

**CREDIT OPINION**

17 May 2024

**Contacts**

Anik Hoque +1.212.553.3263  
Associate Lead Analyst  
anik.hoque@moodys.com

Orlie Prince +1.212.553.7738  
Senior Vice President/Manager  
orlie.prince@moodys.com

**CLIENT SERVICES**

Americas 1-212-553-1653  
Asia Pacific 852-3551-3077  
Japan 81 3 5408 4100  
EMEA 44-20-7772-5454

**City of East Ridge, TN**

## Update to credit analysis

**Summary**

East Ridge, TN (Aa3) benefits from a growing local economy, strong financial position and below-average long-term liabilities. These benefits are somewhat offset by the city's below-average resident income levels.

On May 17th, 2024, Moody's assigned a Aa3 general obligation unlimited tax (GOULT) rating to East Ridge, TN's proposed \$8.0 million General Obligation Bonds, Series 2024.

**Credit strengths**

- » Growing local economy with favorable location in proximity to Chattanooga, TN
- » Strong financial position
- » Below-average leverage

**Credit challenges**

- » Below-average resident income levels
- » Above-average poverty rate

**Rating outlook**

Moody's Ratings does not assign outlooks to local governments with this amount of debt outstanding.

**Factors that could lead to an upgrade**

- » Increase in the resident income ratio to 95% or higher
- » Increase in the available fund balance ratio to 50% or higher

**Factors that could lead to a downgrade**

- » Decrease in the available fund balance ratio to 25% or lower
- » Increase in the long-term liabilities ratio to 250% or higher
- » Significant contraction of the local economy

## Key indicators

Exhibit 1

### East Ridge (City of) TN

	2020	2021	2022	2023	Aa Medians
<b>Economy</b>					
Resident income ratio (%)	81.6%	79.7%	76.4%	N/A	115.2%
Full Value (\$000)	\$1,414,311	\$1,438,366	\$1,766,446	\$1,782,681	\$2,753,876
Population	21,187	21,967	22,040	N/A	22,803
Full value per capita (\$)	\$66,754	\$65,478	\$80,147	N/A	N/A
Annual Growth in Real GDP	-0.4%	6.4%	5.8%	N/A	4.9%
<b>Financial Performance</b>					
Revenue (\$000)	\$19,127	\$20,795	\$25,543	\$34,963	\$49,930
Available fund balance (\$000)	\$6,461	\$8,229	\$10,752	\$13,550	\$27,007
Net unrestricted cash (\$000)	\$7,154	\$9,780	\$16,033	\$23,130	\$36,277
Available fund balance ratio (%)	33.8%	39.6%	42.1%	38.8%	54.0%
Liquidity ratio (%)	37.4%	47.0%	62.8%	66.2%	75.9%
<b>Leverage</b>					
Debt (\$000)	\$12,747	\$12,663	\$14,078	\$16,818	\$35,831
Adjusted net pension liabilities (\$000)	\$13,267	\$18,271	\$15,869	\$10,911	\$55,367
Adjusted net OPEB liabilities (\$000)	\$3,251	\$3,698	\$2,612	\$2,223	\$5,248
Other long-term liabilities (\$000)	\$548	\$576	\$576	\$725	\$1,716
Long-term liabilities ratio (%)	155.9%	169.3%	129.7%	87.7%	244.9%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$907	\$913	\$888	\$983	\$2,465
Pension tread water contribution (\$000)	\$229	\$267	\$152	N/A	\$1,563
OPEB contributions (\$000)	\$67	\$78	\$53	\$36	\$178
Implied cost of other long-term liabilities (\$000)	\$47	\$39	\$40	\$40	\$116
Fixed-costs ratio (%)	6.5%	6.2%	4.4%	3.5%	10.7%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Chattanooga, TN-GA Metropolitan Statistical Area Metropolitan Statistical Area.

Sources: US Census Bureau, East Ridge (City of) TN's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

The City of East Ridge is located in Hamilton County (Aaa stable) in southeastern Tennessee (Aaa stable). It is surrounded by the City of Chattanooga on its north, east, and west borders, and by the State of Georgia (Aaa stable) on its southern border. According to the 2022 American Community Survey, the city had a population of 22,040 residents.

## Detailed credit considerations

East Ridge, TN's local economy will continue to grow at a moderate pace given its favorable location in the Chattanooga metropolitan statistical area and ongoing residential development. The city's \$2.6 billion tax base has a compound annual growth rate (CAGR) of a strong 15.6% over the last five years. Currently, there are several ongoing residential developments totaling approximately 215 townhouses and 145 single family homes that are either in construction or in the approval/permitting phase. The city's tax base is well-diversified with top 10 taxpayers accounting for 11.3% of fiscal 2023 assessed value. Furthermore, economic activity in the area is growing at an above-average pace with Chattanooga MSA's real GDP 5-year CAGR exceeding the national real GDP 5-year CAGR by 0.6%. Despite a growing local economy, the city's resident wealth and income levels are below average with an adjusted median household income of 76.4% of the US MHI. The poverty rate is also an above-average 15.8%.

The city's financial position is strong and will remain stable in the near term given conservative budgeting practices and well performing revenue streams. As of year-end fiscal 2023, the city had an available fund balance of \$13.6 million or a strong 38.8% of revenue. Over the last five audited years, the city's reserves have seen a compound average annual growth of \$1.8 million driven largely by the strong growth its local option sales tax (LOST) and property tax revenues streams; LOST and property tax have a 5 year CAGR of 11% and 8%,

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

respectively. While revenues have shown strong growth, spending has been kept limited with a 5 year CAGR of only 2.4% in general fund expenditures. Looking ahead, management expects reserves to continue to grow in fiscal 2024 by about a \$1.0 million as revenues outperformed the budget once again.

East Ridge's leverage position will remain modest as there are currently no plans for material new issuances within the next 3-5 years. As of fiscal 2023, the city had \$16.8 million of debt outstanding, 55% of which was variable rate Tennessee Municipal Bond Fund loans. The city also has \$10.9 million in adjusted net pension liability and \$2.2 million in adjusted net OPEB liability. In total, the city's long-term liabilities were \$30.7 million or a below average 87.7% of revenue. Post issuance of the Series 2024 bonds, long-term liabilities will increase to approximately \$42.2 million or still a modest 121% of revenue.

## ESG considerations

### Environmental

Environmental factors do not pose a credit risk in the near-term for the city. According to Moody's ESG Solutions, the city has high exposure to flood and heat risks. These exposures are mitigated by ongoing efforts address annual infrastructure improvements and support from FEMA in the event of material storm damage.

### Social

Social issues are unlikely to pose a material credit risk over the near-term. Social considerations are material to the credit profile to the extent described above in the detailed credit consideration section relating to median household income and poverty rate. The unemployment rate for Hamilton County was 2.7% as of February 2024, below both the state (2.8%) and national rates (4.2%).

### Governance

The city has a formal policy to maintain fund balance equal to at \$5.0 million.

Tennessee cities have an institutional framework score of Aaa, which is very strong. The sector has one or more major revenue sources that are not subject to any caps. Revenues are typically highly stable and predictable. Across the sector, fixed and mandated costs tend to be highly stable and predictable, with minor fluctuations under 5% annually

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 2

### East Ridge (City of) TN

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	76.4%	10.0%	Baa
Full value per capita	117,702	10.0%	Aa
Economic growth metric	0.6%	10.0%	Aaa
<b>Financial Performance</b>			
Available fund balance ratio	38.8%	20.0%	Aaa
Liquidity ratio	66.2%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aaa	10.0%	Aaa
<b>Leverage</b>			
Long-term liabilities ratio	87.7%	20.0%	Aaa
Fixed-costs ratio	3.5%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
<b>Assigned Rating</b>			<b>Aa3</b>

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Chattanooga, TN-GA Metropolitan Statistical Area Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, East Ridge (City of) TN's financial statements and Moody's Ratings

## Appendix

Exhibit 3

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Investors Service
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings



© 2024 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved. CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating." The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454