

## Metropolitan Government of Nashville and Davidson County, TN – G.O.

### Issuer: Metropolitan Government of Nashville and Davidson County, TN

Assigned	Ratings	Outlook
General Obligation Improvement Bonds Series 2026A	AA+	Stable
General Obligation Improvement Bonds Series 2026B	AA+	Stable
General Obligation Improvement Bonds Series 2026C	AA+	Stable
General Obligation Refunding Bonds Series 2026D	AA+	Stable
Affirmed	Ratings	Outlook
General Obligation Improvement Bonds	AA+	Stable

### Methodology

- [U.S. Local Government General Obligation Rating Methodology](#)
- [ESG Global Rating Methodology](#)

### Analytical Contacts

Linda Vanderperre, Managing Director  
 +1 (646) 731-2482  
[linda.vanderperre@kbra.com](mailto:linda.vanderperre@kbra.com)

Lina Santoro, Director  
 +1 (646) 731-1419  
[lina.santoro@kbra.com](mailto:lina.santoro@kbra.com)

employment gains and rising per capita income, as well as transformative infrastructure and economic development.

Long-term direct debt outstanding at fiscal year end June 30, 2025, at \$3.7 billion, reflects the capital needs of a growing city/county government and school district. The proposed borrowing includes three series of new money bonds, the proceeds of which will primarily be used to fund the take-out of approximately \$650 million of outstanding commercial paper, as well as a refunding of and tender for various outstanding G.O. Bonds for savings. Planned debt issuance over the next three fiscal years is manageable, with authorized but unissued G.O. bonds totaling approximately \$1.8 billion following the issuance of the Series 2026 A-D Bonds. An additional \$1.0 billion in contingent obligations is associated with payment liabilities of Metro-controlled entities. Metro's *non*-ad valorem tax pledge serves as back-up security for the contingent obligations in the event of primary revenue insufficiency, unless otherwise approved by Metro. Although debt ratios are generally favorable, Metro's fixed cost burden, at 15.1% of governmental expenditures exclusive of contingent liabilities, is high for the rating category, driven by debt service obligations for both general and school purposes.

Property taxes, Metro's largest revenue source, comprise 53% of FY 2025 General Fund revenues. Despite a 2006 Charter amendment requiring any future tax rate increase above \$4.69 per \$100 valuation for the combined General Service District ("GSD") and Urban Service District ("USD") to be approved by voters<sup>1</sup>, Metro retains significant operating flexibility. A 2025 state mandated reappraisal valuation of property within Davidson County registered a 45% median increase in property values. Although the combined GSD-USD property tax rate of \$2.814 is the lowest in Metro's history and among the lowest in the State, valuation growth allows for a budgeted FY 2026 increase in property tax revenue across all tax supported funds of \$482 million, 30.9% above the FY 2025 Budget. Economically sensitive revenue sources, including the Local Option Sales Tax, have also demonstrated resiliency in recent years.

FY 2025 General Fund results reflected a 12.8% decrease in total fund balance to \$324.5 million. The unassigned General Fund balance (\$267.3 million) was equivalent to 15.7% of expenditures plus transfers out. While strong, the unassigned balance has

<sup>1</sup> The constitutionality of the voter referendum requirement has not been adjudicated.

**Rating Summary:** The long-term rating reflects the Metropolitan Government of Nashville and Davidson County's ("Metro's" or the "Metropolitan Government's") favorable socio-economic and demographic trends, diverse and growing property tax base, institutionalized financial management and budgeting practices, and record of well-maintained financial operations supported by solid reserves.

Ongoing, growth-driven capital expansion and accompanying indebtedness, the presence of contingent liabilities related to debt issued by other Metro-controlled entities, required subsidies to support Nashville General Hospital, and elevated fixed costs are associated with Metro's broad responsibilities as a combined city and county government. As a consolidated government, Metro is also responsible for the capital and operating expenses of the Metropolitan Nashville Public Schools, the second largest school district in the State.

G.O. Bonds are general obligations of the Metropolitan Government payable from an unlimited ad valorem tax pledge levied on all taxable property within the Metropolitan Government. Metro's full faith and credit is irrevocably pledged to the G.O. Bonds.

Metro is among the nation's most rapidly growing urban areas. As Tennessee's capital and most populous city, Metro drives the economy of the 13-county Nashville-Davidson-Murfreesboro-Franklin MSA. Business relocations and expansions have contributed to growth in high-wage professional/business services and education/health services jobs, generating notable



declined in recent years and for FY 2025 was slightly below Metro’s fund balance targets, which require a minimum operating reserve of 17% of budgeted expenditures in each governmental fund. The FY 2026 Budget includes amounts sufficient to restore the General Fund balance into compliance with the policy. The policy was further revised in FY 2025, to establish a Sustainability Reserve set by the Finance Director. The Sustainability Reserve is budgeted at 2% of GSD expenditures and 4% of USD expenditures, or \$74.8 million across all property tax-supported funds for FY 2026.

Governmental funds liquidity was solid, at 116 days cash on hand at FYE 2025. Metro has authorized up to \$158 million of tax anticipation notes (“TANs”) in FY 2026 to fund a portion of appropriations from various tax supported funds. The TANs will be borrowed on an interfund basis and are expected to be repaid in full prior to the end of the fiscal year. The Metro-owned Nashville General Hospital, a safety net facility for the provision of acute medical services, remains dependent on subsidization from Metro. The subsidy, a recurring obligation, was \$69.6 million or 4.4% of FY 2025 General Fund revenues. Metro’s FY 2026 Operating Budget allocates \$60.7 million in supplemental funding to the hospital.

While Metro’s annual pay-go funding of OPEB is common among local governments, KBRA views the \$2.7 billion unfunded OPEB liability at FYE 2025 as elevated relative to covered payroll. Although annual benefit costs remain manageable within the operating budget, the absence of assets in a GASB-qualified trust, combined with the size of the liability, could increase long-term fixed-cost pressure, heighten exposure to healthcare cost inflation, and constrain future budgetary flexibility.

The Stable Outlook reflects KBRA’s expectation that property tax revenues will continue to grow, albeit at a moderating pace, supported by steady economic momentum, ongoing development activity, and population growth, while downside risks remain tied to national macroeconomic conditions and rising cost and affordability pressures.

### Key Credit Considerations

The rating actions reflect the following key credit considerations:

#### Credit Positives

- Ten-year trend of robust growth in property tax receipts driven by rapid tax base expansion.
- Well-maintained financial operations, stemming from sound revenue performance and expenditure restraint, and supported by sound financial, debt and reserve policies.
- Favorable socioeconomic and demographic trends characterized by solid income and employment growth.

#### Credit Challenges

- Significant growth-related capital needs related to Metro’s broad responsibilities as a city/county government.
- Elevated fixed costs and the presence of contingent liabilities related to debt of Metro-controlled authorities.
- The high OPEB liability is a structural credit challenge that can negatively impact future budget flexibility.

### Rating Sensitivities

▪ Maintenance of financial reserves in accordance with policy.	<b>+</b>
▪ Elimination of the subsidy to Nashville General Hospital, which KBRA presently views as unlikely.	
▪ Significant unplanned draws on accumulated reserves.	<b>-</b>
▪ Failure to adhere to adopted policies and procedures.	
▪ Budgetary flexibility materially constrained by rising fixed costs and/or weakening reserves.	

FY 2025 Key Ratios	
Total G.O. Debt Outstanding	\$3.7 Billion
G.O. Debt Per Capita <sup>1</sup>	\$5,239
Direct and Overlapping Debt Per Capita <sup>2</sup>	\$7,329
Direct and Overlapping Debt as % Full Market Value	2.34%
Unassigned General Fund (GF) Balance as % GF Expenditures and Transfers Out	15.7%
Unassigned General Fund (GF) Balance as % GF Expenditures Plus Net Change in Other Financing Sources	16.4%
Fixed Costs as a % of Governmental Expenditures	15.1%
10-year CAGR in Estimated Actual Property Value (2015- 2025)	12.8%
<b>% Change Population Growth 2014-2024</b>	
Nashville-Davidson-Murfreesboro MSA	20.0%
State of Tennessee	10.4%
United States	6.7%
<b>Per Capita Income (2023)</b>	
Nashville-Davidson County as % of State	145.7%
Nashville-Davidson County as % of U.S.	132.1%

<sup>1</sup>Metro population is derived from U.S. Census Data (estimate of 704,963 as of July 1, 2024).

<sup>2</sup>Includes contingent liabilities related to debt issued by other Metro-controlled entities.

Source: Metro Annual Audits; US Census Bureau; US Bureau of Economic Analysis; KBRA metrics.



## Rating Determinants (RD)

1. Management Structure and Policies	AA+
2. Debt and Additional Continuing Obligations	AA
3. Financial Performance and Liquidity Position	AAA
4. Municipal Resource Base	AAA

The following discussion updates Rating Determinant 4, the Municipal Resource Base. For a comprehensive discussion of all Rating Determinants, KBRA’s Bankruptcy Assessment and ESG Management considerations relating to the Metropolitan Government of Nashville and Davidson County, TN, please see prior KBRA reports, the most recent of which is dated [October 3, 2025](#).

### RD 4: Municipal Resource Base

The Metropolitan Government of Nashville and Davidson County is the capital of the State of Tennessee and its most populous city. Located in northern Middle Tennessee at the center of a 13-county metropolitan statistical area (MSA) with a FY 2024 population of 2.1 million, Nashville ranks among the nation’s fastest-growing cities. Metro benefits from a highly diverse economic base encompassing trade, transportation and utilities; financial and business services; education and healthcare; leisure and hospitality; manufacturing; financial activities; government; publishing; and information services. The City’s prominence as a music and entertainment industry hub reinforces its status as a major tourist destination, attracting approximately 17 million visitors annually. In addition, the rapidly expanding Nashville International Airport, serving 24.7 million passengers in FY 2025, combined with Metro’s central U.S. location and access to major interstate highways, positions Nashville as a key transportation conduit between the Northeast and Southeast United States and facilitates regional market access for a growing array of businesses and manufacturers.

### Tax Base

The Metropolitan Government includes two service districts: the General Service District (“GSD”) and the Urban Service District (“USD”). Properties situated within the GSD are taxed to support the services, responsibilities and debt obligations of the entire population. Properties in the 199 square mile USD, a subset of the GSD, are subject to an additional tax to support additional police protection, storm sewers, street lighting and refuse collection. Property taxes are billed by the first Monday in October, with payment due prior to the following March. Property tax collection rates were 96.4% in FY 2025.

Metro’s ad valorem tax base expanded materially from 2016 through 2025, driven by sustained in-migration and robust visitor growth that catalyzed significant commercial and residential development, including Class A office towers, multifamily and condominium projects, hospitality assets, retail centers, and mixed-use product. Over this period, total taxable assessed value (combined General Services District (GSD) and Urban Services District (USD)) increased at a compound annual growth rate (“CAGR”) of 10.6%, reaching \$87.9 billion.

On a market value basis, estimated actual property values (“EAV”) rose at a strong 12.8% CAGR to \$220.8 billion, equating to a substantial \$313,200 per capita and reflecting pronounced appreciation in underlying real estate valuations. Metro conducts a countywide reappraisal of actual property values on a quadrennial cycle; the 2024 reappraisal resulted in a 43% year-over-year increase in total EAV to approximately \$217 billion. In non-reappraisal years, EAV growth—reflecting new construction and organic appreciation—has moderated since 2019, with growth of 1.8% from 2024 to 2025. Continued tax base growth is anticipated over the next five years. Building permits in 2025 remained elevated by historical standards. Extensive new hotel construction is underway across Metro, with 9,500 additional rooms planned through 2029.

### Population and Demographic Trends

Coincident with significant business recruitment and economic development efforts over the last decade, Metro’s population growth has significantly outpaced that of the State and the nation. Metro population grew at a compound annual growth rate (“CAGR”) of 0.91% from 2014 to 2024, to approximately 704,965, outpacing that of the State (0.99%) and the nation (0.64%) over the period.

Relative to the State and nation, population characteristics of the Metro Government include a low age dependency ratio, above average levels of educational attainment, and much faster growth in the percentage of the populace with a Bachelors’ Degree or higher than the State and nation over the last decade (13.9% growth versus 7.1% for the State and 6.7% for the nation). Approximately 12.1% of Metro’s populace lived below the poverty line in 2024, a rate equal to the U.S. overall, and which KBRA considers to be favorably low relative to most U.S. cities, particularly those with large student populations. Per capita income of \$51,787 in 2024 equates to 127.2% of the State and 114.4% of the U.S. Additionally, Metro’s per capita income grew 84.3% from 2014 to 2024, considerably outpacing the 56.7% rate of growth in per capita income for the nation overall, and reflecting the influx of high-paying jobs to the region during the period.



## Employment

In recent years, business relocation and expansion into the Metro Government and the Nashville-Davidson-Murfreesboro-Franklin MSA has driven significant employment gains and an increase in high-wage jobs. MSA employment grew at a CAGR of 2.6% from 2014 through 2024, outpacing the employment CAGR of the State (1.5%) and over 2.5 times that of the nation (1.0%). Continued business expansion is anticipated, with the recent announcement of major headquarters relocations to Nashville.

In 2024, Oracle Corporation, a multi-national computer technology company, announced the development of a \$4.5 billion global headquarters relocation. The development project, the second largest in Tennessee, is expected to create 8,500 permanent jobs by 2031, with an average salary of \$110,000, and to generate \$18 million annually in ad valorem property tax revenue for Metro. The Oracle development, which received \$175 million in TIF economic incentives, constitutes the first phase of redevelopment of the East Bank, a 550-acre area on the eastern banks of the Cumberland River adjacent to Downtown Nashville. Other planned East Bank development projects include a future home for the Tennessee Performing Arts Center, a new stadium for the NFL's Tennessee Titans (scheduled to open by the end of 2026), and approximately 323 units of affordable housing, as well as enhanced public transportation and pedestrian infrastructure.

Employment conditions remain favorable, with the Nashville-Davidson-Murfreesboro-Franklin MSA's unemployment rate for December 2025 at a low 2.90%, compared to 3.6% for the State and 4.4% for the U.S.<sup>2</sup>. The MSA's total nonfarm employment includes 1.2 million jobs and has evidenced a 12-month growth rate of 1.0%. (December 2025, preliminary.)

While employment sectors continue to diversify, Metro Government's ten principal employers employed approximately 15.7% of Metro employees in 2025, with Vanderbilt University and the Vanderbilt University Medical Center ("VUMC") Metro's largest employer and health-care anchor (3.7% of total employment). Media reports state that VUMC announced substantial cost-reduction actions in 2025, entailing up to \$300 million in budget cuts and as many as 650 layoffs due to realized and anticipated reductions in federal research grants and prospective Medicaid/Medicare reimbursement pressures associated with the One Big Beautiful Bill. KBRA will monitor the degree to which federal reimbursement and research-grant flows to VUMC impact Metro's employment and economic outlook.

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<sup>2</sup> MSA unemployment data was used, as the U.S. Bureau of Labor Statistics does not provide data for the Metropolitan Government.