

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's downgrades to Aa3 Alachua County S.D., FL's issuer rating; COPs downgraded to A1**

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18 Jul 2022

New York, July 18, 2022 -- Moody's Investors Service has downgraded to Aa3 from Aa2 Alachua County School District, FL's issuer rating and to A1 from Aa3 the district's certificates of participation (COPs). The issuer rating reflects the district's ability to repay debt and debt-like obligations without consideration of any pledge, security or structural features. The district has approximately \$114 million in outstanding debt.

#### RATINGS RATIONALE

The downgrade of the issuer rating to Aa3 is largely driven by deterioration of the district's financial position due to its recent enrollment losses. Prior to the pandemic, enrollment was trending up modestly, however recent declines have led to operating fund deficits and declines in cash and fund balance. The district's inability to achieve structural operating balance, coupled with reserve levels that were already weak compared to similarly-rated districts, is a key driver of this rating action. The Aa3 rating also incorporates the district's low leverage, and strong full value per capita; resident wealth is below average, though this reflects the large student population at the University of Florida.

The downgrade of the district's COPs to A1 reflects a one notch distinction from the Aa3 issuer rating and incorporates the risk of non-appropriation, the essentiality of leased facilities (school buildings) and the strong underlying credit quality of the issuer. The COPs are repaid from the local capital outlay levy of 1.5 mills or the half penny sales tax.

#### RATING OUTLOOK

Outlooks are not typically assigned to issuers with this amount of debt outstanding.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improved cash and fund balances in line with budgetary growth
- Improved enrollment trend
- Upgrade of the issuer rating (COPs)

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Further erosion of cash or fund balances
- Significant additional debt
- Downgrade of the issuer rating (COPs)

#### LEGAL SECURITY

The issuer rating reflects the district's ability to repay debt and debt-like obligations without consideration of any pledge, security or structural features.

COPs are secured by lease payments made by the district, subject to annual appropriation.

#### PROFILE

The district is coterminous with Alachua County, FL (Aa2). In fiscal 2020, the district had 45 schools and an enrollment of 27,381 students.

#### METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts Methodology published in January 2021 and available at <https://ratings.moody.com/api/rmc-documents/70054>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

## REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

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