,587	\$3,130,196
Population	39,562	41,951	44,788	N/A	22,330
Full value per capita (\$)	\$162,156	\$154,753	\$220,372	N/A	\$140,110
Annual Growth in Real GDP	6.1%	4.7%	N/A	N/A	1.9%
Financial Performance					
Revenue (\$000)	\$110,592	\$115,169	\$121,896	\$128,233	\$57,424
Available fund balance (\$000)	\$116,264	\$120,166	\$115,985	\$109,710	\$31,108
Net unrestricted cash (\$000)	\$124,335	\$133,048	\$122,885	\$112,279	\$43,921
Available fund balance ratio (%)	105.1%	104.3%	95.2%	85.6%	56.8%
Liquidity ratio (%)	112.4%	115.5%	100.8%	87.6%	80.3%
Leverage					
Debt (\$000)	\$65,684	\$67,345	\$61,872	\$69,658	\$38,979
Adjusted net pension liabilities (\$000)	\$48,192	\$40,317	\$36,423	\$31,999	\$36,275
Adjusted net OPEB liabilities (\$000)	\$22,134	\$22,151	\$21,529	\$24,849	\$3,698
Other long-term liabilities (\$000)	\$1,847	\$1,860	\$1,987	\$2,488	\$1,773
Long-term liabilities ratio (%)	124.7%	114.3%	99.9%	100.6%	175.0%
Fixed costs					
Implied debt service (\$000)	\$4,759	\$4,587	\$4,678	\$4,282	\$2,605
Pension tread water contribution (\$000)	\$573	\$1,342	\$1,381	N/A	\$1,547
OPEB contributions (\$000)	\$735	\$1,015	\$1,079	\$964	\$167
Implied cost of other long-term liabilities (\$000)	\$112	\$129	\$129	\$138	\$122
Fixed-costs ratio (%)	5.6%	6.1%	6.0%	5.3%	9.6%

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 Nashville-Davidson--Murfreesboro--Franklin, TN.

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

Profile

The City of Lebanon is the county seat of Wilson County in north central Tennessee, approximately 25 miles east of downtown Nashville.

Detailed credit considerations

Lebanon, TN is a rapidly growing city in Wilson County with an estimated population of approximately 44,800 residents as of 2024, reflecting a strong annual compound growth rate of about 6.2% since 2019. Located roughly 30 miles east of downtown Nashville, Lebanon functions as a suburban and economic satellite of the Nashville metropolitan area, benefiting from commuter access via Interstate 40 and the Music City Star rail line. As regional growth continues to push outward from Nashville, Lebanon's local economy has steadily strengthened—supported by expanding residential, manufacturing, logistics, healthcare, and retail development—facilitating its transition from a small regional center to a more diversified suburban employment base. The city currently has strong development activity across all three major tax base components (residential, commercial, and industrial), which is expected to persist as nearby Nashville suburbs approach capacity and housing affordability pressures increase; Lebanon's comparatively lower cost of living has enhanced its competitiveness. Despite strong economic momentum, resident income levels remain below the national average, with adjusted median household income at approximately 93% of the U.S. level, though this represents a solid improvement from roughly 78% in 2016.

The city's financial position is excellent, supported by ample reserves and liquidity built during fiscal years 2021 and 2022, when sizeable operating surpluses were generated amid pandemic related shifts in consumer spending toward taxable goods and increased

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work from home activity that redirected household spending toward bedroom communities and growing suburbs. These gains were reinforced by conservative sales tax revenue assumptions and disciplined expenditure management, resulting in available fund balance rising to an exceptionally high 105% of revenues at fiscal year end 2022. Over the past three fiscal years (2023–2025), operating surpluses have moderated while capital spending increased—most notably related to investment in a new sports complex—leading to modest reserve drawdowns that nevertheless left balances at robust levels. As of fiscal year end 2025, available fund balance totaled \$109.7 million, or 85.6% of revenue, including approximately \$41.9 million held within the city's utility funds (water/sewer, stormwater, and natural gas), all of which remain healthy, self supporting and with strong reserve ratios on a stand alone basis.

Looking ahead, phase two of the sports complex and planned water and sewer capital investments—largely expected to be debt financed—may modestly pressure reserves; however, the city's current liquidity position provides capacity to absorb these demands while maintaining strong financial flexibility.

As is typical for a rapidly growing city, rising service demands are expected to drive additional capital needs and a corresponding increase in leverage over the medium-term. Near term capital projects include phase two of the new sports complex (approximately \$30 million), expansion of the city's water treatment plant (estimated at \$107 million), and construction of a new wastewater treatment facility, for which preliminary cost estimates are not yet finalized but are expected to be sizeable relative to the city's current debt burden. As of fiscal year end 2025, the city's long-term liabilities ratio was a modest 100.6%. However, following the Series 2026A issuance and anticipated additional borrowing to fund major capital initiatives, the long-term liabilities ratio is expected to approach 230% and potentially exceed that level, depending on near term revenue performance. Positively, the city's water, sewer, and natural gas utilities are currently undergoing a comprehensive rate study, with rate increases anticipated, which should help support debt affordability. While the projected increase in leverage will likely place the city above the Aa2 median for its leverage ratios, this pressure is largely mitigated by the city's exceptionally strong financial position, and favorable economic trends.

ESG considerations

Environmental

The city does not have significant environmental exposure in the near-term. According to data from Moody's ESG Solutions, the area's highest exposures are to heat stress and flooding. The city is active in addressing its infrastructure annually to ensure it can withstand material environmental damage.

Social

Social issues are unlikely to pose a material credit risk over the near-term. We continue to monitor a variety of social factors including demographics, resident income levels, population trends and employment levels, as these remain important key credit metrics.

Governance

The city's management team continues to budget conservatively to maintain strong reserves while addressing capital needs.

Tennessee cities 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, which are levied on all purchases including groceries making them generally reliable through recessions. Cities can easily implement cost-cutting initiatives to balance operations.

Rating methodology and scorecard factors

The [US Cities and Counties Methodology](#) includes a scorecard that 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 2

Lebanon (City of) TN

	Measure	Weight	Score
Economy			
Resident income ratio	93.7%	10.0%	A
Full value per capita	240,814	10.0%	Aaa
Economic growth metric	2.6%	10.0%	Aaa
Financial Performance			
Available fund balance ratio	85.6%	20.0%	Aaa
Liquidity ratio	87.6%	10.0%	Aaa
Institutional Framework			
Institutional Framework	Aaa	10.0%	Aaa
Leverage			
Long-term liabilities ratio	100.6%	20.0%	Aa
Fixed-costs ratio	5.3%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aaa
Assigned Rating			Aa2

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Nashville-Davidson--Murfreesboro--Franklin, TN to the five-year CAGR of real GDP for the US.

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

Appendix

Exhibit 3

Key Indicators Glossary

	Definition	Typical Source*
Economy		
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
Financial performance		
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	
Leverage		
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	
Fixed costs		
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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