MOODY'S RATINGS

CREDIT OPINION
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San Jacinto Unified School District, CA

Update to credit analysis

Summary

San Jacinto Unified School District, CA's (A1 issuer, Aa3 GOULT, A2 COP) credit profile incorporates its moderately sized growing tax base with increasing but below average resident income and assessed value per capita, with a stable to slightly growing enrollment trend. Financial reserve levels are strong, but are projected to moderate over the near term, but still remain at sound levels. Leverage is moderate and will remain manageable even with future debt issuance plans.

Credit strengths

» Modestly sized growing tax base

» Projected stable enrollment that could see continued growth in the near term

» Healthy financial profile

» Moderate debt burden, with pensions making up the largest portion

Credit challenges

» Competition from charter and private schools

» Below average resident income and wealth levels

» Projected general fund deficits in the near term

Rating outlook

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

Factors that could lead to an upgrade

» Strengthened resident income in line with the US median and assessed value per capita approaching $100,000

» Sustained maintenance of available operating fund reserves above 20% of revenue absent one-time funds

Factors that could lead to a downgrade

» Reduction in available operating fund reserves below 10% of revenue

» Substantial enrollment declines without commensurate expenditure reductions

» Material increases in leverage beyond 400% of revenue

Key indicators

Exhibit 1
San Jacinto Unified Sch Dist, CA

	2021	2022	2023	2024	A Medians
Economy					
Resident income	80.5%	87.6%	88.7%	N/A	95.7%
Full value ($000)	$3,526,502	$3,750,339	$4,154,551	$4,612,050	$1,315,322
Population	54,422	54,927	54,539	N/A	14,266
Full value per capita	$64,799	$68,279	$76,176	N/A	$95,408
Enrollment	9,919	10,173	10,276	10,401	1,838
Enrollment trend	-0.3%	0.1%	0.4%	1.6%	-1.4%
Financial performance					
Operating revenue ($000)	$172,584	$193,451	$232,237	$235,564	$31,151
Available fund balance ($000)	$43,195	$47,587	$51,612	$62,106	$7,998
Net cash ($000)	$41,414	$64,123	$100,368	$110,812	$8,915
Available fund balance ratio	25.0%	24.6%	22.2%	26.4%	26.4%
Net cash ratio	24.0%	33.1%	43.2%	47.0%	32.5%
Leverage					
Debt ($000)	$116,747	$111,966	$128,931	$122,922	$23,604
ANPL ($000)	$524,888	$473,740	$335,468	$339,067	$48,858
OPEB ($000)	$13,291	$9,619	$8,928	$8,768	$3,281
Long-term liabilities ratio	379.5%	307.7%	203.8%	199.8%	316.8%
Implied debt service ($000)	$8,673	$8,189	$7,820	$8,956	$1,599
Pension tread water ($000)	$15,428	$10,909	$14,857	$17,248	$883
OPEB contributions ($000)	$159	$117	$96	$380	$148
Fixed-costs ratio	14.1%	9.9%	9.8%	11.3%	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 Jacinto Unified Sch Dist, CA's financial statements and Moody's Ratings

Profile

San Jacinto Unified School District provides educational services to the nearly all the City of San Jacinto and portions of the Cities of Hemet, Moreno Valley and Beaumont, as well as certain unincorporated areas of Riverside County, and is governed by a five-member board of trustees. The district operates 13 schools along with several State and Head Start early childhood education programs. The fiscal 2026 enrollment is budgeted at 10,270 students.

Detailed credit considerations

The district’s moderately sized tax base will continue to grow, reaching $5.3 billion in 2026 with a solid five-year average annual assessed value growth of 8.3%. This strong growth, supported by home turnover and ongoing affordable residential development, is balanced by the district's below-average resident income and assessed value per capita.

District management is conservatively projecting flat enrollment given alternative schooling options for families in the area. Because of ongoing development in the area, the district could potentially see modest growth in enrollment over the near term. The district is also focused on improving its average daily attendance (ADA), which is now close to 93%, which would increase revenues. While the district had historically seen a trend of positive enrollment growth, enrollment declined in 2021 during the pandemic, with enrollment growth resuming thereafter. The district experienced a slight decline in enrollment in fiscal 2025, due to the expansion of a charter school in the area, demonstrating the impact of competition.

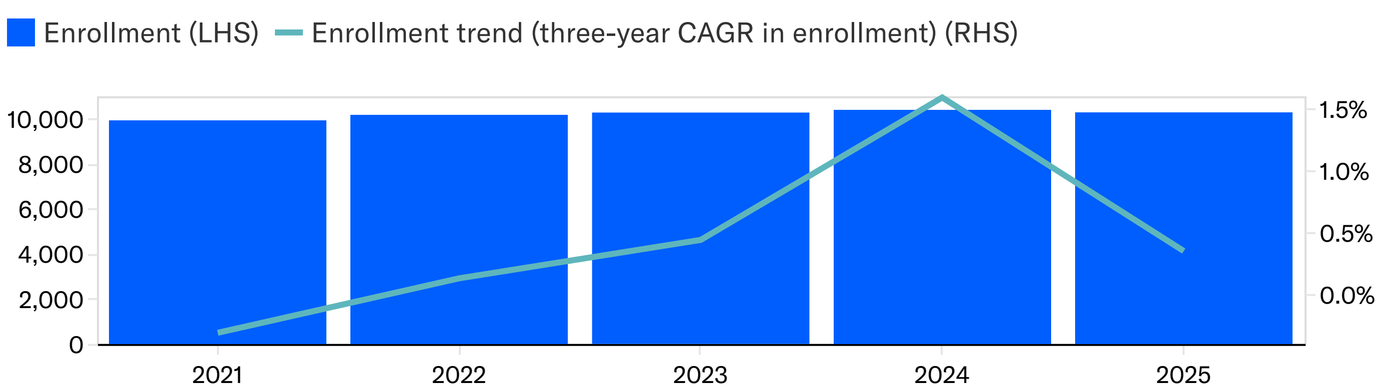
The district's financial position will remain sound, supported by management's conservative budgeting practices and the prudent use of one-time funds to build on its reserves. The district ended fiscal 2024 with an available general fund balance of approximately $51 million, or 22.8% of general fund revenues, and a total available operating ending fund balance (including available general and debt service funds) of about $62.1 million, or 26.4% of revenues. Unaudited actuals for fiscal 2025 show an available general fund balance of around $50.2 million, or about 23% of revenues.

Multiyear projections, which tend to be conservative, show deficits in the out-years, reflecting the spend down of one-time funds as well as a structural deficit, with reserves projected to moderate to about 7% in fiscal 2028. These projections are based on conservative estimates and we expect that management will outperform these projections and maintain general fund reserves above its informal 10% reserve policy. The district's liquidity is solid, with additional funds of about $13 million outside the general fund that can be temporarily borrowed.

The district's contract is settled with its classified union through fiscal 2028, with annual salary reopeners, with a manageable salary increase of 1.5% for fiscal 2026. The district is still in negotiations with its teacher's union.

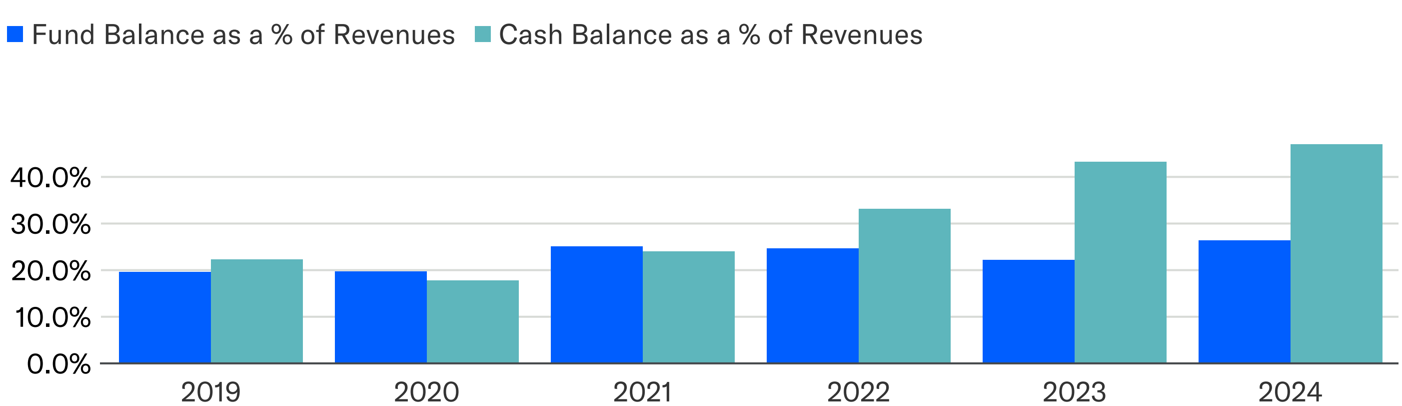
Leverage is moderate and will likely increase but remain manageable even with future debt issuance plans. Long term liabilities inclusive of debt (including the current issuance), adjusted net pensions and OPEB liabilities, is about 222.3%, with pensions making up the largest portion. Post the current issuance, the district will still have about $18 million of unissued general obligation voter approved authorization under its 2024 authorization, which it plans to issue in the next few years. The district also has about $108 million from its 2006 election, which it could issue incrementally after 2030.

Exhibit 2
Enrollment is projected to remain stable and could see positive growth in the near term



Source: Moody's Ratings

Exhibit 3
Financial Trends - Reserves are strong and are projected to moderate but will remain sound



Source: Moody's Ratings

ESG considerations

Environmental

Environmental risks are not a material credit driver for the district at this time. By virtue of its location, and in common with most of the state, the district has high exposure to water stress but does not have immediate credit impact.

Social

Social considerations factored into the rating include the district's resident income and assessed value per capita as well as the potential for continued enrollment growth given increasing development in the region, supported by housing affordability compared with neighboring areas.

Governance

The district is governed by an elected, five-member board that establishes policy and oversees the budget. The district benefits from stable, prudent and conservative management, and tends to outperform its projections.

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.

The rating distinction between the scorecard outcome and the issuer rating reflects our view that despite new development, enrollment growth may be harder to capture given competition from charter and private schools. Further it also considers that while the district's financial profile has strengthened over the last few years, its reserves will likely moderate after the spend down of its one-time funds.

Exhibit 4

San Jacinto Unified Sch Dist, CA

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	88.7%	10.0%	A
Full value per capita (full valuation of the tax base / population)	90,417	10.0%	A
Enrollment trend (three-year CAGR in enrollment)	0.3%	10.0%	Aa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	26.4%	20.0%	Aaa
Net cash ratio (net cash / operating revenue)	47.0%	10.0%	Aaa
Institutional framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	222.3%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	11.3%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa2
Assigned Rating			**A1**

The complete list of outstanding ratings assigned to the San Jacinto Unified Sch Dist, CA is available on their issuer page. Details on the current ESG scores assigned to the San Jacinto Unified Sch Dist, CA are available on their ESGView page.

Sources: US Census Bureau, San Jacinto Unified Sch Dist, CA's financial statements and Moody's Ratings

Appendix

Exhibit 5
Key Indicators Glossary

	Definition	Typical Source*
Economy		
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
Financial performance		
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
Leverage		
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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