

Research Update:

Dayton, TN Series 2025 GO Bonds Assigned 'AA-' Rating; Outlook Stable

July 31, 2025

Overview

- S&P Global Ratings assigned its 'AA-' rating to the City of [Dayton](#), Tenn.'s approximately \$8.65 million series 2025 general obligation (GO) bonds.
- S&P Global Ratings also affirmed its 'AA-' rating on the city's existing GO debt.
- The outlook is stable.
- The rating reflects the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

Rationale

Security

Dayton's unlimited-faith-and-credit pledge secures series 2025 bonds and existing GO debt. Bond proceeds will refund the city's series 2023 capital outlay note (direct purchase debt) for net present-value savings.

Dayton's series 2017 GO bonds are secured by net electric system revenue and the city's unlimited GO pledge if net system revenue is insufficient. We view the city's GO pledge as the stronger pledge, and therefore rate to it. For further information, see our criteria "[Methodology: Rating Approach To Obligations With Multiple Revenue Streams](#)," Nov. 29, 2011.

Credit highlights

The rating reflects our view of Dayton's small economy with weaker employment and income trends than peers, coupled with relatively high debt levels that could pressure the GO rating if debt service coverage in its enterprise funds were to deteriorate. However, employee retirement and debt service costs are relatively low as a share of governmental revenue with us considering most GO debt paid from enterprise funds to be self-supporting. In addition, Dayton's consistently

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positive operating results and historical maintenance of solid available reserves are factors providing broad support for the current rating.

Officials estimate ending fiscal 2025 with a fund balance draw of no more than \$500,000, and adopted a balanced fiscal 2026 budget, though could use a nonmaterial portion of reserves for capital projects. Nevertheless, we expect Dayton's finances to remain healthy and support the current rating despite the potential for capital-related fund balance draws in the near term.

The rating reflects our view of Dayton's:

- Location about 45 minutes northeast of Chattanooga, with a regional economy built on manufacturing (namely, automotive), and a property tax base consisting mostly of commercial, industrial, and mineral properties. A countywide reassessment took effect in July 2024, causing assessed value (AV) to significantly increase and the city's tax rate to be rolled back since property tax revenue cannot increase because of a reassessment alone; taxpayer concentration also moderated following the reassessment. Meanwhile, per capita gross county product, county personal income, and effective buying income metrics are weaker than those of similarly rated peers and generally hinder upside.
- General fund surpluses since fiscal 2014 with operations primarily funded by consumption-based taxes (about 45%), penalties/interest (about 25%), and property taxes (about 14%) in fiscal 2024; penalty/interest revenue significantly increased to more than \$3.3 million in fiscal 2024 from \$24,000 in fiscal 2023 (less than 1% of revenue), which officials attribute to a change in the auditor and the classification of these revenues. Dayton increased its tax rate in fiscal 2026 by about 30 cents to 84 cents per \$100 of AV, which is expected to generate about \$1 million of additional revenue that will help pay for parks and recreation capital improvements.
- Historical maintenance of available reserves above 38% of general fund revenue since fiscal 2014, albeit above 100% since fiscal 2020. Dayton lacks a minimum reserve policy, but officials target maintaining at least six months of the budget.
- Conservative line-item budgeting based on historical analysis, economic trends, capital needs, and external information sources. The city performs monthly budget monitoring and provides council with quarterly budget-to-actual reports. Dayton does not maintain rolling, multiyear financial projections or a capital improvement plan, but officials are aware of trends and the city's capital needs. In addition, the city adheres to an investment management policy with interest earnings reported quarterly to the council, and follows a debt management policy outlining the use of variable-rate debt and derivatives, as well as identifying affordability metrics. Management is also taking steps to mitigate cybersecurity risks.
- Affordable debt, with 85%-90% of its GO debt considered self-supporting since the city repays it from utility fund (water, sewer, and electric) revenue with sufficient historical coverage and no history of needing GO support. Teachers participate in a statewide cost-sharing, defined-benefit (DB) pension plan while city employees are in an agent DB plan, both of which have limited cost-escalation risk. Certain employees also participate in other postemployment benefit plans that are pay-as-you-go funded, but the liabilities and costs are manageable. Dayton has four private placements, one of which (series 2023 capital outlay note) will be refunded by series 2025 GO bonds; we do not view these obligations as a contingent liability or liquidity risk.
- For more information on our institutional framework assessment for Tennessee municipalities, see "[Institutional Framework Assessment: Tennessee Local Governments](#)," Sept. 11, 2024.

Environmental, social, and governance

We do not identify any outsized environmental, social, or governance risks; we view them as neutral within our credit rating analysis.

Outlook

The stable two-year outlook reflects S&P Global Ratings' expectation for limited economic and financial change.

Downside scenario

We could lower the rating if Dayton were to experience a prolonged structural imbalance that causes significant financial deterioration.

Upside scenario

While unexpected, we could raise the rating if the economy were to experience sustained growth and diversification, reflected in stronger employment trends, rising income levels, and improved economic output more consistent with those of higher-rated communities.

Dayton, Tennessee--credit summary

Institutional framework (IF)	1
Individual credit profile (ICP)	2.39
Economy	6.0
Financial performance	1
Reserves and liquidity	1
Management	2.70
Debt and liabilities	1.25

Dayton, Tennessee--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	--	--	83	105
County PCPI % of U.S.	--	--	65	65
Market value (\$000s)	1,092,167	1,063,317	736,040	721,475
Market value per capita (\$)	148,594	144,669	100,141	91,721
Top 10 taxpayers % of taxable value	17.9	29.1	29.3	27.9
County unemployment rate (%)	--	4.2	4.2	4.1
Local median household EBI % of U.S.	--	--	69	64
Local per capita EBI % of U.S.	--	--	69	60
Local population	--	--	7,350	7,866
Financial performance				
Operating fund revenues (\$000s)	--	13,270	8,693	8,248
Operating fund expenditures (\$000s)	--	10,893	7,425	6,993
Net transfers and other adjustments (\$000s)	--	290	81	151
Operating result (\$000s)	--	2,667	1,349	1,406

Dayton, Tennessee--key credit metrics

	Most recent	2024	2023	2022
Operating result % of revenues	--	20.1	15.5	17.0
Operating result three-year average %	--	17.6	18.7	16.2
Reserves and liquidity				
Available reserves % of operating revenues	--	120.6	146.1	139.3
Available reserves (\$000s)	--	16,009	12,698	11,493
Debt and liabilities				
Debt service cost % of revenues	--	1.6	2.3	2.4
Net direct debt per capita (\$)	8,980	6,925	6,075	3,660
Net direct debt (\$000s)	66,000	50,900	44,648	28,792
Direct debt 10-year amortization (%)	48	40	--	--
Pension and OPEB cost % of revenues	--	3.0	4.0	3.0
NPLs per capita (\$)	--	59	59	--
Combined NPLs (\$000s)	--	--	433	--

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\$8.65 mil GO bnds ser 2025 due 06/01/2050

Long Term Rating AA-/Stable

Ratings Affirmed

Local Government

Dayton, TN Unlimited Tax General Obligation AA-/Stable

Dayton, TN Unlimited Tax General Obligation & Electric System AA-/Stable

Dayton, TN Unlimited Tax General Obligation and Water and Sewer System AA-/Stable

Pooled

Dayton, TN Unlimited Tax General Obligation and Retail Electric System 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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