

CREDIT OPINION

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Fremont USD (Alameda County), CA

Update to credit analysis

Summary

[Fremont Unified School District, CA's](#) (Aa3 stable issuer rating; Aa2 GOULT; A1 COPs) credit profile benefits from a strong, growing economy with very strong resident income and property wealth metrics, offset by ongoing enrollment declines. The district's financial position is expected to soften from high levels through fiscal 2026, but remain solid, supported by approved and future budget reductions. Leverage will remain elevated given future borrowing plans.

Credit strengths

- » Very strong full value per capita
- » High resident income

Credit challenges

- » Ongoing enrollment declines
- » Elevated leverage

Rating outlook

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

Factors that could lead to an upgrade

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

Factors that could lead to a downgrade

- » 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

Key indicators

Exhibit 1

Fremont Unif. Sch. Dist., CA (Alameda County)

	2021	2022	2023	2024	Aa Medians
Economy					
Resident income	185.3%	190.5%	189.9%	N/A	118.5%
Full value (\$000)	\$57,930,689	\$60,839,718	\$66,337,776	\$71,809,280	\$4,184,901
Population	231,502	228,795	228,518	N/A	32,217
Full value per capita	\$250,238	\$265,914	\$290,296	N/A	\$123,578
Enrollment	35,187	33,872	33,107	33,063	4,143
Enrollment trend	-0.6%	-1.6%	-2.2%	-2.1%	-1.0%
Financial performance					
Operating revenue (\$000)	\$482,769	\$469,929	\$563,495	\$551,471	\$76,434
Available fund balance (\$000)	\$82,144	\$63,651	\$96,524	\$106,627	\$21,177
Net cash (\$000)	\$96,385	\$168,331	\$196,793	\$180,110	\$26,035
Available fund balance ratio	17.0%	13.5%	17.1%	19.3%	29.2%
Net cash ratio	20.0%	35.8%	34.9%	32.7%	35.9%
Leverage					
Debt (\$000)	\$626,481	\$735,553	\$705,637	\$680,171	\$52,318
ANPL (\$000)	\$1,890,679	\$1,509,478	\$1,040,183	\$1,019,973	\$107,625
OPEB (\$000)	\$149,452	\$152,982	\$147,208	\$150,494	\$8,874
Long-term liabilities ratio	552.4%	510.3%	335.9%	335.6%	301.4%
Implied debt service (\$000)	\$37,112	\$43,941	\$51,371	\$49,018	\$3,696
Pension tread water (\$000)	\$55,452	\$37,320	\$45,746	\$51,245	\$1,705
OPEB contributions (\$000)	\$3,974	\$4,973	\$3,604	\$4,363	\$363
Fixed-costs ratio	20.0%	18.4%	17.9%	19.0%	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, Fremont Unif. Sch. Dist., CA (Alameda County)'s financial statements and Moody's Ratings

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 schools with a fiscal 2025 enrollment of 32,740.

Detailed credit considerations

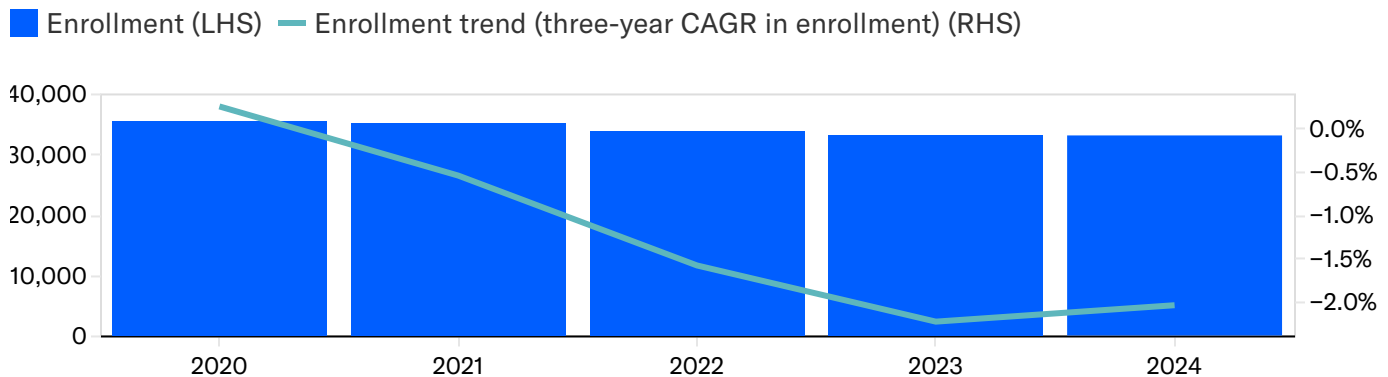
Economy: strong resident income and property; ongoing enrollment declines

Fremont USD will continue to benefit from a growing local economy and taxbase, supporting strong resident income and property wealth. The district's top taxpayer, [Tesla Inc.](#) (Baa3 stable), accounts for 4.3% of fiscal 2025 AV and represents a moderate concentration, however residential properties account for 76% of total AV and will continue to support a growing taxbase as properties turnover and are reassessed under proposition 13. In addition, over 360 new residential units are currently under construction within the district and numerous more in various planning stages.

Fiscal 2025 enrollment came in 219 students above budget projections, and is projected to remain stable through fiscal 2026. Conservative projections for fiscal 2027 show a decline of 313 students. New residential developments are not included in district projections.

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.

Exhibit 2
Enrollment



Source: Moody's Ratings

Financial operations: reserves expected to remain solid supported by conservative budgeting and expenditure reductions

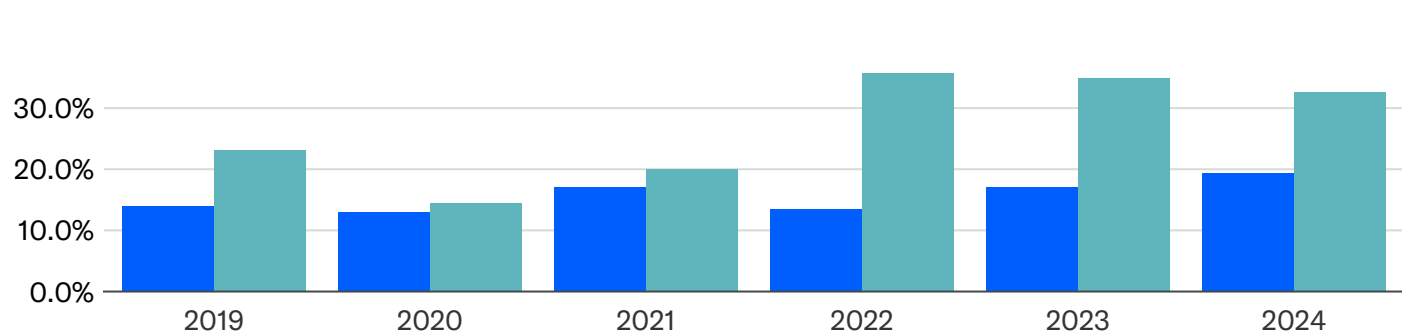
The district's financial position will remain solid despite anticipated spend down of reserves through fiscal 2026, supported by ongoing expenditure reductions and conservative budgeting.

As of the second interim report, the district projects a general fund deficit of \$7.8 million, bringing total fund balance to \$113.1 million or 21.9% of revenue, largely driven by a carryover of restricted program funds. Projections for fiscal 2026 show a \$10.9 deficit, bringing fund balance to \$102.2 million (20.3% of revenue). Included in these projections is \$15 million in board-approved budget reductions. Fiscal 2027 projections show a \$2.6 million surplus, supporting a stable fund balance around 20.2%.

The district has settled with its bargaining units through fiscal 2026, however these salary awards of 2% in fiscal 2025 and 3% in fiscal 2026 are not yet included in these projections and are not expected to materially impact current year finances but could pressure out year budgets. The district also benefits from a voter-approved parcel tax that provided \$4.5 million in revenue in fiscal 2025 and will sunset in the current year. The district anticipates returning to voters in the next few years to renew the parcel tax.

Exhibit 3
Financial Trends

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



Source: Moody's Ratings

Liquidity

The district's net operating cash of \$180.1 million as of fiscal 2024 equaled 32.7% of revenues. The district has an additional \$17.9 million in other sources of liquidity outside of the general fund that could be borrowed from if needed.

Leverage: elevated leverage will remain manageable

Leverage will remain elevated given further debt issuance plans. Post-issuance of the 2025 GO bonds, district leverage is elevated at 380% of revenue. The district has \$669 million in remaining GO bond authorization, that they plan to issue in three installments over the next six years. Fixed costs are manageable at 19% of revenue.

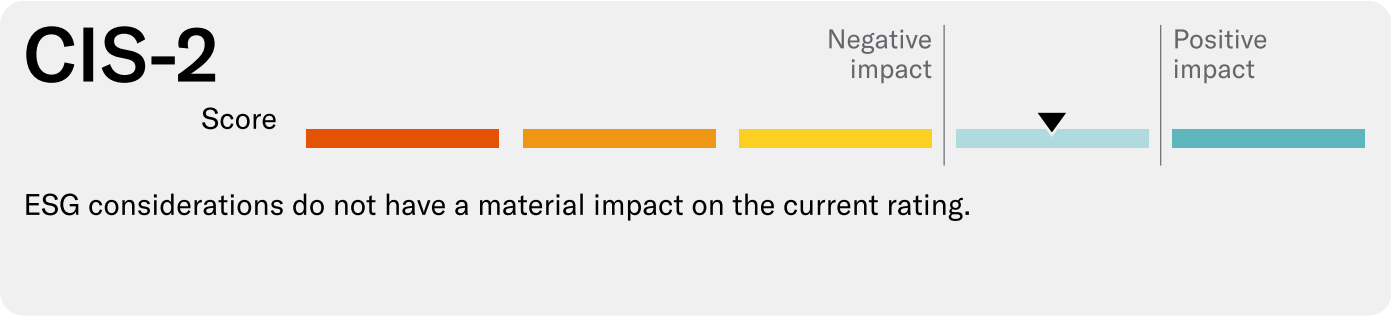
Pensions and OPEB

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. 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.

ESG considerations

Fremont Unif. Sch. Dist., CA (Alameda County)'s ESG credit impact score is CIS-2

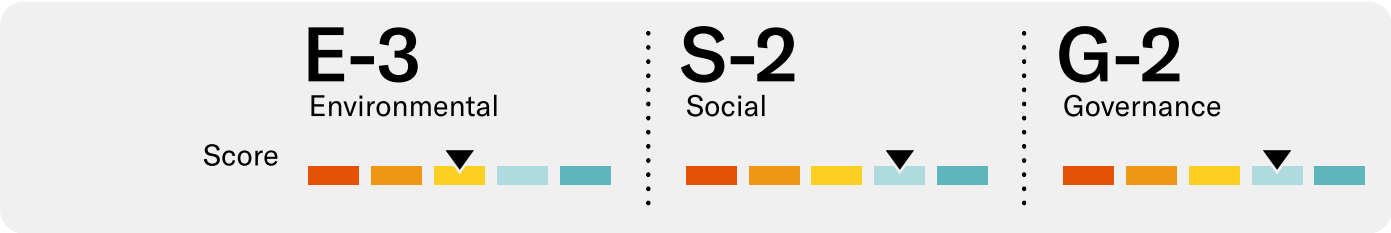
Exhibit 4
ESG credit impact score



Source: Moody's Ratings

The **CIS-2** indicates that ESG considerations do not have a material impact on the rating. This reflects Fremont Unified School District's (USD) exposure to environmental risks associated with water stress, and limited exposure to social and governance risks.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Fremont USD's **E-3** environmental issuer profile score reflects elevated exposure to physical climate risks associated with water stress, heat stress, and wildfires, primarily driven by its location in Alameda County.

Social

Fremont USD's **S-2** social issuer profile score reflects limited exposure to social risks associated with demographics, education, health and safety, and access to basic services. The district's elevated child poverty rate and housing costs present moderately negative risks to the district. Lack of affordable housing may drive enrollment declines and generate pressures for higher staff salaries. Positively, the district benefits from favorable health and safety metrics.

Governance

Fremont USD's **G-2** governance issuer profile score reflects limited exposure to governance risks. While the institutional structure for California school districts is solid, it is weaker than in most other states because California districts have very limited revenue raising flexibility and are exposed to the state's economic and financial volatility. The district files audited financial statements and budgets in a timely manner and has sound budget management and policy credibility and effectiveness. The district benefits from strong transparency and disclosure practices, enhanced by the state's requirement that California schools produce three-year budget forecasts with regular interim reporting.

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

Fremont Unif. Sch. Dist., CA (Alameda County)

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	189.9%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	328,724	10.0%	Aaa
Enrollment trend (three-year CAGR in enrollment)	-2.1%	10.0%	Baa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	19.3%	20.0%	Aa
Net cash ratio (net cash / operating revenue)	32.7%	10.0%	Aaa
Institutional framework			
Institutional Framework	A	10.0%	A
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	380.4%	20.0%	A
Fixed-costs ratio (adjusted fixed costs / operating revenue)	19.0%	10.0%	Aa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			Aa3

The complete list of outstanding ratings assigned to the Fremont Unif. Sch. Dist., CA (Alameda County) is available on their [issuer page](#). Details on the current ESG scores assigned to the Fremont Unif. Sch. Dist., CA (Alameda County) are available on their [ESGView page](#).

Sources: US Census Bureau, Fremont Unif. Sch. Dist., CA (Alameda County)'s financial statements and Moody's Ratings

Appendix

Exhibit 7

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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