

## CREDIT OPINION

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# Folsom Cordova Unified School District, CA

## Update to credit analysis

### Summary

[Folsom Cordova Unified School District CA's](#) (Aa3/Stable issuer) credit profile reflects the district's large and growing tax base that will continue to drive increases in the district's healthy assessed value per capita levels. Resident income levels are also strong. District finances are expected to remain adequate, supported by increasing enrollment and prudent budgeting with some projected deficits in the coming years. Leverage and fixed costs are expected to remain somewhat elevated given the district's future capital needs and its plan to issue debt in the next few years.

[SFID No. 2](#) (Aa2 GOULT) and [SFID No. 5](#) (Aa2 GOULT) have large and growing tax bases, which largely overlap. They benefit from the strong residential real estate market around the city of Folsom.

[SFID No. 1](#) (Aa2 GOULT) and [SFID No. 4](#) (Aa2 GOULT) have moderately sized, growing tax bases, which mostly overlap. They benefit from development around Rancho Cordova and proximity to the City of Sacramento. SFID No. 4 has substantial authorized unissued debt of about \$276 million.

[SFID No. 3](#) (Aa3 GOULT) has a relatively smaller assessed valuation (AV) with moderate taxpayer concentration. The district expects that the SFID will continue to grow in the near term because of residential development that is planned and underway. The SFID No. 3 has substantial authorized unissued debt of about \$545 million.

### Credit strengths

- » Large and growing tax base with healthy assessed value per capita levels and resident income
- » Growing enrollment trend
- » Solid community support
- » Conservative budget management

### Credit challenges

- » Projected general fund deficits
- » Elevated leverage and fixed costs with future capital needs to address continued growth
- » Substantial outstanding unissued debt for SFID's

## Rating outlook

The stable outlook reflects the likelihood that the district's finances will remain adequate for the rating level supported by prudent budget management and projected enrollment growth despite some projected deficits in the near term.

## Factors that could lead to an upgrade

- » Material increases in assessed value per capita and resident income levels
- » Continued trend of enrollment growth that drives improvement in financial performance
- » Increase in operating reserve levels at or close to 25% of revenue on a sustained basis
- » Significant continued growth in the tax base for SFID 3, resulting in its assessed value constituting a larger proportion of the overall district's assessed value (AV) (SFID 3)

## Factors that could lead to a downgrade

- » Trend of declining enrollment or inability to effectively manage its enrollment growth
- » Material and sustained draw down of operating reserves to levels below 15% of revenues
- » Significant increase in leverage to levels above or close to 550% of revenue

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's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 1

### Folsom-Cordova Unified School District, CA

	2021	2022	2023	2024	Aa Medians
<b>Economy</b>					
Resident income	134.0%	130.3%	129.3%	N/A	118.5%
Full value (\$000)	\$24,214,250	\$25,530,694	\$27,318,854	\$28,825,157	\$4,184,901
Population	138,362	140,436	142,450	N/A	32,217
Full value per capita	\$175,007	\$181,796	\$191,779	N/A	\$123,578
Enrollment	20,089	20,335	20,549	20,977	4,143
Enrollment trend	-0.4%	-0.4%	-0.1%	1.5%	-1.0%
<b>Financial performance</b>					
Operating revenue (\$000)	\$281,970	\$323,366	\$369,673	\$370,260	\$76,434
Available fund balance (\$000)	\$74,598	\$76,023	\$77,015	\$79,622	\$21,177
Net cash (\$000)	\$70,251	\$100,239	\$132,286	\$130,240	\$26,035
Available fund balance ratio	26.5%	23.5%	20.8%	21.5%	29.2%
Net cash ratio	24.9%	31.0%	35.8%	35.2%	35.9%
<b>Leverage</b>					
Debt (\$000)	\$604,693	\$593,360	\$580,131	\$565,671	\$52,318
ANPL (\$000)	\$922,845	\$689,853	\$594,002	\$584,358	\$107,625
OPEB (\$000)	\$16,455	\$13,866	\$14,210	\$12,571	\$8,874
Long-term liabilities ratio	547.6%	401.1%	321.5%	314.0%	301.4%
Implied debt service (\$000)	\$43,960	\$42,413	\$41,440	\$40,299	\$3,696
Pension tread water (\$000)	\$27,220	\$17,401	\$26,467	\$29,817	\$1,705
OPEB contributions (\$000)	\$990	\$1,029	\$1,018	\$1,001	\$363
Fixed-costs ratio	25.6%	18.8%	18.6%	19.2%	9.8%

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, Folsom-Cordova Unified School District, CA's financial statements and Moody's Ratings

## Profile

The Folsom Cordova Unified School District, encompasses about 96 square miles in eastern Sacramento County, including most of the cities of Folsom and Rancho Cordova and neighboring unincorporated areas. The district serves students in grades K-12, operating 22 elementary schools, four middle schools, three comprehensive high schools, seven alternative schools and one dependent charter school. The district also operates 30 preschool programs sites, transitional kindergarten programs, a Montessori program, expanded learning opportunity programs, 14 child care centers and an adult education program. The school district has an estimated fiscal 2025 enrollment of 21,780 students including its dependent charter enrollment. The district has five school facilities improvement districts (SFIDs).

School Facilities Improvement District No. 1 encompasses about 46 square miles in the western half of the school district, including Rancho Cordova and adjacent areas. The district established SFID No. 1 in 1997 with voter approval to fund school renovation and modernization in the SFID.

School Facilities Improvement District No. 2 encompasses about 48 square miles in the eastern half of the school district, including the Folsom and adjacent areas. The district established SFID No. 2 in 1998 with voter approval to fund school construction and modernization in the SFID.

School Facilities Improvement District No. 3 encompasses 52.6 square miles in the southeastern portion of the district, including most of Rancho Cordova and a small portion of Folsom, but primarily unincorporated areas south of Highway 50. The district established SFID No. 3 in 2006 with voter approval to fund school construction to support anticipated residential development of vacant land, as well as redevelopment of industrial land.

School Facilities Improvement District No. 4 encompasses 19.1 square miles in the southwestern portion of the district, including part of Rancho Cordova and adjacent areas. The district established SFID No. 4 in 2006 with voter approval to fund facilities and improvements for schools in the Rancho Cordova area.

School Facilities Improvement District No. 5 encompasses 25 square miles in the northeastern portion of the district, including part of Folsom and adjacent areas. The district established SFID No. 5 in 2014 with voter approval to fund facilities and improvements for school in the Folsom area.

## Detailed credit considerations

### **Economy: Large and growing tax base with healthy full value per capita and resident income levels; growing enrollment**

The district's large tax base (about \$30 billion as of 2025) is likely to continue to grow supported by substantial ongoing and planned development in the area as well as increases as homes turnover given Prop. 13. The district's five year average annual growth rate is about 6.4% as of fiscal 2025. Growth in the tax base will continue to drive increases in the district's strong assessed value per capita levels currently at 212,721, while resident income levels are above average compared to the national average at 129.3%.

The district's enrollment has been growing (3 year enrollment CAGR is 1.5%) and this trend is expected to continue with projections of adding about 2,500 students over the next six years. This is largely driven by substantial ongoing and planned residential development in the area. The district also receives some students through interdistrict transfers. The district closely monitors its enrollment and budgets conservatively while making sure its facilities are ready to accommodate the growth.

### **Residential development and solid growth in property values in the Rancho Cordova area that comprises both SFID No. 1 and SFID No. 4:**

SFID No. 1 and SFID No. 4 are 79% overlapping and after both underwent four consecutive years of tax base declines during the Great Recession, they have fully rebounded through continued residential development and healthy growth in property values.

SFID No. 1's AV is about \$10 billion for 2025, representing 33% of the district's total AV of \$30 billion. SFID No. 1's AV is up 3.7% from the prior year and an average of 4.8% over five years. Taxpayer concentration is modest, with the top 10 taxpayers accounting for 8% of total AV in 2025, including Aerojet, which is the largest payer at 1.6%.

SFID No. 4's AV is \$7.6 billion, for 2025, making up 25% of total AV. It is up 2.4% from the prior year and an average of 4.3% annually over five years. Taxpayer concentration is modest at 8% of 2025 total AV. The largest taxpayers comprise a combination of residential and office properties.

### **Residential development and commercial expansion in Folsom area are driving the growth in tax bases for SFID No. 2 and SFID No. 5:**

Both SFID No. 2 and SFID No. 5 are 98% overlapping and have experienced strong growth following the Great Recession through both residential and commercial development.

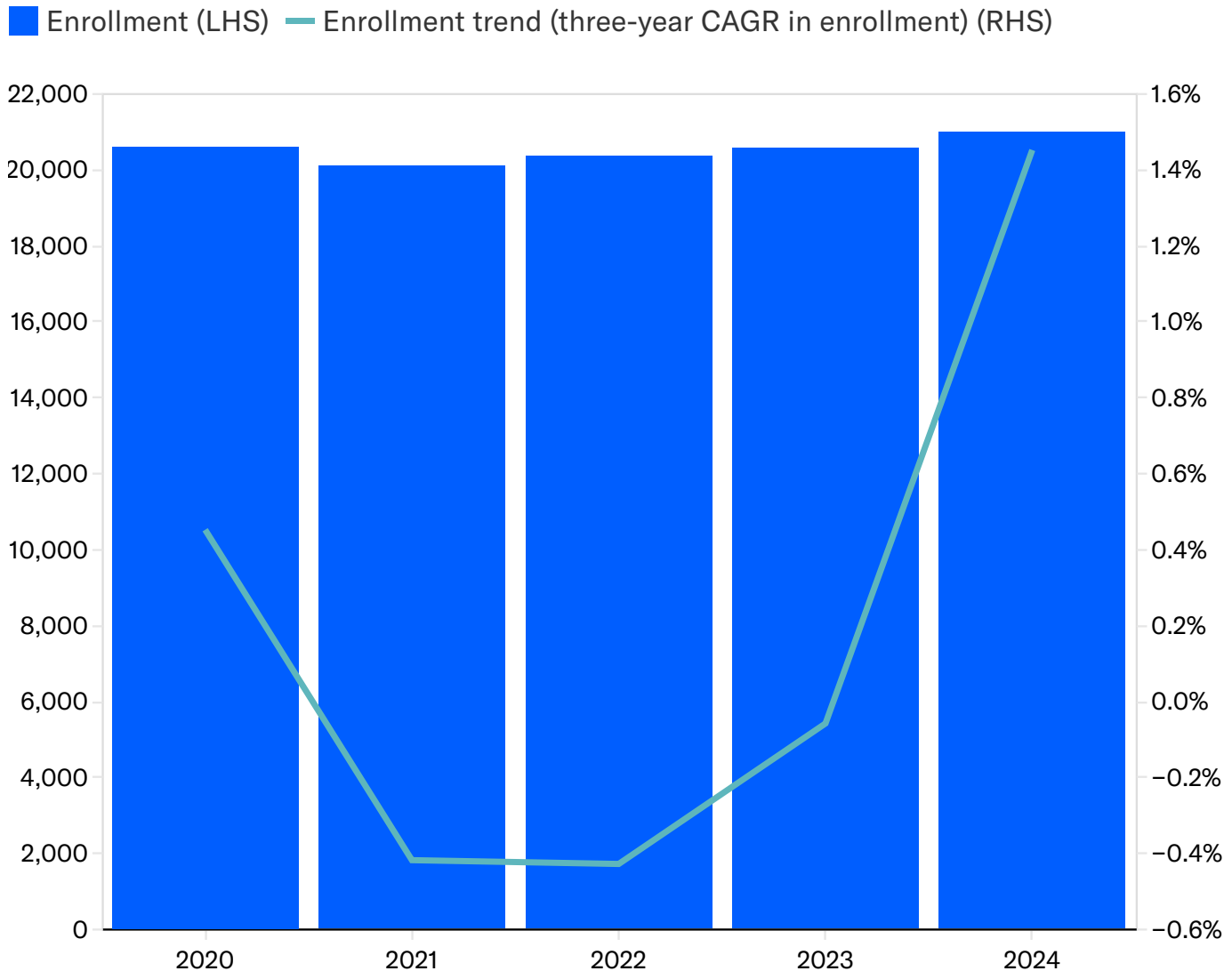
SFID No. 2's AV is \$20 billion for 2025, representing 67% of the district's total AV. It is up 5.8% from the prior year and averaged 7.2% annual growth over five years. Taxpayer concentration is moderate, with the top 10 taxpayers equating to 8.6% of total AV in 2025. The largest taxpayer, Intel Corporation, accounts for 3.7% of the SFID's total AV.

SFID No. 5's AV is \$17 billion for 2025, making up 57% of the district's total AV. It is up 2.6% from the prior year and averaged 4.3% annual growth over five years. SFID No. 5 shares the same top 10 taxpayers as SFID No. 2 and therefore has moderate taxpayer concentration at 9.6% of 2025 total AV, with Intel representing 4.4%.

**SFID No. 3's** AV is smaller when compared to the other SFIDs, yet has experienced strong growth because of residential development. Significant residential development in SFID No. 3 has resulted in robust growth, with AV in 2025 up by 18.5% from the prior year, reaching \$5.5 billion. This equals 18% of the district's total AV, with a demonstrated average annual growth rate of 20.3% over five years. There is moderate taxpayer concentration at 12.4% for the top 10 with 3% for Aerojet, the largest taxpayer followed by Toll West Inc. at 2.3%. Notably, Aerojet's share of the tax base has declined from much higher levels as its properties have been redeveloped with housing.

Exhibit 2

**Enrollment:** Growing enrollment trend that is projected to continue



Source: Source: Moody's Ratings

#### Financial operations: Adequate reserve levels supported by conservative budgeting; projected general fund deficits over the near term

The district's finances are expected to remain adequate for the rating level over the near term supported by management's conservative budgeting and expectation for increased revenue growth with growing enrollment.

Per the district's second interim report, the district is projecting large deficits (including its restricted funds) through fiscal 2027. For fiscal 2025, the district is projecting a total deficit of \$24.3 million which largely reflects the spend down of one time funds along with a structural deficit (about \$10.4 million) with an estimated available ending general fund balance of about 10% (above its 6% informal fund balance target). Management expects the deficit to be lower due to conservative budgeting, which is reasonable, given the district has a history of outperforming budget.

The district has a modest amount of funds outside the general fund in the amount of \$7.91 million or about 2.3% of general fund revenues that can be transferred permanently, if needed.

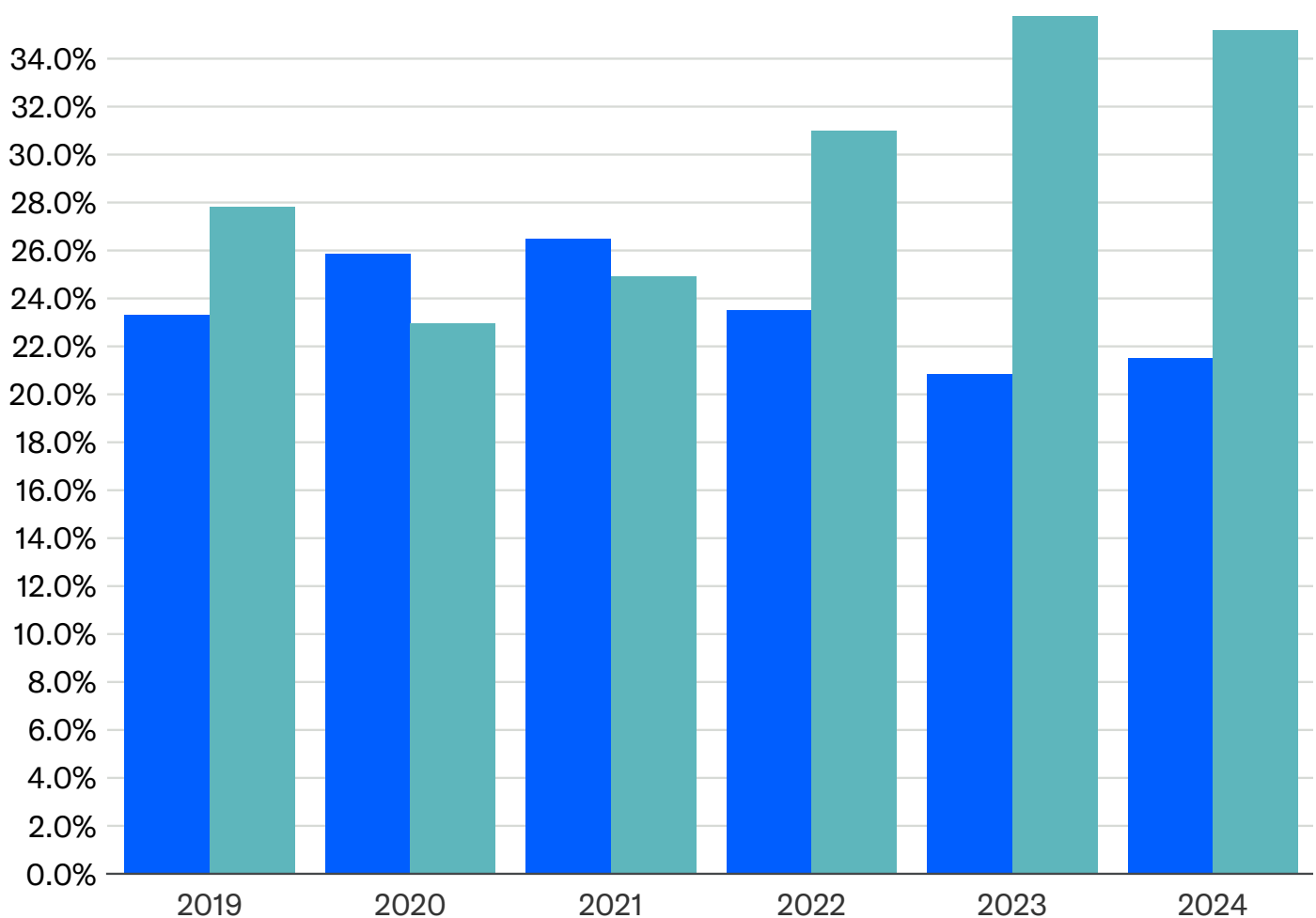
The district ended fiscal 2024 with an available general fund balance of \$44.8 million or about 13.6% of general fund revenues. Including the debt service funds and the general fund, the district ended fiscal 2024 with a higher operating fund balance of \$79.6 million or about 21.5% of operating revenues.

The district usually negotiates two-year contracts with its unions and fiscal 2025 was the second year of its contract, with a 2% salary increase. The district is currently in negotiations with its labor unions for fiscal 2026 and fiscal 2027.

Exhibit 3

**Financial Trends : Reserves will remain adequate with some near term deficits**

■ Fund Balance as a % of Revenues ■ Cash Balance as a % of Revenues



Source: Source: Moody's Ratings

#### Liquidity

The district's liquidity levels are expected to remain sound. In fiscal 2024, the district had a solid operating cash balance of \$130.2 million or 35.2% of operating revenues.

**Leverage: Above average long term liabilities and fixed costs; substantial unissued debt with future debt issuance plans**

The district's overall leverage profile will be elevated including its net direct debt, adjusted net pension liability (ANPL) and OPEB, with plans to issue additional debt in the next few years to build and modernize its schools and facilities. The district's long term liability ratio as of fiscal 2024 was slightly elevated at 314% along with its high adjusted fixed costs ratio at 19.2% compared to medians. Including these issuances, long term liabilities are about 333.4% of operating revenue.

The SFID No. 3 has about \$545 million in remaining authorization which the district does not plan to issue in the near future. Post this issuances, SFID No. 4 will have about \$276 million in remaining authorization, which the district plans to issue over the next few years. The district may go to voters for another district wide bond issuance in 2026, but the amount is currently unknown.

**Pensions and OPEB**

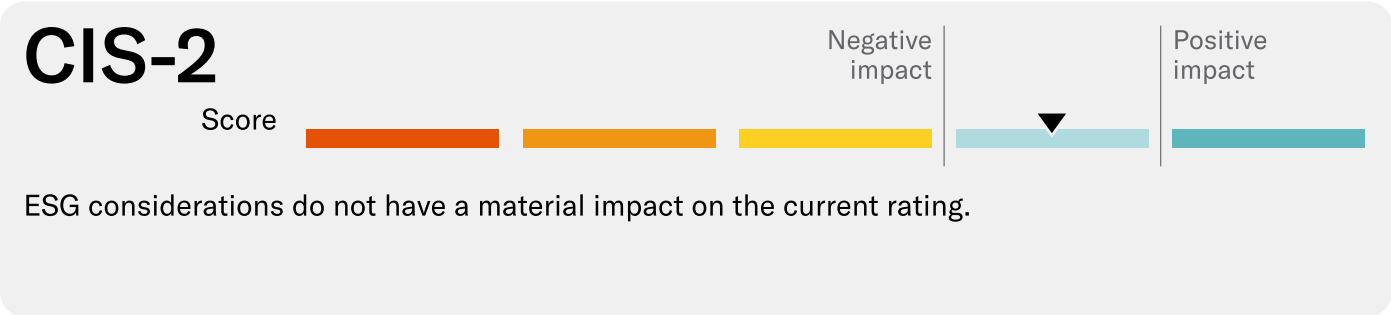
The district participates in CalPERS and CalSTRS multi-employer defined benefit pension plans. The bulk of California K-12 school districts' pension exposure is associated with the California State Teachers' Retirement System (CalSTRS). The strength of contributions by participating governments and the state to CalSTRS has improved significantly over the past decade. As of the retirement system's fiscal 2023 reporting, government contributions amounted to about 26.9% of payroll in aggregate, above our tread water indicator of 20.7% of payroll.

Based on the CalSTRS system in aggregate, we project that the district's adjusted net pension liability (ANPL) will fall by around 6% in fiscal 2024 due to a modest increase in interest rates. While results will vary across US public pension systems, we generally expect local governments' fiscal year 2025 ANPLs to fall by around another 20% based on our aggregate estimates, due to rising interest rates and above-target investment returns in 2024. The district has an irrevocable OPEB trust with a balance of about \$10 million.

**ESG considerations**

**Folsom-Cordova Unified School District, CA's ESG credit impact score is CIS-2**

Exhibit 4  
ESG credit impact score



Source: Moody's Ratings

Folsom-Cordova Unified School District's (USD) ESG Credit Impact Score is **CIS-2**, indicating that exposures to environmental, social and governance risks are not material to their rating.

Exhibit 5  
ESG issuer profile scores



Source: Moody's Ratings

### Environmental

Folsom-Cordova USD's environmental profile score is **E-2**, reflecting relatively low exposure to environmental risks across all categories, including physical climate risk, carbon transition, natural capital, and waste and pollution. The district does face some elevated risks from water stress.

### Social

Folsom-Cordova USD's social issuer profile score is **S-2**, primarily driven by its low exposure to social risks associated with demographics, labor and income, education, housing, and access to basic services. The district also benefits from strong health and safety metrics.

### Governance

Folsom-Cordova USD's governance issuer profile score is **G-2**. The district's transparency and disclosure is strong, enhanced by the state's requirement that California schools produce three-year budget forecasts with regular interim reporting. The district files audited financial statements and budgets in a timely manner and has sound budget management. The district also has sound policy credibility and effectiveness. The institutional structure for California school districts is solid, though weaker than most other states' 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

### Folsom-Cordova Unified School District, CA

	Measure	Weight	Score
<b>Economy</b>			
Resident Income (MHI Adjusted for RPP / US MHI)	129.3%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	212,721	10.0%	Aaa
Enrollment trend (three-year CAGR in enrollment)	1.5%	10.0%	Aa
<b>Financial performance</b>			
Available fund balance ratio (available fund balance / operating revenue)	21.5%	20.0%	Aa
Net cash ratio (net cash / operating revenue)	35.2%	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)	333.4%	20.0%	A
Fixed-costs ratio (adjusted fixed costs / operating revenue)	19.2%	10.0%	Aa
<b>Notching factors</b>			
<b>No notchings applied</b>			
Scorecard-Indicated Outcome			Aa2
<b>Assigned Rating</b>			<b>Aa3</b>

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

Sources: US Census Bureau, Folsom-Cordova 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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