County Technical Assistance Service
INSTITUTE for PUBLIC SERVICE

November 23, 2024

Determine Your Current Debt Position -Statistics and Ratios

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Anne Dallas Dudley Boulevard, Suite 400
Nashville, Tennessee 37219
615.532.3555 phone
615.532.3699 fax
www.ctas.tennessee.edu

Table of Contents

Determine Your Current Debt Position -Statistics and Ratios

Reference Number: CTAS-1767

In order to have an efficient Debt Management program, you should have an understanding and working knowledge of your current debt position. Various ratios will be used in determining or measuring your debt capacity. Comprehension of the ratios should assist the local government in the following ways: (1) understanding whether your debt will have an acceptable rating by the debt rating agencies, and (2) determining whether the citizens have the ability to pay for the future indebtedness.

Debt Per Capita Ratio – This ratio is used in evaluating the county's ability to pay off its debt by taking the total principal on outstanding debt divided by the citizens in the county.

Total debt of a County[1] *= Debt per capita*
County's population[2]

The overall net debt per capita should not exceed $1,200 per capita nationally.[3]

Debt as a Percentage of Personal Income– This ratio incorporates an ability to pay concept into the assessment of debt burden. It uses the total personal income (including wages, dividends, interest, rent, and government payments) divided by the total population.

Total personal income[4] *= Per capita personal income*
County's population[5]

The overall net debt per capita should not exceed 15% of per capita personal income.[6]

Debt to Assessed Property Value – This ratio examines the county's current indebtedness to the assessed property value. It shows the wealth available to support present indebtedness so the county can include any planned debt to calculate an anticipated ratio, thus helping determine whether the county has capacity to meet present and future obligations.

Total debt of a County *= Debt to assessed value*
Assessed property Value

(Property assessor plus public utilities from Trustee's office)

The overall net debt should not exceed 10 percent of assessed value.[7]

These ratios are a benchmark of your county as monitored by the bond rating agencies. All three ratios must be considered along with other economic and financial data for the county, region and state. Further the agencies review your annual audits and the quality of management in determining your overall rating.

Statistical Reference

As of June 2010, the following data is being provided to allow the reader to have reference of the debt or potential need for capital improvement in county governments throughout Tennessee. See the Debt by County Table for various calculated ratios.The information provided in this table is believed to be accurate, but you should verify and research the most current available data for a final determination related to your county.

Further summary of data

- The highest debt county is Davidson County at more than $2 billion.
- The lowest debt county is Van Buren County at $1 million.
- Davidson County's debt per capita is over $3,445.
- Van Buren County's debt per capita is $200.
- Of the 95 counties in Tennessee, Giles, McMinn, and Tipton Counties are the only that are debt free.

According to the Tennessee Advisory Commission on Intergovernmental Relation "Building Tennessee's Tomorrow: Anticipating the State's Infrastructure Needs July 2009 through 2014," the outstanding capital needs are $37.5 billion or $6,075 per capita.

---

[1] Only the principle amount from the county's most recent annual audit report or financial statement.

[2] U.S. Census or TACIR

[3]“Municipal Benchmarks: Assessing Local Performance and Establishing Community Service Standards”, David N. Ammons. – 2001, p. 119.
[4] Bureau of Economic Analysis (BEA)
[5] U.S. Census or TACIR
[6] Municipal Benchmarks: Assessing Local Performance and Establishing Community Service Standards, David N. Ammons. – 2001, p.119.
[7] Municipal Benchmarks: Assessing Local Performance and Establishing Community Service Standards, David N. Ammons. – 2001, p.119.
