



# Moody's Bond Rating Update

Board Study March 10, 2021

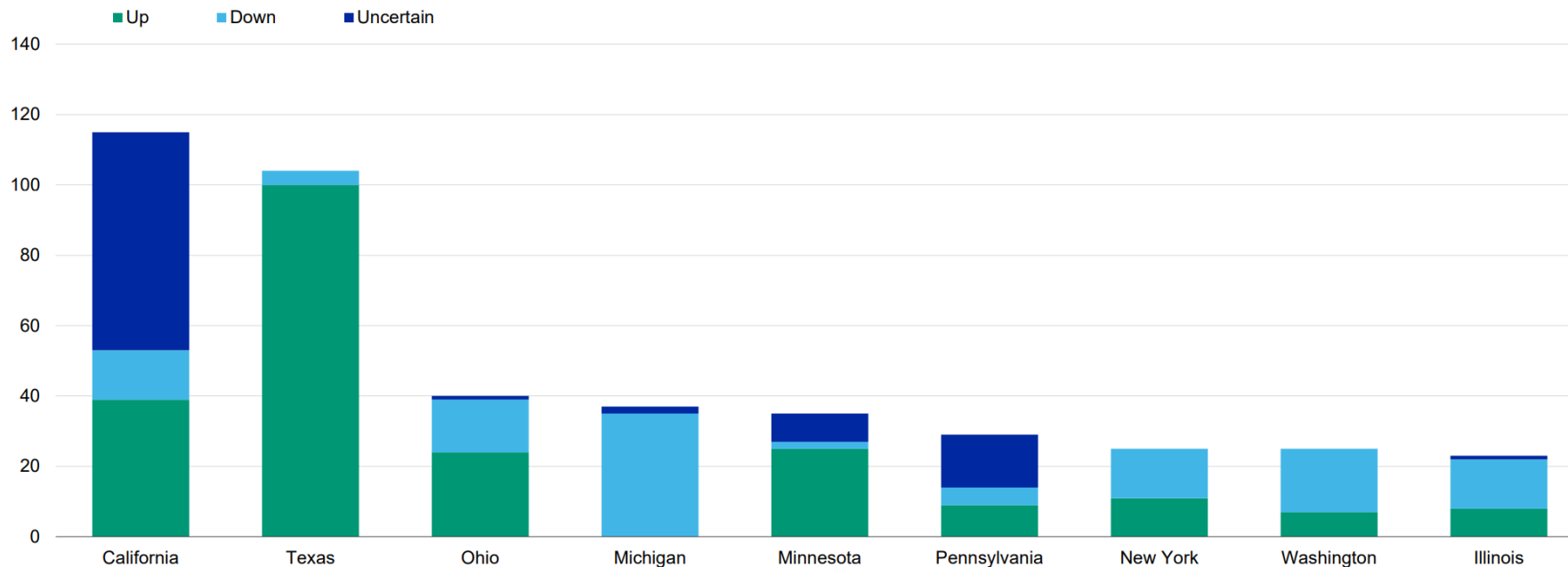
# Purpose of the Update

- The district's bond rate is downgraded from Aa2 to Aa3 due to a new methodology of bond rating by Moody's
- Most Washington School Districts are impacted by the new methodology.

# Ratings impact by state

## Ratings impact by state

Only 9 states had greater than 20 ratings placed under review



# Moody's Mythology for Bond Rating

## Old

- Economy/Tax Base ..... 30%
- Finance ..... 30%
- Management..... 20%
- Debt/Pensions..... 20%

## New

- Economy (including Enrollment Trend) ..... 30%
- Financial Performance..... 30%
- Institutional Framework..... 10%
- Leverage.....30%

### Notching Factor:

- Additional Strength in Local Resources
- Limited Scale of Operations
- Weak Financial Reporting
- Potential Cost Shift to or from the State
- Potential for Significant change in Leverage

# Cause and Affect of the Downgrading

- Cause: The District has no control

*Primarily on...*

- Enrollment Decline due to COVID-19
  - Financial Reporting: Washington State Reporting Guidelines (F-196 vs. CAFR)
- Affect: Not much

# Some Examples of Moody's Bond Ratings

Item	Moody's Rating	Rating Description	Risk
1	Aaa Aa1, Aa2, Aa3	Prime High Grade	Lowest Risk Low Risk
2	A1, A2, A3	Upper Medium Grade	Low Risk
3	Baa1, Baa2, Baa3	Lower Medium Grade	Medium Risk

# Other Alternatives

- **Consider other rating agencies?**
  - **Standard and Poor's ("S&P")**
  - **Fitch**

