



Rating Action: Moody's assigns Aa1 UND/Aaa ENH to Granite School District, UT's GO Rfdg bonds, Ser 2024

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New York, March 06, 2024 -- Moody's Investors Service has assigned Aa1 underlying and Aaa enhanced ratings to Granite School District, UT's projected upcoming sale of \$20.77 million in General Obligation Refunding Bonds, Series 2024. Moody's maintains the Aa1 issuer and general obligation ratings. Post-issuance, the district will have around \$210.2 million in GO bonds outstanding.

RATINGS RATIONALE

The Aa1 issuer rating reflects the district's strong economic base, as evidenced by solid income and wealth levels. Granite serves Salt Lake City metropolitan area; the city is the capitol of Utah and the economic engine of the state. Financial performance is good, and reserves are sound at 20%. Total leverage is favorably lower than Aa medians at around 150% of operating revenues. It will likely fluctuate over the near-term with changes in the ANPL; however, management reports that they do not have any future debt plans. The Aa1 does consider the district's historic and current enrollment losses, a trend that is expected to continue over the next several years. The district is proactively managing this by continuously assessing staffing levels and facility needs.

The underlying Aa1 rating on the district's general obligation bonds is equivalent to its issuer rating based on the district's unlimited property tax pledge that is dedicated to debt service.

The Aaa enhanced rating is based on the additional security provided to bondholders by the Utah School District Bond Guaranty Program (Aaa). Under this program, the state's full faith and credit guarantees debt service payments by transfer of the state's general funds to the paying agent in the event of a shortfall for the district.

RATING OUTLOOK

The stable outlook reflects the expectation that the district will continue to budget conservatively, thoughtfully managing negative enrollment trends without compromising reserves and liquidity.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Stabilization of enrollment trends that are more in line with Aa medians
- Trend of surplus operations that materially increase reserves and liquidity

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration of reserves and liquidity to levels commensurate with A medians
- Material increases in total leverage to levels above 400% operating revenues

LEGAL SECURITY

The general obligation bonds are secured by the district's unlimited property tax pledge. The Utah School District Bond Guaranty Program pledges the State of Utah's (Aaa stable) full faith and credit to make whole any shortfall in debt service by the district, if necessary, on a timely basis for payment to bondholders.

USE OF PROCEEDS

The proceeds of the series 2024 bonds will be used for the purpose of refunding prior to their maturity \$17.5 million of the board's currently outstanding General Obligation School Building Bonds, series 2012, and \$4.8 million of the board's currently outstanding General Obligation School Building Bonds, series 2013.

PROFILE

The district covers 300 square miles in northern Salt Lake County (Aaa stable) and is the third largest district by enrollment in the state with a current enrollment of around 58,000 students. The district currently operates 87 schools: eight high schools; one alternative high school; fifteen junior high schools; and fifty-seven elementary schools; and six special purpose schools, each housed in a separate facility.

METHODOLOGY

The principal methodology used in the underlying rating was US K-12 Public School Districts Methodology published in January 2021 and available at <https://ratings.moody.com/rmc-documents/70054>. The principal methodology used in the enhanced rating was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moody.com/rmc-documents/386295>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.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 on <https://ratings.moody.com/rating-definitions>.

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