

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns A1 UND/Aa3 ENH to Bernalillo MSD 1, NM's GO bonds, ser 2019

08 Aug 2019

New York, August 08, 2019 -- Moody's Investors Service has assigned an A1 underlying and Aa3 enhanced rating to Bernalillo Municipal School District 1 (Sandoval County), NM's \$5 million General Obligation School Bonds, Series 2019. We maintain the A1 rating on \$29.6 million in outstanding obligations.

RATINGS RATIONALE

The A1 underlying rating is based on the district's improved financial position with an addition to cash balance expected in fiscal 2019 and projected for fiscal 2020, moderately-sized tax base that will slowly grow over the near-term given ongoing commercial development, and manageable direct debt burden with rapid principal payout. The rating also incorporates the district's average income indices and elevated pension burden, based on its proportionate share of EERS' unfunded liabilities (statewide, cost-sharing plan).

The Aa3 enhanced rating is based on our assessment of the New Mexico School District Intercept Program and a review of the district's proposed financing. In order to qualify for the programmatic rating of Aa3, available state aid must provide at least one times annual debt service coverage. In Bernalillo MSD's case, coverage is an adequate 3.45 times, based on fiscal 2018 revenues. For additional information, please refer to the State Aid Intercept Program and Financings methodology, published December 14, 2017.

RATING OUTLOOK

Moody's generally does not assign outlooks to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Continued increases to reserves
- Notable tax base expansion
- Reductions to the pension and fixed cost burdens

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Deterioration of reserves
- Material tax base contraction
- Increases to the pension and fixed cost burdens

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 of the Series 2019 bonds will be used for the purpose of erecting, remodeling, making additions to and furnishing school buildings; purchasing or improving school grounds, and purchasing computer software and hardware for student use in public schools.

PROFILE

Located in Sandoval County, north of the City of Albuquerque in central New Mexico, the district encompasses approximately 648 square miles and serves approximately 3,000 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 for a copy of these methodologies.

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