

## Research Update:

# Gallatin, TN Series 2026 GO Bonds Assigned 'AA+' Rating; Outlook Stable

December 31, 2025

## Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to the city of Gallatin, Tenn.'s \$21.145 million series 2026 general obligation (GO) bonds.
- We also affirmed our 'AA+' long-term rating on the city's existing bonds.
- The outlook is stable.

## Rationale

### Security

The GO bonds are secured by the city's full-faith-and-credit pledge, payable from Gallatin's levy of an unlimited ad valorem tax on all taxable property within the city. Bond proceeds will be used to support various projects, including construction of a new fire hall.

### Credit highlights

Our 'AA+' rating on Gallatin reflects its sustained growth, prudent financial management, and strategic geographic position. The city also demonstrates a resilience and adaptability that we believe will continue to underpin its financial stability, even in a potentially moderating economic environment.

Gallatin's economic vitality is clearly linked to its advantageous location near Nashville, which acts as a significant regional draw. Its daytime population increase of 10,000, coupled with its role as a retail and job center for surrounding rural communities, underscores its expanding economic influence. Key employers like the Sumner County Board of Education, Gap Inc., and Sumner Regional Medical Center contribute to a diversified employment base.

The city's ability to attract investment is particularly noteworthy. The relocation of major companies and, most significantly, a Meta data center (a \$1.2 billion investment, one million-square-foot), represent a substantial influx of capital and economic activity. Meta agreed to pay

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the city \$2.5 million in annual payment in lieu of taxes (PILOT) and to pay full utility rates for water and wastewater services; an additional \$650,000 will be paid once the center receives a certificate of full occupancy. Data centers are expected to be subject to full taxation after 19 years of full operation, although currently only PILOT payments are being made. The city's impressive 200%+ increase in assessed and market value over the past decade, coupled with ongoing investor interest, suggests continued appreciation and potential for future growth. Its logistical advantages – one-day trucking access to 75% of U.S. markets – further enhance its attractiveness for businesses in shipping, manufacturing, and distribution.

Gallatin's financial performance has been consistently strong, driven by a combination of factors. An expanding tax base, along with strong sales tax collections amplified by a voter-approved 0.5% sales tax increase, has contributed to robust revenue growth. Property tax collections have also increased significantly due to new development, despite the city's maintenance of a stable tax rate over the past 20 years. These positive trends, combined with conservative fiscal practices, have resulted in substantial reserves, which we anticipate will remain a significant strength.

However, we acknowledge one key consideration: resident income levels remain below 90% of the U.S. average. While the city notes that the influx of technologically advanced businesses and higher-paying jobs will eventually address this, the transition is likely to be gradual.

Additional factors reflected in the 'AA+' rating include our view of the following:

- The city's population has almost doubled in the past 20 years, driven by new developments, relative affordability, and proximity to the Nashville metropolitan statistical area. County incomes and economic output are below national levels, but local incomes are boosted by the generally affluent new residents. Commercial activity is also gaining traction in order to meet residential demand. The city's strong growth prospects are a positive factor in our analysis.
- The city's fiscal 2026 budget (year-end June 30) calls for essentially break-even operations; actual revenue collections are trending positively and the city expects to add to reserves again this year. The city has historically used conservative expenditure and revenue forecasts that contribute to better-than-expected budgetary performance.
- Financial management processes are mostly formalized and robust, and day-to-day management has proven effective. The city has standard budgeting practices that use historical trends and state sources where applicable, and management presents formal budget-to-actual reports monthly to the council. The city has no formal long-term financial forecasting. City management prepares and annually updates a ten-year capital improvement plan and the city has formal debt and investment policies and targets to maintain 25% in reserves. The city has taken steps to address cyber risk.
- The city's debt burden is very low and is comprised mostly of debt that is supported and paid with utility revenues. Officials report limited debt issuance plans (\$12 million) over the next two years and do not anticipate debt increasing materially given the desire to keep the tax rate low and property taxes affordable. Pension and retiree health care liabilities are minimal, and combined fixed costs are low.
- For more information on our institutional framework assessment for Tennessee municipalities, see: "[Institutional Framework Assessment: Tennessee Local Governments](#)," Sept. 11, 2024 on RatingsDirect.

## Environmental, social, and governance

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We view social, and governance factors as neutral within our analysis, while physical risks are slightly elevated. The city is on the Cumberland River and faces moderate long-term flooding risks. Officials have taken steps to enhance stormwater infrastructure and to mitigate flooding risk for some flood-prone areas and are planning to take more steps to mitigate flooding and severe rain fall risk in the future. The city is expanding its water infrastructure, partly to accommodate residential and commercial growth, to better serve multiple wholesale customers and to replace an ageing plant that was constructed at least 50 years ago. Despite significant expansion of the utility systems the presence of the large data centers could strain the local infrastructure, which could have varying cost and quality of life implications.

## Outlook

The stable outlook reflects our expectation that the city's residential and commercial bases will continue to drive revenue growth and that its very strong available reserves will provide ample flexibility.

### Downside scenario

We could lower the rating if there is a material reduction in Gallatin's reserves or ongoing declines in its budgetary performance. In addition, should future issuances weaken the city's debt profile to levels no longer comparable with those of peers at the current rating level, we could lower the rating.

### Upside scenario

We could raise the rating if the city's economic profiles diversifies, incomes improve, and it has consistently positive financial operations.

### Gallatin, Tennessee--Credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.05
Economy	4.0
Financial performance	2
Reserves and liquidity	1
Management	2.00
Debt and liabilities	1.25

### Gallatin, Tennessee--Key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GCP per capita % of U.S.	--	--	--	63
County PCPI % of U.S.	--	--	--	99
Market value (\$000s)	--	10,899,438	10,209,401	6,536,212
Market value per capita (\$)	--	219,827	205,909	135,275
Top 10 taxpayers % of taxable value	--	16.6	14.4	22.7
County unemployment rate (%)	--	--	2.8	2.6

## Gallatin, Tennessee--Key credit metrics

	Most recent	2025	2024	2023
Local median household EBI % of U.S.	--	--	89	96
Local per capita EBI % of U.S.	--	--	88	96
Local population	--	--	49,582	48,318
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	70,433	59,361	59,731
Operating fund expenditures (\$000s)	--	64,919	51,621	49,547
Net transfers and other adjustments (\$000s)	--	(2,224)	1,658	1,577
Operating result (\$000s)	--	3,290	9,398	11,761
Operating result % of revenues	--	4.7	15.8	19.7
Operating result three-year average %	--	13.4	20.2	22.8
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	93.6	109.4	90.0
Available reserves (\$000s)	--	65,897	64,938	53,750
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	3.4	4.1	4.0
Net direct debt per capita (\$)	842	416	454	504
Net direct debt (\$000s)	41,770	20,625	22,520	24,355
Direct debt 10-year amortization (%)	51	79	75	--
Pension and OPEB cost % of revenues	--	1.0	1.0	2.0
NPLs per capita (\$)	--	7	7	7
Combined NPLs (\$000s)	--	357	357	326

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\$21,145,000 Gallatin, Tennessee, General Obligation Bonds, Series 2026, dated: January 26, 2026, due: July 1, 2045

Long Term Rating	AA+/Stable
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#### Ratings Affirmed

#### Local Government

Gallatin, TN Unlimited Tax General Obligation	AA+/Stable
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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

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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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