

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aa2 UND/Aa3 ENH to Los Alamos PSD, NM's GO bonds**

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27 Jun 2019

New York, June 27, 2019 -- Moody's Investors Service has assigned an Aa2 underlying and Aa3 enhanced rating to Los Alamos Public School District, NM's \$6.5 million General Obligation School Bonds, Series 2019. We maintain the Aa2 rating on the district's outstanding debt, affecting \$31.3 million. The outlook is stable.

#### RATINGS RATIONALE

The Aa2 reflects the district's moderately-sized tax base that benefits from the institutional presence of Los Alamos National Laboratory (LANL), solid income indices, and manageable debt levels. While the district's general fund balance is narrow, Los Alamos benefits from receipt of lease rental revenues, which are held outside the general fund, and available for operations. Inclusive of this liquidity, the district's financial position is healthy relative to medians. The rating further considers an elevated pension burden associated with participation in the state-wide pension plan.

Moody's assigns the Aa3 state intercept rating to those issuers for whom remaining state aid for the fiscal year, measured as of the first month of debt service payments, provides at least sum sufficient coverage of maximum annual debt service (MADS). In the case of Los Alamos PSD, debt service is paid in August and February. In August, remaining state aid for the fiscal year provides over 4x coverage of MADS, substantially above our threshold. For additional information, please refer to the State Aid Intercept Program and Financings methodology, published December 14, 2017.

#### RATING OUTLOOK

The stable outlook reflects our expectation that the district will continue to maintain healthy operating reserves, driven, in large part, by ongoing receipt of rental revenues from LANL, which serve to diversify revenues and bolster the district's narrow general fund.

#### FACTORS THAT COULD LEAD TO AN UPGRADE

- Significant increases to the district's fund balance and reserves
- Tax base expansion and additional diversification
- Material reductions to the pension and fixed cost burdens

#### FACTORS THAT COULD LEAD TO A DOWNGRADE

- Trend of deficits that materially reduce reserves
- Material tax base contraction
- Increases to the pension and fixed cost burdens that are not in line with peers

#### LEGAL SECURITY

The bonds are secured by the district's full faith and credit and are general obligations of the district payable from ad valorem taxes to be levied against all taxable property within the district without limitation as to rate or amount.

#### USE OF PROCEEDS

Proceeds from the Series 2019 bonds will be used for elementary school renovations and maintenance, and field house design.

#### PROFILE

Los Alamos Public School District serves the community of Los Alamos, and the surrounding areas in Los Alamos County. The district serves approximately 3,700 students.

#### METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings published in December 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

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Heather Correia  
Lead Analyst  
Regional PFG Dallas  
Moody's Investors Service, Inc.  
Plaza Of The Americas  
600 North Pearl St. Suite 2165  
Dallas 75201  
US  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Helen Cregger  
Additional Contact  
Regional PFG West  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

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