Research Update:

Pigeon Forge, TN Series 2026 GO Bonds Assigned 'AA' Rating

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Primary Contact

Andrew Bredeson
Englewood
1-303-721-4825
andrew.bredeson
@spglobal.com

Secondary Contact

Alex Tomczuk
New York
1-617-530-8314
alex.tomczuk
@spglobal.com

Overview

- S&P Global Ratings assigned its 'AA' rating to Pigeon Forge, Tennessee's anticipated $10 million series 2026 general obligation (GO) bonds.
- In addition, S&P Global Ratings affirmed its 'AA' rating on Pigeon Forge's GO debt outstanding.
- The outlook is stable.

Rationale

Security

The city's full faith and credit, including its unlimited ad valorem taxing powers to repay debt service, secure its GO debt. The series 2026 bonds are the first issuance under a $45 million bonding authorization to fund improvements to city infrastructure and municipal buildings. The city will apply series 2026 bond proceeds to fund construction costs of a new city hall.

Credit highlights

Pigeon Forge's credit profile reflects its concentrated but growing tourism-based economy, extremely strong reserves and liquidity, and good financial results. Limiting credit factors include the potential economic and performance volatility inherently tied to the city's concentrated economic and taxing bases.

Pigeon Forge is home to the Dollywood amusement park and benefits from its access to the Great Smoky Mountains National Park, the U.S.'s most visited national park. Atypical for Tennessee cities, Pigeon Forge derives only 2% of operating revenue from property taxes, instead relying on sales and other activity-based taxes to fund operations. Strong tourism activity has supported healthy operating surpluses and robust growth in available reserves in recent years. The city aims to budget conservatively and has recently outperformed budgeted results. For fiscal 2027, the city has budgeted a $2.3 million surplus, supported by continued strong revenue performance.

Key credit factors include our view of the following:

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- We consider the concentrated, tourism-based economy inherently exposed to potential volatility given its tie to discretionary travel and consumer spending, but that has demonstrated a good degree of resilience, bouncing back quickly after short-term disruptions across economic cycles over the past two decades. The city has seen strong assessed and market value growth in recent years, along with some population growth.
- Recent operating results have been very strong, supported by strong performance in key revenue streams linked to tourism activity, and extremely strong available reserves and liquidity. The city plans to deploy some available reserves in fiscal 2027 to join the Tennessee Consolidated Retirement System (TCRS), but it plans to maintain available reserves no less than the minimum required under its new fund balance policy (100% of budgeted expenditures, net of certain one-time items).
- Management practices include monthly reporting of revenue performance to the city commissioners, typically one or two budget amendments per year to reflect changing circumstances, with no formal multiyear financial forecasting or comprehensive capital planning. The city follows statute in investing, while it has formal debt and, as of June 2026, reserve policies. The latter sets a high 100% floor for the unassigned general fund balance, which we consider a prudent hedge against potential volatility in performance given the nature of the city's economy and its operating revenue mix. We view the city's cyber risk mitigation measures as consistent with our view of its credit fundamentals.
- The debt burden is manageable, with about two-thirds of total debt outstanding supported by water and sewer utility revenue and/or tourism development zone (TDZ) revenue, which may only be used for debt repayment. While the city has significant variable-rate debt outstanding--about $38 million--that debt, which is also privately placed and subject to acceleration upon the occurrence of various events of default, is effectively hedged by the city's large TDZ fund balance ($97 million at fiscal-year end 2025). While the city has not previously offered any defined benefit pensions, it is joining TCRS. TCRS is well funded, so retirement benefit costs will remain low. The city has plans to issue additional debt, including likely the remaining $35 million in this GO authorization and other utility- and TDZ-supported borrowings. However, we expect fixed costs and debt to remain manageable. While very high on a per capita basis, the city's debt is less than 4% of market value, which we consider moderately low.
- For more information on our institutional framework assessment for Tennessee municipalities, see "Institutional Framework Assessment: Tennessee Local Governments," Sept. 11, 2024.
- The city has some exposure to natural hazards, including flooding and wildfires. The city has taken steps to mitigate these exposures, including by maintaining its designation as a Firewise community, by adopting the Sevier County Multi-Jurisdictional Hazard Mitigation Plan, and by making capital investments to improve redundancies in key city infrastructure.

Outlook

The stable outlook reflects our expectation that Pigeon Forge will continue to maintain robust available reserves and liquidity, and that its debt burden will remain manageable as it continues making capital investments so maintain its heavily used infrastructure, given its high tourism activity.

Downside scenario

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If a pronounced and sustained economic downturn leads to a material reduction in tourism activity in Pigeon Forge, causing operating results and available reserves to weaken, we could lower the rating.

Upside scenario

While upside potential is limited by the concentrated local economy, we could raise the rating if the economy diversifies and the city adopts a more comprehensive forward-looking approach to financial and capital planning.

Pigeon Forge, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.49
Economy	4.5
Financial performance	2
Reserves and liquidity	1
Management	2.70
Debt and liabilities	2.25

Pigeon Forge, Tennessee--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	--	--	84	85
County PCPI as % of U.S.	--	--	86	86
Market value ($000s)	5,702,443	5,505,765	5,196,057	2,825,479
Market value per capita ($)	859,319	829,681	781,950	417,106
Top 10 taxpayers as % of taxable value	--	45.7	41.8	44.7
County unemployment rate (%)	--	3.3	3.1	3.2
Local median household EBI as % of U.S.	--	84	78	86
Local per capita EBI as % of U.S.	--	69	67	74
Local population	--	6,636	6,645	6,774
Financial performance				
Operating fund revenue ($000s)	--	103,988	102,667	95,592
Operating fund expenditures ($000s)	--	99,262	80,118	68,427
Net transfers and other adjustments ($000s)	--	35,789	(217)	(2,053)
Operating result ($000s)	--	40,515	22,332	25,112
Operating result as % of revenue	--	39.0	21.8	26.3
Operating result three-year average %	--	29.0	28.5	31.1
Reserves and liquidity				
Available reserves as % of operating revenue	--	188.9	175.3	165.0
Available reserves ($000s)	--	196,454	179,955	157,698
Debt and liabilities				
Debt service cost as % of revenue	--	7.9	6.0	6.3
Net direct debt per capita ($)	31,031	31,796	22,968	22,766
Net direct debt ($000s)	205,920	210,995	152,625	154,215

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Pigeon Forge, Tennessee--key credit metrics

Direct debt 10-year amortization (%)	71	75	--	--
Pension and OPEB cost as % of revenue	--	--	--	--
NPLs per capita ($)	--	0	0	0
Combined NPLs ($000s)	--	0	0	0

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$10.000 mil GO bnds ser 2026 due 6/1/2055	
Long Term Rating	AA/Stable
Ratings Affirmed	
Local Government	
Pigeon Forge, 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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