S&P Global Ratings

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Research Update:

Sweetwater, TN Series 2026 GO Bonds Assigned 'A+' Rating; Outlook Is Stable

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Primary Contact

Moreen T Skyers-Gibbs
Trenton
1-212-438-1734
moreen.skyers-gibbs
@spglobal.com

Secondary Contact

Michael J Mooney
New York
+ 1 (212) 438 4943
michael.mooney1
@spglobal.com

Overview

- S&P Global Ratings assigned its 'A+' long-term rating to **Sweetwater**, Tennessee's anticipated $4.3 million series 2026 general obligation (GO) bonds.
- At the same time, we affirmed our 'A+' rating on the city's series 2022 unlimited-tax GO bonds.
- The outlook is stable.

Rationale

Security

The city's unlimited-tax GO pledge secures the bonds. Bond proceeds will finance a land purchase for recreational fields and community centers.

Credit highlights

The rating reflects Sweetwater's stable financial operations, supported by consecutive operating surpluses, healthy and growing reserve levels, a manageable debt burden, and conservative budgeting practices. These strengths are partly offset by a stable but below-average local economy with significant reliance on the tourism sector.

Sweetwater is in southeast Tennessee, mostly in Monroe County, with a portion in McMinn County. It is the largest city in Monroe County, about 45 miles south of Knoxville and 65 miles north of Chattanooga.

The 'A+' rating also reflects our view of the city's:

- Stable tourism and manufacturing based economy with continued commercial, industrial, and residential growth that will likely support long-term tax base expansion. Economic strength remains constrained by below-average wealth and economic output, as reflected by gross county product (GCP) and per capita personal income (PCPI) at 53% and 65% of the nation, respectively.
- Consistent operating surpluses, supported by conservative budgeting and a diverse and growing revenue base led by sales and property taxes, have driven healthy increases in reserves. Despite budgeting for deficits, management has historically outperformed

expectations, and operations will likely remain at or near breakeven in 2026. The fiscal 2027 budget assumes an operating deficit of $852,000. However, we expect financial operations to remain stable, as management's conservative budgeting practices and consistent operating outperformance should support healthy reserve levels.

- Prudent fiscal management, given its conservative and historically informed budgeting, formal debt policy, and rolling five-year capital improvement plan. Management provides quarterly budget-to-actual reports to the board. Although the city does not have a formal reserve policy, management strives to maintain at least three months of expenses in its available fund balance to prevent cash-flow issues in case of emergency. Sweetwater follows state guidelines for investments, and the board receives quarterly investment-management reports. Management does not maintain a formal long-term financial plan.
- Manageable debt and current cost with limited future debt needs. Following the series 2026 issuance, we expect minimal changes to the city's debt profile; debt service will continue to average around 3% of the total governmental revenues and per capita debt will be about $2,500. Employees participate in the state's well-funded pension plan, (For more information, see "Pension Spotlight: Risk-Sharing Plans Help Manage Budgetary Stress For Five U.S. States," Oct. 3, 2024.)
- For more information on our institutional framework assessment for Tennessee municipalities, see "Institutional Framework Assessment: Tennessee Local Governments," Sept. 11, 2024.

We consider Sweetwater’s exposure to natural hazards, including flooding and extreme weather, low compared with national peers and in a nominal sense, and therefore not a material factor in our credit analysis.

Outlook

The stable outlook reflects our expectation that the city will maintain structurally balanced operations and healthy reserve levels, supported by continued tax base growth and prudent financial management.

Downside scenario

We could lower the rating if financial performance weakens, leading to sustained reserve deterioration.

Upside scenario

We could raise the rating if the city demonstrates sustained economic expansion, resulting in strong wealth and income metrics while maintaining stable operations and reserves.

Sweetwater, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.75
Economy	6.0
Financial performance	2
Reserves and liquidity	1
Management	3.00
Debt and liabilities	1.75

Sweetwater, Tennessee--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita % of U.S.	53	--	53	54
County PCPI % of U.S.	65	--	65	65
Market value ($000s)	998,661	812,792	754,634	628,252
Market value per capita ($)	144,294	117,439	109,035	93,965
Top 10 taxpayers % of taxable value	--	16	--	--
County unemployment rate (%)	3.6	4.0	4.1	3.8
Local median household EBI % of U.S.	69	--	69	66
Local per capita EBI % of U.S.	66	--	66	63
Local population	6,921	--	6,921	6,686
Financial performance				
Operating fund revenues ($000s)	--	9,465	11,106	8,936
Operating fund expenditures ($000s)	--	8,790	10,429	7,697
Net transfers and other adjustments ($000s)	--	(193)	(411)	(372)
Operating result ($000s)	--	482	266	867
Operating result % of revenues	--	5.1	2.4	9.7
Operating result three-year average %	--	5.7	9.5	15.9
Reserves and liquidity				
Available reserves % of operating revenues	--	77.3	60.1	72.0
Available reserves ($000s)	--	7,315	6,676	6,437
Debt and liabilities				
Debt service cost % of revenues	--	2.8	2.8	3.1
Net direct debt per capita ($)	2,631	2,010	2,198	2,520
Net direct debt ($000s)	18,206	13,911	15,210	16,851
Direct debt 10-year amortization (%)	38	67	68	--
Pension and OPEB cost % of revenues	--	3.0	4.0	3.8
NPLs per capita ($)	--	--	35	323
Combined NPLs ($000s)	--	--	245	2,162

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$4.300 mil GO bnds ser 2026 due 6/1/2056	
Long Term Rating	A+/Stable
Ratings Affirmed	
Local Government	
Sweetwater, TN Unlimited Tax General Obligation	A+/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.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.