

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns A3 UND/Aa3 ENH to West Las Vegas MSD 1, NM's GO Bonds, Ser. 2020**

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05 Jun 2020

New York, June 05, 2020 -- Moody's Investors Service has assigned an A3 underlying and Aa3 enhanced rating to West Las Vegas Municipal School District No. 1, NM's \$2 million General Obligation School Bonds, Series 2020. We maintain the A3 underlying rating on the district's outstanding parity debt. Following the sale, the district will have \$12.3 million of outstanding general obligation unlimited tax (GOULT) debt.

#### RATINGS RATIONALE

The A3 underlying rating reflects the district's small tax base with modest annual growth, weak resident income levels and elevated poverty. The rating also incorporates an adequate financial position, manageable debt burden and elevated pension burden with a negative tread water gap.

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, but it could impact the district's state aid in future years. Like all New Mexico schools, the district depends on the state for most of its operational funding. The State of New Mexico (Aa2 stable) is currently facing a budgetary gap, which has potential to impact fiscal 2021 state aid allocations. The state is making all districts whole through fiscal 2020 (ending June 30). The situation surrounding the 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.

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. To qualify for the programmatic rating of Aa3, per our methodology, annual debt service coverage must be at least sum sufficient. In West Las Vegas's case, coverage is an ample 7 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

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Significant increases to fund balance and liquidity
- Tax base expansion, economic diversification and improvement of income indices
- Material reductions to the pension and fixed cost burdens
- Rating upgrade of the New Mexico School District Intercept Program (enhanced)

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

- Failure to materially increase fund balance and liquidity (as projected for fiscal 2020)
- Material tax base contraction
- Increases to the pension and fixed cost burdens that are not comparable to peers
- Rating downgrade of the New Mexico School District Intercept Program (enhanced)

#### LEGAL SECURITY

The bonds 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 New

Mexico School District Intercept Program.

#### USE OF PROCEEDS

Proceeds of the Series 2020 bonds will finance the construction of a baseball and softball field.

#### PROFILE

Located approximately 120 miles northwest of the City of Albuquerque (Aa3 negative), West Las Vegas Municipal School District serves the City of Las Vegas (A2) and surrounding areas within San Miguel County. The district manages 11 schools and provides K-12 education services to approximately 1,400 students.

#### 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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