

RATING ACTION COMMENTARY

Fitch Rates Nebo School District, UT's \$10MM GO Bonds, Series 2025 'AAA'; Outlook Stable

Tue 29 Jul, 2025 - 5:10 PM ET

Fitch Ratings - San Francisco - 29 Jul 2025: Fitch Ratings has assigned a 'AAA' rating to Nebo School District, Utah's \$10 million general obligation (GO) school building bonds, series 2025 (Utah School District Bond Guaranty Program.)

The bonds are scheduled to sell via competitive bid on Aug. 13, 2025. Bond proceeds will be used to fund construction, purchase buildings and school sites, and furnish schools and improve existing school property.

In addition, Fitch has affirmed the following ratings of the district:

- Issuer Default Rating (IDR) at 'AAA';
- Outstanding GO bonds at 'AAA';
- Outstanding lease revenue bonds at 'AA+' (issued by the Nebo School District Local Building Authority).

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ↕	RATING ↕	PRIOR ↕
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Nebo School District (UT)	LT IDR	AAA Rating Outlook Stable		AAA Rating Outlook Stable
	Affirmed			
Nebo School District (UT) /General Obligation - Unlimited Tax/1 LT	LT	AAA Rating Outlook Stable	Affirmed	AAA Rating Outlook Stable
Nebo School District (UT) /Lease Obligations - Standard/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable

[VIEW ADDITIONAL RATING DETAILS](#)

The 'AAA' IDR and GO bond rating reflect the district's continued strong financial operations. This results in a 'aaa' financial resilience assessment given the district's 'Ample' budgetary flexibility, consisting of high revenue and expenditure control. Fitch expects that the district will maintain unrestricted general fund reserves of at least 7.5% of spending (the minimum level for an 'aaa' assessment), compared to 28.1% in fiscal 2024.

The rating also incorporates the district's 'Strongest' population trend, which is consistent with its robust enrollment growth. It also includes its 'Strong' demographic and economic strength metrics, which are supported by the district's relatively low unemployment and median household income that exceeds the national average.

Fitch assesses the district's long-term liability burden composite as 'Midrange' (50th percentile) and incorporates a low long-term liability burden as a share of governmental revenues and higher carrying costs.

The 'AA+' rating on the lease revenue bonds represents the slightly higher degree of optionality related to appropriation debt.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A decline in general fund unrestricted balance sustained below 7.5% of spending, leading to a lower assessment of financial resilience;

--A sustained approximate 35% increase in long-term liabilities associated with debt and net pension liabilities assuming current levels of income, governmental revenues and expenditures.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Not applicable as the county's IDR, GO bonds, and lease revenue bonds are currently at the highest rating level.

SECURITY

The district's GO bonds are payable from the proceeds of ad valorem taxes to be levied without limitation as to rate or amount on all of the taxable property in the district. In addition, payment is guaranteed by the full faith and credit and unlimiting taxing power of the state under the provisions of the Utah School Bond Guaranty Act.

The 'AAA' rating on the GO bonds is based on the state's full faith and credit guarantee provided as a credit enhancement to the district's GO bonds under the Utah School Bond Default Avoidance Program, which is rated 'AAA' with a Stable Outlook.

The lease revenue bonds are supported by a covenant to budget and appropriate lease payments. The leased assets are school facilities.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model generates Model Implied Ratings which communicate the issuer's credit quality relative to Fitch's local government rating portfolio (the Model Implied Rating will be the IDR except in certain circumstances explained in the applicable criteria). The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher ('AAA'), 9.0 ('AA+'), 8.0 ('AA'), and so forth down to 1.0 ('BBB-' and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile, and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Nebo School District Model Implied Rating: 'AAA' (Numerical Value: 10.47)

-- Metric Profile: 'AAA' (Numerical Value: 10.47)

-- Net Additional Analytical Factor Notching: 0.0

Nebo School District's Model Implied Rating is 'AAA'. The associated numerical value of 10.47 is in the middle of the range for a 'AAA' rating.

KEY RATING DRIVERS

FINANCIAL PROFILE

Financial Resilience - 'aaa'

Nebo School District's financial resilience is driven by the combination of its 'High' revenue control assessment and 'High' expenditure control assessment, culminating in an 'Ample' budgetary flexibility assessment.

-- Revenue control assessment: High

-- Expenditure control assessment: High

-- Budgetary flexibility assessment: Ample

-- Minimum fund balance for current financial resilience assessment: $\geq 7.5\%$

-- Current year fund balance to expenditure ratio: 28.1% (2024)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 28.1% (2024)

Revenue Volatility - 'Strong'

Nebo School District's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government

portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 0.1% decrease for the three-year period ending fiscal 2012

-- Median issuer decline: -4.3% (2024)

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Strongest'

Based on the median of 10-year annual percentage change in population, Nebo School District's population trend is assessed as 'Strongest'.

Population trend: 2.5% 2023 median of 10-year annual percentage change in population (92nd percentile)

Unemployment, Educational Attainment and MHI Level - 'Strong'

The overall strength of Nebo School District's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strong' on a composite basis, performing at the 76th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

-- Unemployment rate as a percentage of national rate: 75.0% Analyst Input (83rd percentile) (2023), relative to the national rate of 4.0%

-- Percent of population with a bachelor's degree or higher: 36.5% (2023) (67th percentile)

-- MHI as a percent of the portfolio median: 129.1% (2023) (77th percentile)

Economic Concentration and Population Size - 'Strongest'

Nebo School District's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 162,952 (2023) (above the 15th percentile)

-- Economic concentration: 28.2% (2024) (above the 15th percentile)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

The analyst input for the unemployment rate as a percentage of the national rate of 75% reflects a carryover of the 2023 data, which is the most recent data available.

LONG-TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Midrange'

Nebo School District's long-term liability metrics range from 'weak' to 'strong' across each of the three dimensions: liabilities to personal income, liabilities to governmental revenue, and carrying costs to governmental expenditures. The long-term liability composite metric in 2024 is at the 50th percentile, roughly in line with Fitch's local government rating portfolio.

-- Liabilities to personal income: 6.2% Analyst Input (42nd percentile) (vs. 6.6% 2024 Actual)

-- Liabilities to governmental revenue: 100.0% Analyst Input (85th percentile) (vs. 105.4% 2024 Actual)

-- Carrying costs to governmental expenditures: 16.9% Analyst Input (35th percentile) (vs. 15.8% 2024 Actual)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

Fitch adjusted the district's direct debt to reflect the addition of the \$10 million in series 2025 bonds and scheduled principal amortization on outstanding debt in fiscal 2025. Carrying costs were also adjusted to include the additional annual debt service costs.

PROFILE

Nebo School District is the state's fifth largest district by enrollment with approximately 43,000 students. It serves a rapidly developing suburban area at the southern edge of Utah's economically dynamic Wasatch Front region. The district operates 47 schools: five high schools, one alternative high school, five junior high schools, five middle schools, 30 elementary schools, an advanced learning center, and two special purpose programs.

The district's growth has been largely driven by the availability of land and relatively affordable housing within commuting distance of very strong job markets in northern Utah County and farther north in Salt Lake County.

The district's economic resource base provides strong fundamental support for operations. Utah County's unemployment rate runs below that of the nation, and median household income is above the median for Fitch's local governments portfolio.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed

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APPLICABLE CRITERIA

[U.S. Public Finance Local Government Rating Criteria \(pub. 02 Apr 2024\) \(including rating assumption sensitivity\)](#)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 ([1](#))

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Nebo School District Local Building Authority (UT)

EU Endorsed, UK Endorsed

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