

CREDIT OPINION

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Send Your Feedback

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Anaheim Union High School District, CA

Update following upgrade to Aa1

Summary

[Anaheim Union High School District, CA's](#) (Issuer rating Aa2; GOULT Aa1, stable) credit profile is underpinned by favorable economic metrics such as strong property wealth with assessed value per capita at \$158,000 and a strong regional economy balanced against ongoing declines in enrollment. The district's robust financial position provides good financial flexibility, which is a credit positive given the slowdown in growth of local control funding formula revenue and uncertainty around federal funds. Management's prudent fiscal practices and executed strategies to offset declining enrollment and related challenges bolster the district's credit profile. The district's long-term liabilities ratio will remain within current moderate levels given management's future debt plans and fixed costs will remain low relative to operations.

Credit strengths

- » Good governance
- » Strong available fund balance and liquidity
- » Large and diverse tax base that will support continued growth in property wealth

Credit challenges

- » Ongoing declines in enrollment
- » Rising pension costs

Rating outlook

The stable outlook reflects our expectation that management will continue making necessary budget reductions in response to enrollment declines to maintain a strong financial position.

Factors that could lead to an upgrade

- » Stabilizing to growing trends in enrollment
- » Improved resident income to above 120%
- » Material and sustained decline in leverage to below 200%

Factors that could lead to a downgrade

- » Material declines in available general fund balance to below 20%
- » Further enrollment declines that pressure financial operations
- » Sustained Increase in leverage above 400% of revenue

Key indicators

Exhibit 1

Anaheim Union High School District, CA

| | 2021 | 2022 | 2023 | 2024 | Aa Medians |
|--------------------------------|--------------|--------------|--------------|--------------|-------------|
| Economy | | | | | |
| Resident income | 101.8% | 102.5% | 99.3% | N/A | 118.5% |
| Full value (\$000) | \$50,083,683 | \$52,207,240 | \$55,764,598 | \$59,837,673 | \$4,184,901 |
| Population | 402,848 | 400,919 | 397,606 | N/A | 32,217 |
| Full value per capita | \$124,324 | \$130,219 | \$140,251 | N/A | \$123,578 |
| Enrollment | 29,183 | 28,404 | 27,748 | 27,195 | 4,143 |
| Enrollment trend | -1.7% | -2.1% | -2.4% | -2.3% | -1.0% |
| Financial performance | | | | | |
| Operating revenue (\$000) | \$486,066 | \$510,792 | \$644,111 | \$608,630 | \$76,434 |
| Available fund balance (\$000) | \$149,873 | \$149,840 | \$187,127 | \$187,167 | \$21,177 |
| Net cash (\$000) | \$127,459 | \$193,183 | \$298,443 | \$299,819 | \$26,035 |
| Available fund balance ratio | 30.8% | 29.3% | 29.1% | 30.8% | 29.2% |
| Net cash ratio | 26.2% | 37.8% | 46.3% | 49.3% | 35.9% |
| Leverage | | | | | |
| Debt (\$000) | \$328,805 | \$316,929 | \$304,637 | \$290,906 | \$52,318 |
| ANPL (\$000) | \$1,533,189 | \$1,308,994 | \$961,748 | \$926,871 | \$107,625 |
| OPEB (\$000) | \$92,181 | \$78,786 | \$73,975 | \$73,103 | \$8,874 |
| Long-term liabilities ratio | 402.0% | 333.7% | 208.1% | 212.1% | 301.4% |
| Implied debt service (\$000) | \$24,940 | \$23,062 | \$22,134 | \$21,162 | \$3,696 |
| Pension tread water (\$000) | \$45,483 | \$32,640 | \$42,759 | \$47,199 | \$1,705 |
| OPEB contributions (\$000) | \$2,653 | \$3,142 | \$2,948 | \$3,005 | \$363 |
| Fixed-costs ratio | 15.0% | 11.5% | 10.5% | 11.7% | 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, Anaheim Union High School District, CA's financial statements and Moody's Ratings

Profile

Anaheim Union High School District is located in Orange County in southern California, approximately 20 miles southeast of Los Angeles. The district operates eight junior high schools, eight comprehensive high schools, an academy serving grades 7-12, a special education school, an alternative high school and a virtual academy. The district's fiscal 2025 enrollment is projected at 26,120.

Detailed credit considerations

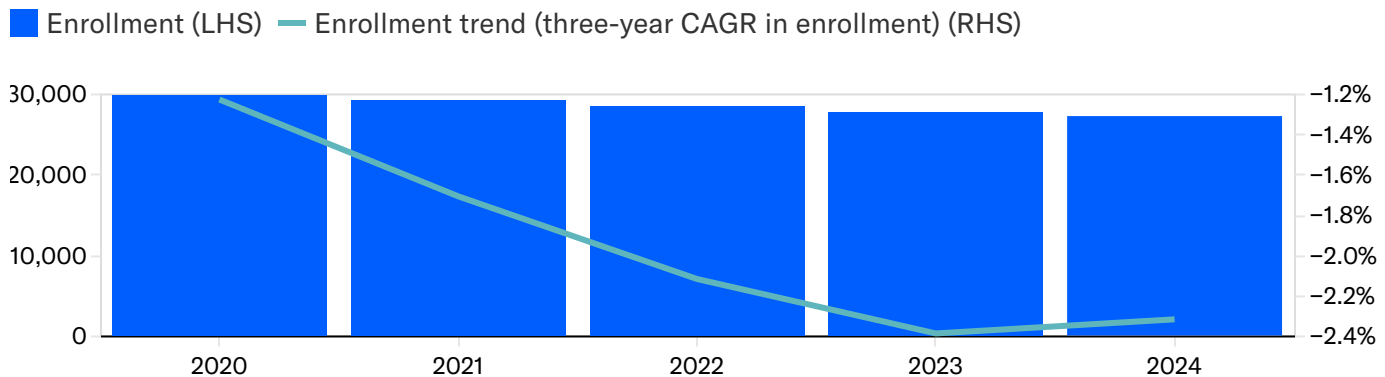
Economy: large and diverse economy supports favorable property wealth

The district will continue to benefit from a strong regional economy and surging new developments that will support favorable property wealth. Some of these developments include a \$2.5 billion Disneyland expansion project and OC Vibe, which is a 95 acre development around the Honda Center that will include shopping, dining, workplaces and parks that will be constructed over the next few years. In fiscal 2025, assessed reached \$62.6 billion, a solid increase of 4.7% over the prior year, resulting in a strong AV per capita of \$158,000 when compared to the national Aa median at \$123,578.

Declining enrollment, largely due to the high cost of living, and lower birth rates, remains an ongoing challenge. As such, management has established a plan to right size operations by consolidating schools. Its first school consolidation under this plan will occur in fiscal 2026 and management is considering consolidation of one to two more schools over the next few years.

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

Declining enrollment remains a challenge

Source: Moody's Ratings

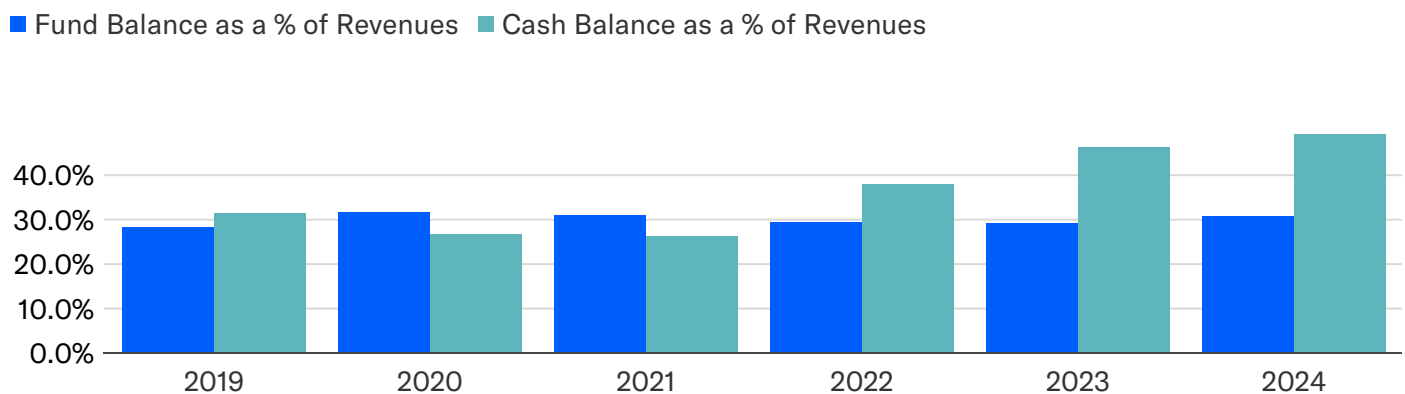
Financial operations: strong financial position supported by good governance

The district's financial position will remain strong given management's prudent fiscal practices and robust reserves. The district has ample financial flexibility to manage through upcoming headwinds such as the slowdown in state funding and uncertainties around changes in federal policy.

Based on the fiscal 2025 second interim report, the district will end the year with a \$7.2 million surplus largely due to local control funding formula revenue and state funds exceeding budget projections coupled with savings from vacant positions. Available general fund balance is projected to equal \$170.2 million or a strong 30% of total general fund revenue. Management projects out year deficits over the next three fiscal years (fiscal 2026- fiscal 2028) with an accumulative total of \$83.1 million bringing available general fund balance down to about \$152 million or still a strong 28% of total general fund revenue. Given management's long standing trend of outperforming budget, we expect that actual financial results will be better than projections, and reserves will remain substantially above its 6% minimum general fund reserve policy.

The district receives about \$55 million in federal funding, with \$41 million in the general fund (7% of total general fund revenue) and \$14 million for food services (or 60% of the cafeteria special revenue fund balance). Given the uncertainty around changes in federal policy, the district's budget stabilization committee has already considered potential budget changes should there be a reduction in federal funding.

Exhibit 3

The district benefits from strong financial flexibility given robust reserves

Source: Moody's Ratings

Liquidity

The district's liquidity position will also remain strong given management's prudent fiscal practices. Based on the district's second interim general fund cash flow, liquidity will slightly decline from the prior year yet remain strong at \$200 million or 34% of total general fund revenue. The district's liquidity position is further bolstered by approximately \$58 million in borrowable reserves outside of the general fund.

Leverage

The district's long-term liabilities ratio will remain within current moderate levels given management's future debt plans. In November 2024, voters approved a \$496 million GOULT bond authorization. The current offering is the first issuance under this bond measure. Management expects its next debt issuance to occur in the next three years.

Fixed costs will increase due to rising pension costs yet will remain low relative to operations. In anticipation of continued pension contribution increases, management established a pension trust with a current balance of \$30 million.

Debt structure

Post the current bond offerings, the district's long-term debt will consist of general obligation unlimited tax bonds and the final maturity is in 2052.

Pensions and OPEB

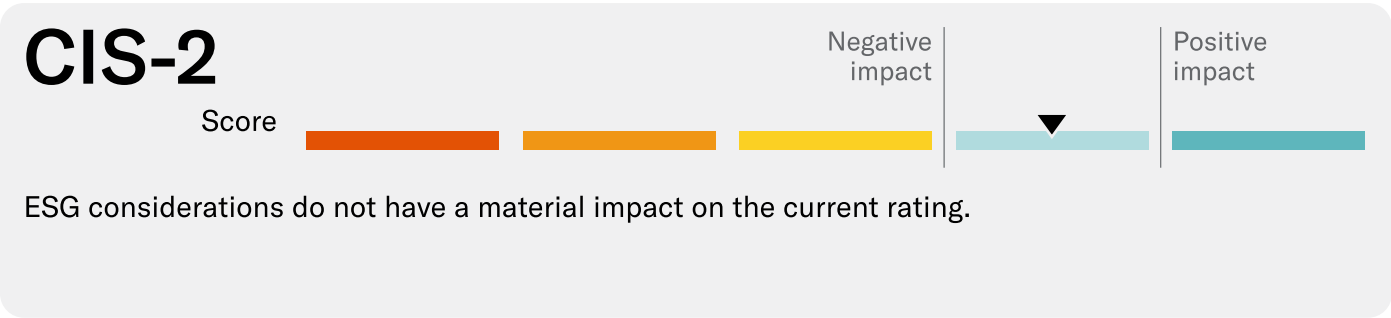
The bulk of California K-12 school districts' pension exposure is associated with the California State Teachers' Retirement System (CalSTRS). The strength of contributions by participating governments and the state to CalSTRS has improved significantly over the past decade. While results will vary across 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.

The district funds its other post employment benefit (OPEB) benefits on a pay as you go basis. The fiscal 2024 contribution was \$3 million or just 0.5% of operating revenue. Moody's adjusted net OPEB liability is about \$73 million, and equals a low 11% of operating revenue.

ESG considerations

Anaheim Union High School District, CA's ESG credit impact score is CIS-2

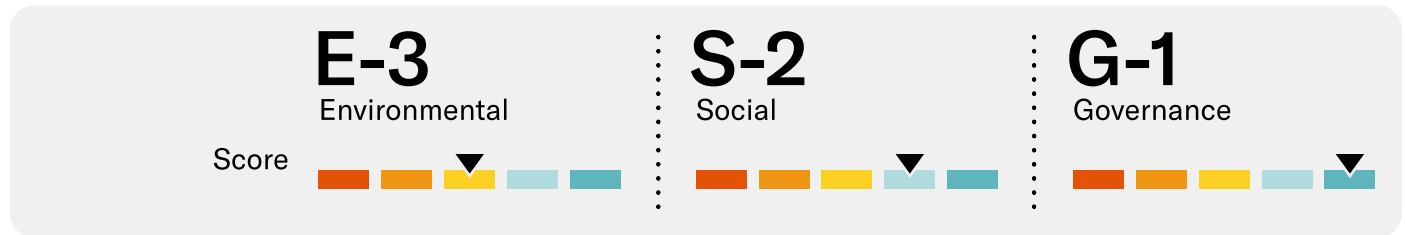
Exhibit 4
ESG credit impact score



Source: Moody's Ratings

Anaheim Union High School District's ESG Credit Impact Score reflects its moderately negative exposure to environmental risks and neutral-to-low exposure to social and governance risks.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Anaheim Union High School District's environmental issuer profile score largely reflects its elevated exposure to physical climate risk primarily from potential water stress. Additionally, the environmental profile score reflects risks associated with water management, as the district is located within the boundaries of the Orange County Water District (OCWD; Aa1 stable), which has identified per- and polyfluoroalkyl substances (PFAS) within various wells in its groundwater basin. OCWD customers may be faced with higher water charges to cover the cost of purchased water supplies and increased treatment costs.

Social

Anaheim Union High School District's Social Issuer Profile Score incorporates its relatively low exposure to social risks across most categories, including demographics, and education. Similar to other school districts in Orange County, relatively high housing costs pose a moderately negative social risk, but the district benefits from positive health and safety metrics.

Governance

The district's governance issuer profile score incorporates management's good budget management as shown by its prudent fiscal practices and performance of consistently outperforming projections. 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. Additionally, management has a practice of providing the board monthly updates on the district's financial operating performance. The institutional structure for California school districts is solid, though weaker than most school districts in the US, 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 Moody's.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

Anaheim Union High School District, CA

| | Measure | Weight | Score |
|---|---------|--------|------------|
| Economy | | | |
| Resident Income (MHI Adjusted for RPP / US MHI) | 99.3% | 10.0% | A |
| Full value per capita (full valuation of the tax base / population) | 157,633 | 10.0% | Aa |
| Enrollment trend (three-year CAGR in enrollment) | -2.3% | 10.0% | Baa |
| Financial performance | | | |
| Available fund balance ratio (available fund balance / operating revenue) | 30.8% | 20.0% | Aaa |
| Net cash ratio (net cash / operating revenue) | 49.3% | 10.0% | Aaa |
| Institutional framework | | | |
| Institutional Framework | A | 10.0% | A |
| Leverage | | | |
| Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue) | 241.7% | 20.0% | Aa |
| Fixed-costs ratio (adjusted fixed costs / operating revenue) | 11.7% | 10.0% | Aaa |
| Notching factors | | | |
| No notchings applied | | | |
| Scorecard-Indicated Outcome | | | Aa2 |
| Assigned Rating | | | Aa2 |

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

Sources: US Census Bureau, Anaheim Union High School District, CA'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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