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Research Update:

Dickson, TN Series 2026 General Obligation Bonds Assigned 'AA-' Rating; Outlook Stable

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Overview

- S&P Global Ratings assigned its ‘AA-’ long-term rating to Dickson, Tennessee’s $38.8 million series 2026 general obligation (GO) bonds.
- The outlook is stable.

Rationale

Security

The city’s full faith and credit and revenue from an unlimited ad valorem tax levied on all taxable property secure the GO bonds.

Bond proceeds will be used to finance improvements to various municipal buildings.

Credit highlights

The ‘AA-’ long-term rating reflects the city’s strong budgetary performance, healthy reserves, and sound financial management, driven by its growth as a Nashville exurb. These strengths are offset by an increasing debt burden, including up to $40 million in additional debt plans, a lack of more formal financial planning and policies, and incomes that lag those of higher-rated peers.

Dickson is a small but quickly growing city about 40 miles west of Nashville, commutable by I-40, which has led to strong population and property tax base growth. It also serves as a regional service and retail hub for a more rural multi-county region, driving a healthy sales tax base, which is its largest general fund revenue source at 38%. As a result of its strong revenue trends and prudent expenditure management, we expect the city will maintain structural balance, though with some spenddown of reserves for one-time capital. On an unaudited basis, management reports that the city ended fiscal 2026 with a surplus of between $750,000 and $800,000, after originally budgeting for a $2.9 million deficit. The fiscal 2027 budget conservatively calls for an $8.4 million use of fund balance, largely reflecting one-time capital projects, but we expect the city will likely end with a significantly smaller deficit given positive budgetary variance. In our opinion, future credit trajectory will hinge on management’s ability to maintain balanced operations and affordable debt levels considering ongoing growth demands. The city expects to

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absorb debt service on the 2026 bonds without a tax increase, though council has noted a willingness to raise rates if necessary.

The ‘AA-’ rating also reflects the following factors:

- Dickson County economic output and personal incomes are below average, reflecting its rural nature, but most economic metrics are expected to grow faster than state and national averages over the next four years. The city’s median household incomes are nearly in line with national averages. Our analysis accounts for strong growth prospects. Population has grown 13% over the past ten years, and management reports that there are about 1,200 additional housing units under construction and 600 in the planning stage. Commercial and industrial growth is also robust.
- The three-year average operating result of 1.8% is somewhat understated due to elevated capital expenditures. In fiscal 2025, the city incurred about $1.7 million in preliminary costs for this bond project; without this, the city would have reported a surplus of about $1.5 million. We expect operating margins to tighten going forward given increasing debt service expenses. The city has also been undertaking other large discretionary capital projects in recent years that could be tapered back in the event of budget pressure. Property and sales taxes account for about 55% of general fund revenue, followed by intergovernmental aid at 20%.
- General fund reserves are a key credit strength. Although we expect a drawdown in 2027, we expect reserves will remain very healthy, well above 30%. According to management the city has no definitive plans to spend down reserves beyond 2027 and has an informal target of six months of expenditures.
- Financial management is consistent with that of similarly rated peers, with strong budgeting practices and basic policies, but limited formal long-term planning. The city uses trend analysis and some outside sources to formulate budget assumptions, and monthly budget-to-actual reports are provided to council. Debt and investment policies are basic, and the city is considering adopting a formal reserve policy. The city administrator performs some informal long-term planning, but this is not shared with the council. The city maintains replacement schedules for equipment and vehicles, and detailed three-year plans for the bond projects. We view the issuer’s cyber risk mitigation measures as consistent with our view of its credit fundamentals.
- Debt is manageable, but growing. The city has about $132 million in gross direct debt, with $84 million of this representing self-supporting electric system debt. Per capita net direct debt is expected to grow to over $5,000 with a planned issuance of up to $40 million next year. Current costs will likely surpass 20% of total governmental fund revenue. Pensions are provided through the Tennessee Public Employees' Retirement Plan, an agent multiple-employer defined benefit pension plan, which is well funded with low contributions.
- The city has about $8.7 million in variable-rate debt outstanding, representing about 18% of net direct debt. The interest rates reset every five to seven years, rather than more frequently, mitigating budgetary volatility. Several of the obligations have put options, though we believe the transaction documents allow ample time for remarketing. The city also currently has sufficient liquidity to pay off these obligations, if necessary. Therefore, we do not view the variable-rate debt as a contingent liquidity risk.
- A statewide institutional framework with strong predictability, system support, and transparency. For more information on our institutional framework assessment for Tennessee municipalities, see "Institutional Framework Assessment: Tennessee Local Governments," Sept. 11, 2024.

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- Low exposure to natural hazards, including flooding and extreme weather, compared with national peers and in a nominal sense, and therefore not a material factor in our credit analysis (although physical risks are relevant for the local government sector).

Outlook

The stable outlook reflects our view that the rating will likely not change in the next two years given the city's ongoing economic growth, expectations for stable performance, and healthy reserves.

Downside scenario

We could lower the rating if financial performance deteriorates for a prolonged period or if the city were to significantly spend down its reserves. We could also lower the rating if debt becomes an operating pressure.

Upside scenario

We could raise the rating if the local economy continues to expand and diversify, leading to improved economic output and incomes, if the city adopts more formal financial planning and policies, and if debt moderates.

Dickson, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.70
Economy	3.5
Financial performance	2
Reserves and liquidity	1
Management	3.00
Debt and liabilities	4.00

Dickson, Tennessee--key credit metrics

	Most recent	2025	2024	2023
Economy				
Real GCP per capita as % of U.S.	--	--	--	--
County PCPI as % of U.S.	--	--	--	--
Market value ($000s)	2,801,861	2,741,443	3,126,042	2,177,121
Market value per capita ($)	--	162,562	189,941	133,141
Top 10 taxpayers as % of taxable value	--	--	--	--
County unemployment rate (%)	--	3.0	2.8	2.7
Local median household EBI as % of U.S.	--	96	92	90
Local per capita EBI as % of U.S.	--	89	88	88
Local population	--	16,864	16,458	16,352
Financial performance				
Operating fund revenue ($000s)	--	33,371	29,311	29,389
Operating fund expenditures ($000s)	--	38,166	31,944	33,572
Net transfers and other adjustments ($000s)	--	4,567	4,121	4,513

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Dickson, Tennessee--key credit metrics				
Operating result ($000s)	--	(228)	1,488	330
Operating result as % of revenue	--	(0.7)	5.1	1.1
Operating result three-year average %	--	1.8	3.4	--
Reserves and liquidity				
Available reserves as % of operating revenue	--	67.0	77.0	73.1
Available reserves ($000s)	--	22,368	22,578	21,498
Debt and liabilities				
Debt service cost as % of revenue	--	8.9	4.4	4.3
Net direct debt per capita ($)	2,872	629	606	501
Net direct debt ($000s)	48,434	10,605	9,967	8,199
Direct debt 10-year amortization (%)	27	73	68	64
Pension and OPEB cost as % of revenue	--	9.8	10.8	9.5
NPLs per capita ($)	--	584	718	776
Combined NPLs ($000s)	--	9,853	11,820	12,691

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$38,835,000 City of Dickson, Tennessee, General Obligation Bonds, Series 2026, dated: Date of Delivery, due: June 1, 2056	
Long Term Rating	AA-/Stable
New Rating	
Local Government	
City of Dickson, 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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