

## CREDIT OPINION

23 July 2025



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# San Gabriel Unified School District, CA

## Update to credit analysis

### Summary

[San Gabriel Unified School District, CA's](#) (A1 issuer rating; Aa3 GOULT) credit profile is supported by its strong Los Angeles metro area local economy and solid financial reserves. The credit profile is challenged by declining enrollment and ongoing structural imbalance that will require further budget adjustment actions.

### Credit strengths

- » Strong Los Angeles metro area local economy
- » High assessed value per capita

### Credit challenges

- » Ongoing structural imbalance
- » Declining enrollment

### Rating outlook

We do not assign outlooks to local governments with this amount of debt outstanding.

### Factors that could lead to an upgrade

- » Strengthening of available operating fund balance nearing 25% of revenue
- » Stabilization of enrollment

### Factors that could lead to a downgrade

- » Weakening of available operating fund balance nearing 10% of revenue
- » Steepening of enrollment decline not met with sufficient budget adjustments

## Key indicators

Exhibit 1

### San Gabriel Unified School District, CA

	2021	2022	2023	2024	A Medians
<b>Economy</b>					
Resident income	103.9%	103.5%	104.9%	N/A	95.7%
Full value (\$000)	\$6,564,926	\$6,790,155	\$7,211,901	\$7,568,729	\$1,315,322
Population	41,234	41,086	41,868	N/A	14,266
Full value per capita	\$159,211	\$165,267	\$172,253	N/A	\$95,408
Enrollment	4,799	4,676	4,529	4,565	1,838
Enrollment trend	-2.4%	-2.0%	-2.8%	-1.7%	-1.4%
<b>Financial performance</b>					
Operating revenue (\$000)	\$76,030	\$86,413	\$99,393	\$98,145	\$31,151
Available fund balance (\$000)	\$11,542	\$13,914	\$12,762	\$16,871	\$7,998
Net cash (\$000)	\$13,867	\$21,752	\$32,903	\$33,069	\$8,915
Available fund balance ratio	15.2%	16.1%	12.8%	17.2%	26.4%
Net cash ratio	18.2%	25.2%	33.1%	33.7%	32.5%
<b>Leverage</b>					
Debt (\$000)	\$99,982	\$105,666	\$102,818	\$99,092	\$23,604
ANPL (\$000)	\$248,265	\$205,918	\$149,427	\$134,696	\$48,858
OPEB (\$000)	\$8,574	\$8,249	\$8,653	\$9,095	\$3,281
Long-term liabilities ratio	469.3%	370.1%	262.5%	247.5%	316.8%
Implied debt service (\$000)	\$7,294	\$7,013	\$7,380	\$7,142	\$1,599
Pension tread water (\$000)	\$7,308	\$5,040	\$6,546	\$6,696	\$883
OPEB contributions (\$000)	\$195	\$146	\$172	\$60	\$148
Fixed-costs ratio	19.5%	14.1%	14.2%	14.2%	10.6%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, San Gabriel Unified School District, CA's financial statements and Moody's Ratings

## Profile

San Gabriel Unified School District is located in Los Angeles County, approximately ten miles east of the City of Los Angeles. The district provides transitional kindergarten through 12th grade education primarily to residents of the City of San Gabriel and unincorporated parts of the county. The district operates five elementary schools, one middle school, one high school and one continuation high school. Fiscal 2025 enrollment was 4,492 students.

## Detailed credit considerations

The district's credit profile is supported by its strong local economy that benefits from its participation in the Los Angeles metro economy. Assessed value per capita is high at roughly \$191,000 and will continue to strengthen as homes turnover. Resident incomes are slightly less strong but are solid at 105% of the US median. The district is challenged by declining enrollment that is likely to continue. Driven an aging population, low birthrates and high housing costs, the district's three year enrollment trend through fiscal 2025 was negative 1.5%. Management projects continued moderate enrollment loss going forward.

The district's financial position is solid but is challenged by ongoing structural imbalance that will require further budget adjustment actions. Unaudited actuals indicate unrestricted general fund balance declining to \$8.8 million in fiscal 2025 (10.7% of revenue), while the 2026 budget and multiyear projections show further declines to \$7.9 million in 2026 (9.7%) and \$6.4 million in 2027 (7.7%). The district reduced roughly \$1.5 million of expenditures for fiscal 2026 and multiyear projections incorporate further reductions of \$1.7 million in 2027 and \$2.1 million in 2028. The district updated its unrestricted minimum fund balance policy in the last year to 6% of expenditures, which provides a solid floor. Inability to maintain reserves above this level would place downward pressure on the credit profile.

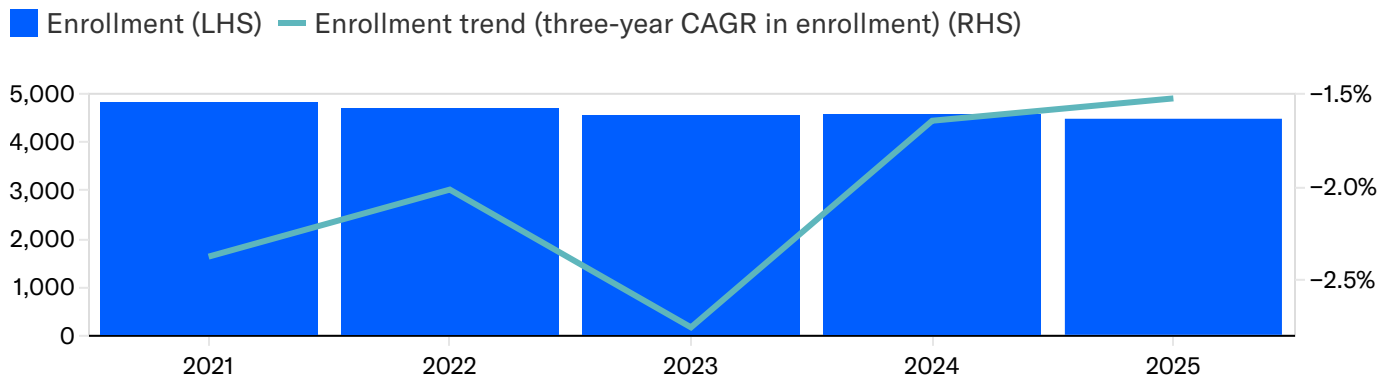
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

Leverage is moderate and will increase but remain manageable with further debt issuance plans. The district has a sizable \$150 million in authorized but unissued debt that it currently expects to exhaust over four or five more issuances at a tentative cadence of every three years, a very manageable plan.

### Economy

Exhibit 2

**Enrollment decline will continue and remains a key credit challenge**

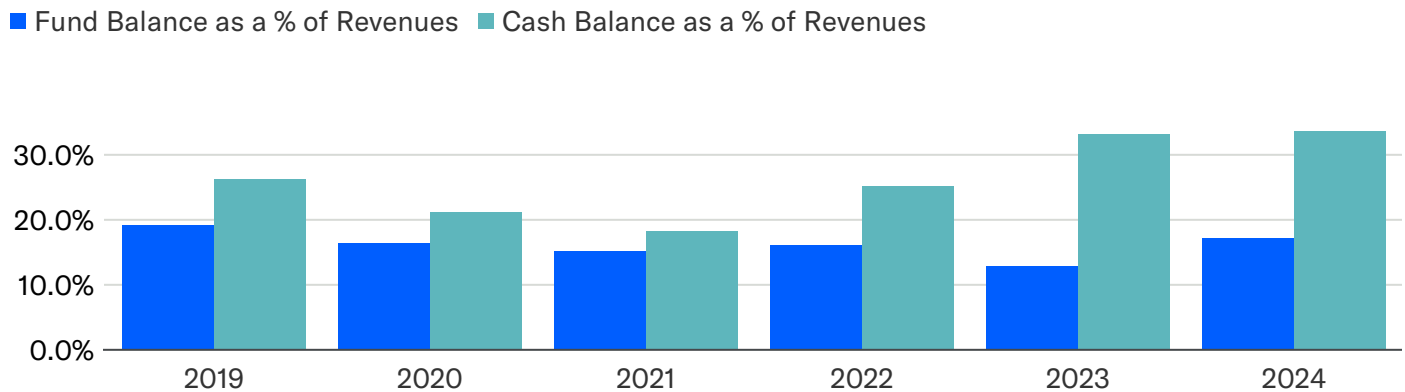


Source: Moody's Ratings

### Financial operations

Exhibit 3

**Financial reserves will moderate from current levels but will remain sound**

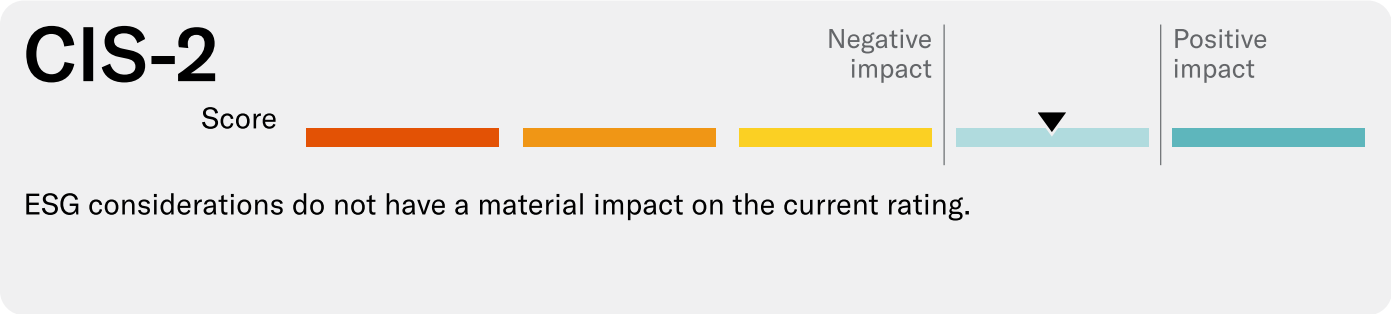


Source: Moody's Ratings

ESG considerations

San Gabriel Unified School District, CA's ESG credit impact score is CIS-2

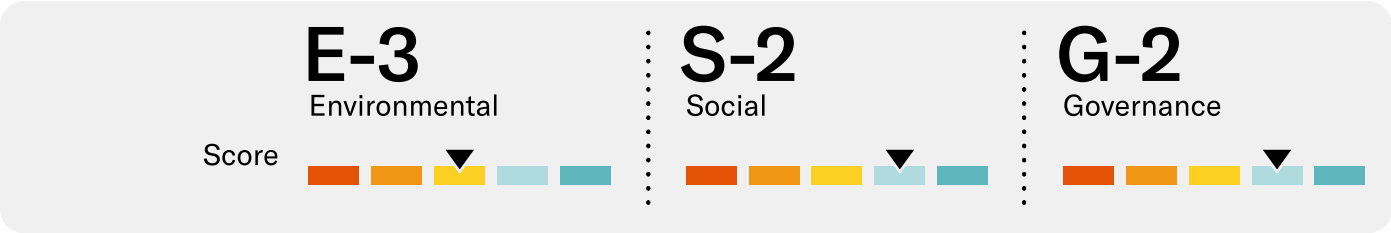
Exhibit 4  
ESG credit impact score



Source: Moody's Ratings

San Gabriel Unified School District's **CIS-2** indicates the limited impact of ESG risks on the district's ratings, incorporating low exposure to social and governance risks and moderate exposure to environmental risks.

Exhibit 5  
ESG issuer profile scores



Source: Moody's Ratings

Environmental

The **E-3** score is driven by moderate exposure to physical climate risks, namely water stress and wildfires. The district has low exposure to risks associated with carbon transition, water management, natural capital, and waste and pollution.

Social

The **S-2** reflects the district's limited exposure to social risks. Social pressures include the district's aging population and housing unaffordability that are both contributing to declining enrollment. The district benefits from its solid resident income profile and strong property wealth.

Governance

The **G-2** reflects the district's solid governance supported by sound policy credibility and effectiveness. Management has demonstrated conservative budgeting and willingness to reduce expenditures, while the district has a solid minimum fund balance policy that calls for the maintenance of unrestricted reserves equal to at least 6% of annual expenditures. The district has strong financial transparency and disclosure, typical of California school districts, with interim reporting and timely filing of audited financial statements and budget adoption. The institutional structure for California school districts is solid, though weaker than most state's school districts, because California districts have very limited revenue raising flexibility and exposure to the state's economic and financial volatility.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 6

### San Gabriel Unified School District, CA

	Measure	Weight	Score
<b>Economy</b>			
Resident Income (MHI Adjusted for RPP / US MHI)	104.9%	10.0%	Aa
Full value per capita (full valuation of the tax base / population)	190,979	10.0%	Aaa
Enrollment trend (three-year CAGR in enrollment)	-1.5%	10.0%	A
<b>Financial performance</b>			
Available fund balance ratio (available fund balance / operating revenue)	17.2%	20.0%	A
Net cash ratio (net cash / operating revenue)	33.7%	10.0%	Aaa
<b>Institutional framework</b>			
Institutional Framework	A	10.0%	A
<b>Leverage</b>			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	278.2%	20.0%	A
Fixed-costs ratio (adjusted fixed costs / operating revenue)	14.2%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
<b>Assigned Rating</b>			<b>A1</b>

The complete list of outstanding ratings assigned to the San Gabriel Unified School District, CA is available on their [issuer page](#). Details on the current ESG scores assigned to the San Gabriel Unified School District, CA are available on their [ESGView page](#).

Sources: US Census Bureau, San Gabriel Unified School District, CA's financial statements and Moody's Ratings

## Appendix

Exhibit 7

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau)  RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
<b>Financial performance</b>		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
<b>Leverage</b>		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

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