Research Update:

West Knox Utility District, TN Series 2026 Water And Sewer Refunding Revenue Bonds Rated 'AA+'; Outlook Stable

November 3, 2026

Primary Contact

Virginia A Murillo
San Francisco
1-415-371-5098
virginia.murillo
@spglobal.com

Secondary Contact

Jaime Blansit
Englewood
(1) 303-218-0690
jaime.blansit
@spglobal.com

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to West Knox Utility District, Tennessee's anticipated $22.275 million series 2026 water and sewer refunding revenue bonds.
- At the same time, S&P Global Ratings affirmed its 'AA+' long-term rating on the district's revenue bonds outstanding.
- The outlook is stable.

Rationale

Security

The series 2026 bonds along with West Knox Utility District's revenue bonds outstanding are secured by a first-lien net revenue pledge of the district's water and sewer system. We view the bond provisions as credit neutral and including a 1.2x maximum annual debt service additional bonds test. In addition, a 1.2x rate covenant secures the bonds. There will not be a reserve fund securing the payment of the bonds, but we view this as credit-neutral given the district's strong liquidity position.

Series 2026 bond proceeds will refund portions of the series 2010 and series 2016 bonds outstanding, for an anticipated interest-cost savings of about 4%. As of fiscal 2025, the district had about $147 million of revenue bonds outstanding.

Credit highlights

The rating reflects our view of West Knox Utility District's extremely strong all-in debt service coverage (DSC) and healthy reserves, which we expect will remain at similar levels over our two-year outlook period. Steady customer growth, ample capacity, and prudent budgetary management further support the rating. Partially offsetting these strengths, in our opinion, are the district's economic fundamentals, notably below-average income levels compared with those of higher-rated peers. In addition, we note variable-rate debt accounts for 37% of total debt

S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings permission.
See terms of use/disclaimer on last page.

outstanding, which is above average compared with that of peers, but below the district's 40% of total outstanding debt policy level.

The district reviews rates during an annual cost-of-service study and officials have demonstrated a willingness to raise them as necessary, which we view favorably. We view West Knox Utility District's five-year capital improvement plan (CIP; 2027-2031), which totals $43.4 million and is funded on a pay-as-you go basis, as manageable. The district's asset management and capital prioritization process also supports the CIP, which we believe will continue to underpin operational and financial stability.

The rating further reflects the following:

- The district benefits from participation in the Knoxville metropolitan statistical area, which has enabled continued service area development and growth, and supports incomes around the national average, low unemployment, and no customer concentration. The utility system provides water and wastewater services to a 72-square-mile area in northwest Knox County in east Tennessee, between Knoxville and Oak Ridge;
- Affordable rates relative to income levels in the service area, though we recognize the county's elevated poverty rate might present affordability challenges to certain customers;
- Ample system capacity, with a permitted water capacity of 18 million gallons per day (mgd) and a total permitted sewer capacity of 6 mgd. For 2025, annual average daily flow of the water system is 6.9 mgd; annual average daily flow of the wastewater system is 4 mgd;
- Good operational management practices and good financial management practices that include an annually updated cost of service study that guides rate adjustments; five-year CIPs; timely, ongoing, and conservative budgeting practices; and a codified coverage of at least 1.6x annual debt service. We view the district's cyber risk mitigation measures as consistent with our view of its credit fundamentals;
- Historically extremely strong all-in DSC of over 1.6x since 2019--although 2022 reflected weaker interest earnings--that we expect will remain robust as there are no additional new money debt plans. The district has three variable-rate bonds outstanding, with an estimated principal outstanding of $50.9 million as of fiscal 2026 and we have considered the interest rate risks associated with those issues in our coverage analysis. We understand management budgets for the variable-rate debt each year;
- Historically very strong liquidity and days' cash on hand that exceeded 24 months and that we expect the district will maintain even as it draws on reserves for capital. We project reserves could be approximately $50 million as it draws about $15 million to support CIP projects in the next two years; and
- Physical risks that are elevated and relevant for Knox County. The county and district face infrastructure challenges stemming from drought and periodic tornado events. The water supply is susceptible to natural cycles of drought. We believe the county and district maintain well-defined emergency preparedness plans that address tornado events. To mitigate water supply risks associated with drought, West Knox Utility District maintains long-term programmatic and infrastructure plans to enhance water supply reliability.

Outlook

S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings permission.
See terms of use/disclaimer on last page.

The stable outlook reflects our expectation that the district will maintain a sound overall financial position and extremely strong all-in DSC and liquidity levels, even as it uses operating funds to fund projects in its CIP.

Downside scenario

We could lower the rating if West Knox Utility District does not meet its codified 1.6x DSC target or significantly draws down on liquidity due to unforeseen operational or capital needs.

Upside scenario

We could raise the rating if the district's income levels were to improve to levels comparable with those of higher-rated peers, coupled with maintenance of robust coverage and liquidity levels.

West Knox Utility District, Tennessee--economic and financial data

		Fiscal year-end			
	Most recent	2025	2024	2023	Median (AA+)
Economic data					
MHHEBI of the service area as % of the U.S.	96.0				112.0
Unemployment rate (%)	3.2				3.7
Poverty rate (%)	12.8				10.1
Water rate (6,000 gallons or actual) ($)	42.2				
Sewer rate (6,000 gallons or actual) ($)	74.2				
Annual utility bill as % of MHHEBI	2.1				1.1
Operational management assessment	Good				Good
Financial data					
Total operating revenues ($000s)		36,094	32,780	31,464	46,497
Total operating expenses less depreciation ($000s)		21,742	19,123	17,615	30,854
Net revenues available for debt service ($000s)		19,607	17,579	15,573	15,826
Debt service ($000s)		10,046	10,049	10,072	5,124
S&P Global Ratings-adjusted all-in DSC (x)		2.0	1.7	1.5	2.7
Unrestricted cash ($000s)		48,720	48,386	47,515	65,397
Days' cash of operating expenses		818	924	985	681
Total on-balance-sheet debt ($000s)		147,227	151,312	155,242	62,625
Debt-to-capitalization ratio (%)		49.8	53.1	55.5	23.1
Financial management assessment	Good	--	--	--	Good

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

Ratings List	
New Issue Ratings	
US$22,275,000 West Knox Utility District of Knox County, Tennessee, Water and Sewer Revenue Refunding Bonds, Series 2026, dated: Date of Delivery, due: June 1, 2035	
Long Term Rating	AA+/Stable
Ratings Affirmed	
Water & Sewer	

S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings permission.
See terms of use/disclaimer on last page.

Ratings List	
West Knox Util Dist, TN Water and Sewer System	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.

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.

S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings permission.
See terms of use/disclaimer on last page.

Copyright ©2026 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software, or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced, or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees, or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness, or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Some of the Content may have been created with the assistance of an artificial intelligence (AI) tool. Published Content created or processed using AI is composed, reviewed, edited, and approved by S&P personnel.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment, and experience of the user, its management, employees, advisors, and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge) and www.ratingsdirect.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

S&P Global Ratings. All rights reserved. No reprint or dissemination without S&P Global Ratings permission.
See terms of use/disclaimer on last page.