

**Rating Action: Moody's assigns Aa3 UND/Aa3 ENH to Clovis MSD 1, NM's series 2019 GO bonds**

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12 Sep 2019

New York, September 12, 2019 -- Moody's Investors Service has assigned Aa3 underlying and Aa3 enhanced ratings to Clovis Municipal School District 1 (Curry County), NM's \$3 million in General Obligation School Bonds, series 2019. We maintain Aa3 underlying ratings on \$44.2 million of the district's outstanding parity obligations.

**RATINGS RATIONALE**

The Aa3 underlying rating is based on the district's stable financial position, with a surplus expected for fiscal 2019 and balanced operations budgeted for fiscal 2020. The district's tax base remains moderately-sized, and is anchored by Cannon Air Force Base. While the direct debt burden is manageable, the pension burden is elevated, with statutorily-required contributions remaining unfavorably below Moody's-calculated tread water payment.

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, per our methodology, coverage must be at least sum sufficient. In Clovis MSD's case, periodic MADS coverage is an ample 10 times (fiscal 2018). 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**

- Increased reserve position
- Significant tax base growth and diversification
- Material reductions to the pension and fixed cost burdens

**FACTORS THAT COULD LEAD TO A DOWNGRADE**

- Deterioration of reserves
- Sustained tax base contractions
- Continued growth in the unfunded pension liability

**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 renovations of existing facilities and floor and roof replacement.

**PROFILE**

The district is located in Clovis, 100 miles northwest of Lubbock, 106 miles southwest of Amarillo, and 220 miles east of Albuquerque, and serves approximately 8,000 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](http://www.moodys.com) for a copy of these methodologies.

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