

**Rating Action: Moody's assigns A1 UND/Aa3 ENH to Alamogordo MSD 1 (Otero County), NM's ser. 2020 GO bonds**

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06 May 2020

New York, May 06, 2020 -- Moody's Investors Service has assigned A1 underlying and Aa3 enhanced ratings to Alamogordo Municipal School District (MSD) 1 (Otero County), NM's \$5 million in General Obligation School Bonds, Series 2020. We have maintained the A1 underlying rating on \$34.5 million in outstanding parity obligations.

**RATINGS RATIONALE**

The A1 underlying rating is based on the district's improved financial position, which is expected to remain stable through fiscal 2020. The district's tax base remains stable, anchored by Holloman Air Force Base. While the direct debt burden is manageable, benefitting from rapid principal amortization, 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 (Aa2 stable) 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 Alamogordo's case, coverage is an ample 8.75 times, based on fiscal 2019 state aid. For additional information, please refer to the State Aid Intercept Programs and Financings methodology, published December 14, 2017.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for the district. However, the situation surrounding coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the district changes, we will update the rating and/or outlook at that time.

**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 OF THE RATINGS**

- Substantial tax base expansion and diversification
- Trend of operating surpluses, increasing cash reserves and fund balance
- Reductions to the pension and fixed cost burdens
- Upgrade of the State of New Mexico's rating (enhanced only)

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

- Reductions to reserves
- Significant tax base contraction
- Further increases to the pension and fixed cost burdens
- Downgrade of the State of New Mexico's rating (enhanced only)

**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. The bonds are further secured by the state's commitment to pay debt service, if necessary, pursuant

to the New Mexico School District Intercept Program.

#### USE OF PROCEEDS

Proceeds from the Series 2020 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

Alamogordo MSD 1, NM is located in the southeastern portion of Otero County (A1), approximately 90 miles north of El Paso, TX. The district serves the City of Alamogordo (Aa3) and surrounding areas, and its population is around 45,000. The district operates 10 elementary schools, three middle schools, and two high schools. Current enrollment is approximately 5,900.

#### METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in September 2019 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1191097](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1191097). The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings published in December 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1067422](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1067422). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

#### 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 at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

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