



Rating Action: Moody's Ratings assigns Aa2 to Fremont USD, CA (Alameda County)'s 2025 GO bonds; outlook stable

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New York, May 02, 2025 -- Moody's Ratings (Moody's) has assigned Aa2 ratings to Fremont Unified School District, CA (Alameda County)'s Election of 2024 General Obligation Bonds, Series A and 2025 General Obligation Refunding Bonds, expected to be issued in the approximate par amounts of \$250 million and \$15 million, respectively. Concurrently, we have affirmed the district's outstanding Aa3 issuer rating, Aa2 ratings on the district's outstanding general obligation unlimited tax (GOULT) bonds and A1 ratings on the district's outstanding certificates of participation (COP) bonds. Post-issuance the district will have \$927.5 million in debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa3 issuer rating reflects the district's healthy, growing local economy within the San Francisco Bay Area that supports very strong resident income of 189% MHI of the US and assessed value per capita in excess of \$328,000. District enrollment continues to decline around 2% annually and will remain a pressure on outyear budgets. Reserves are solid at 19.3% of revenue in fiscal 2024 and cash is stronger at 32.7%. The district's long-term liabilities are elevated and fixed costs are moderate.

The Aa2 rating on the GOULT bonds is one notch higher than the issuer rating. The one notch distinction reflects California school district GO bond security features that include the physical separation through a "lockbox" for pledged property tax collections and a security interest created by statute.

The A1 rating on the district's outstanding COPs are one notch below the issuer rating reflecting the contingent nature of the lease payments, abatement risk and the more essential nature of the leased assets that are primarily school buildings.

RATING OUTLOOK

The stable outlook reflects the expectation that the district will continue to make necessary budget reductions in fiscal 2026 and outyears in line with enrollment declines to maintain an adequate financial position.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Stabilized enrollment trend
- Maintenance of available general fund reserves in excess of 20% of revenue

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Further enrollment declines that pressure financial operations, including erosion of general fund balance below 10% of revenue
- Material increase in leverage beyond 500% of revenue

PROFILE

Fremont Unified School District provides K-12 educational services within the City of Fremont, located in Alameda County. The district operates 42 schools, a charter school and an adult school with a fiscal 2025 enrollment of 32,740.

METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425431>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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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.moodys.com/rating-definitions>.

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