

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's upgrades to Aa3 Ruidoso MSD No. 3, NM's GOs

28 Jan 2020

New York, January 28, 2020 -- Moody's Investors Service has assigned a Aa3 underlying and Aa3 enhanced rating to Ruidoso Municipal School District (MSD) No. 3 (Lincoln County), NM's \$3 million in General Obligation Bonds, Series 2020. Concurrently, we have upgraded the underlying rating to Aa3 from A1, affecting \$33.4 million in outstanding parity obligations.

RATINGS RATIONALE

The upgrade to Aa3 is based on the district's strong operating trends, which have resulted in reserve levels above state and national medians. The tax base is stable and moderately-sized, and the direct debt burden is manageable. The rating further considers the district's below average income indices and elevated pension burden, based on Ruidoso's share of New Mexico ERB's unfunded liabilities.

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, annual debt service coverage must be at least sum sufficient. In Ruidoso's case, coverage is an ample 3.64 times, based on fiscal 2019 state aid. 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

- Material tax base growth and additional economic diversification
- Material reduction to the pension and fixed cost burdens

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Deterioration of reserves
- Material tax base contractions
- 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 2020 bonds will be used for various capital projects, including a new security vestibule, running track and paved pathway.

PROFILE

Located in southeastern New Mexico, the district encompasses around 140 square miles, and serves the Village of Ruidoso and surrounding area. Fiscal 2020 enrollment is approximately 2,000.

METHODOLOGY

The principal methodology used in the underlying ratings was US Local Government General Obligation Debt published in September 2019. 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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