

MOODY'S

RATINGS

Rating Action: Moody's Ratings assigns Aa2 to Metro Gov't of Nashville & Davidson Cnty, TN's Water & Sewer Revenue Refunding and Improvement Bonds, Series 2025; outlook is stable

15 May 2025

New York, May 15, 2025 -- Moody's Ratings (Moody's) has assigned a Aa2 rating to the Metropolitan Government of Nashville and Davidson County, TN's proposed \$451.9 million Water and Sewer Revenue Refunding and Improvement Bonds, Series 2025. Concurrently we have affirmed the Aa2 revenue rating on the system's outstanding parity debt. Post sale the system will have approximately \$1.9 billion in outstanding debt. The outlook is stable.

RATINGS RATIONALE

The Aa2 revenue rating reflects a large and regionally significant service area with a diverse and growing customer base. The rating also takes into consideration satisfactory legal provisions, prudent fiscal management and conservative budgeting as well as a stable financial position which continues to provide favorable debt service coverage. As of the end of fiscal 2024, total annual debt service coverage was a solid 2.66 times annual revenues. Days cash on hand was also strong in fiscal 2024, at approximately 254 days.

The rating further takes into consideration a moderately above-average debt profile. As of fiscal 2024, the system's debt to operating revenues were approximately 3.11 times annual revenues. This figure is expected to increase moderately over the medium term due to a sizeable outstanding consent decree which Metro continues to address in a methodical manner. In addition, due to the rapidly expanding economic base and service area, further facility expansions will be needed which will also add to debt requirements. However, given the system's prudent management, including annual rate increases, debt levels will remain affordable.

RATING OUTLOOK

The stable outlook reflects the continuation of a solid financial position, including healthy debt service coverage and liquidity levels.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Reduction in debt to operating revenues to below 2.5 times of annual revenues
- Significant increase in debt service coverage and liquidity levels
- Completion of majority of required projects related to consent decree

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Increase in debt to operating revenues to 4.0 times of annual revenues
- Deterioration of debt service coverage to 1.7 times or below
- Sizeable decreases in liquidity

PROFILE

The water and sewer enterprise system serves the majority of Metropolitan Government of Nashville and Davidson County (G.O. rated Aa2 stable), a service area with an estimated population of 712,334, as well as small portions of the counties surrounding Metropolitan Nashville.

METHODOLOGY

The principal methodology used in these ratings was US Municipal Utility Revenue Debt published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416489>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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