

Research Update:

# Gatlinburg, TN Series 2026 GO Bonds Assigned 'AA' Rating

April 21, 2026

## Overview

- S&P Global Ratings assigned its 'AA' long-term rating to the City of [Gatlinburg](#), Tenn.'s approximately \$8.25 million series 2026 general obligation (GO) bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on Gatlinburg's existing GO bonds.
- The outlook is stable.

## Rationale

### Security

The city's full-faith-and-credit pledge, payable from the levy of an unlimited ad valorem tax on all taxable property within Gatlinburg's corporate city limits, secures the bonds. Officials intend to pay approximately \$3 million of the series 2026 bonds' debt service from utility revenue, which is not formally pledged to the repayment of the bonds.

Bond proceeds will finance renovations of the public safety complex and fund the expansion and upgrade to the city's water treatment plant.

### Credit highlights

The 'AA' rating reflects Gatlinburg's prudent budgetary management and low fixed costs, which have supported healthy reserves in recent years despite slowing revenue growth and general fund-supported capital outlay. As the gateway to Great Smoky Mountains National Park, Gatlinburg benefits from significant tourism activity, offsetting weaker local incomes and a small resident population, and supporting its outsized debt per capita. Offsetting the rating is the city's economic sensitivity to tourism, which introduces potential revenue volatility, though its current reserve position and management's conservative budgetary practices provide a buffer.

Following several years of reserve growth fueled by increased tourism during the COVID-19 pandemic, the city posted a \$5.9 million general fund deficit in fiscal 2025. This was primarily due to a one-time \$10 million transfer to capital projects, coupled with slowing revenues as economic activity normalized. Gross receipts tax collections--a key revenue source and indicator of tourist activity--are up 2% for fiscal 2026 on a year-over-year basis, compared to their budgeted decline

### Primary Contact

**Diana Cooke**  
Chicago  
1-3122337052  
diana.cooke  
@spglobal.com

### Secondary Contact

**Mona Elfar**  
New York  
(1) 212-438-0963  
mona.elfar  
@spglobal.com

of 5%. Still, officials anticipate a minor draw on reserves (under \$1 million) to fund discretionary capital projects. With major capital projects--including renovations to city hall, the public safety complex, and the water treatment plant--nearing completion, the city projects a balanced budget in 2027 and beyond, maintaining reserves at its informal target of six months' cash on hand. As of fiscal 2025, the city had \$10.8 million in committed reserves in the special tax (capital projects) fund. While this is not included in our reserve analysis, we understand these reserves can be used for capital projects and tourism-related activity, which is essential to the services provided by the city.

The city has no additional debt plans at this time.

The 'AA' rating additionally reflects the following:

- Gatlinburg has status as a major tourist destination, serving as the gateway to Great Smoky Mountains National Park--the most visited national park in the country, with over 12 million annual visitors. Tourism-related entities account for 34% of the city's total GDP, which we view as a weakness. In addition to the park, key attractions such as the Aquarium, Anakeesta, and the convention center support a substantial hospitality sector. Despite below-average local incomes and a resident population of fewer than 5,000, city services are designed to accommodate a transient population that management estimates to be 10 times larger than the resident base.
- The economically sensitive revenue stream is dependent on tourist activity, though conservative budgetary management supports the city's financial stability. In fiscal 2025, gross receipts tax (28%), local option sales tax (26%), and hotel/motel tax (8.7%) accounted for the majority of general fund revenue. Revenues declined in fiscal 2025 following pandemic-era peaks. However, we expect generally balanced financial performance over the outlook horizon, as the city has recently completed a capital-intensive period and will not require large margins for pay-as-you-go capital spending. The city retains the option to raise its gross receipts tax but currently has no plans to do so.
- Gatlinburg maintains solid fiscal management through comprehensive budgeting, monitoring, and capital planning. Management analyzes revenues and expenditures using historical trends and economic factors, and adjusts for capital needs. Biweekly budget-to-actual reports identify variances, with monthly updates to the board. The city's five-year capital improvement plan covers all major funds. Its reserve policy requires an unassigned fund balance equal to at least two months' operating expenditures. Debt management policies limit variable-rate debt and specify allowable types. Investment policies keep funds primarily in monitored bank accounts, with monthly reporting.
- Long-term liabilities are elevated on a per capita basis, though modest relative to budget size and market value. Fixed costs associated with debt and pension are very manageable, and only expected to grow to 7.0%, including the governmental fund portion of debt service for the 2026 bonds. Roughly 50% of Gatlinburg's debt is fully self-supported by water and sewer revenue, and we don't expect general fund support given strong coverage, healthy cash, and a recent rate increase. Net of self-supported debt, net direct debt per capita is still relatively high at \$9,400 though significantly lower when compared to market value, at just 1.5%. Additionally, we believe that the city provides significant services that benefit a wider population and are contributing to the larger debt on a per capita basis.
- 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 view social and governance factors as neutral within our analysis. Gatlinburg experienced wildfires in early April 2022 but they were 100% contained; most of the fires were not in Gatlinburg itself, and those that were within the city limits were quickly contained so there was no material damage to city property. Also, the city sustained minor damage from a February 2020 flood and Hurricane Helene in 2024, according to management. We believe wildfire and flooding risks could create elevated environmental risk, especially if weather volatility increases. However, at this point, this risk is mitigated by the presence of the city's high reserves.

## Outlook

The stable outlook reflects our expectation that Gatlinburg will maintain general fund reserves in excess of its reserve policy due to its sound budgeting and financial management practices. Further supporting the stable outlook is its lack of future debt plans and major capital needs.

## Downside scenario

We could lower the rating if the city draws down its reserves below its informal policy, because of either a one-time spenddown or reflective of operating imbalance. We could also lower the rating if risks associated with the city's highly concentrated economy increase, such as prolonged economic slowdown or closure of key establishments.

## Upside scenario

A higher rating would require diversification of the city's economic and revenue base.

### Gatlinburg, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.39
Economy	4.5
Financial performance	3
Reserves and liquidity	1
Management	1.7
Debt and liabilities	1.75

### Gatlinburg, Tennessee--key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GCP per capita % of U.S.	85	--	85	85
County PCPI % of U.S.	87	--	87	86
Market value (\$000s)	4,929,748	4,929,748	2,530,394	2,555,195
Market value per capita (\$)	1,358,806	1,358,806	697,463	690,220
Top 10 taxpayers % of taxable value	19	19	20.3	22.7
County unemployment rate (%)	3.3	3.3	3.2	3.2
Local median household EBI % of U.S.	74	--	74	72
Local per capita EBI % of U.S.	85	--	85	79

## Gatlinburg, Tennessee--key credit metrics

	Most recent	2025	2024	2023
Local population	3,628	--	3,628	3,702
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	39,103	40,452	39,756
Operating fund expenditures (\$000s)	--	33,875	30,586	27,055
Net transfers and other adjustments (\$000s)	--	-11,171	-7,921	-9,376
Operating result (\$000s)	--	-5,943	1,945	3,325
Operating result % of revenues	--	-15.2	4.8	8.4
Operating result three-year average %	--	-0.7	-1.7	9.6
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	58.4	71.6	68.4
Available reserves (\$000s)	--	22,855	28,957	27,208
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	4.1	4	4.4
Net direct debt per capita (\$)	19,762	17,486	15,598	14,575
Net direct debt (\$000s)	71,695	63,440	56,590	53,955
Direct debt 10-year amortization (%)	63	54	54	--
Pension and OPEB cost % of revenues	--	2	1	1
NPLs per capita (\$)	--	69	69	117
Combined NPLs (\$000s)	--	249	249	432

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\$8.250 mil GO bnds ser 2026 due 7/1/2052

Long Term Rating

AA/Stable

## Ratings Affirmed

## Local Government

Gatlinburg, 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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