

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aa3 underlying/Aaa enhanced to Ogden CSD, UT's \$30M GO Bonds**

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09 Sep 2020

New York, September 09, 2020 -- Moody's Investors Service has assigned a Aa3 underlying and Aaa enhanced rating to Ogden City School District, Utah's General Obligation School Building Bonds, Series 2020 in the expected amount of \$30.0 million. Moody's maintains a Aa3 rating on the district's outstanding general obligation bonds totaling \$57.5 million and an A1 rating on the district's outstanding lease revenue bonds totaling \$54.2 million.

#### RATINGS RATIONALE

The Aa3 underlying rating reflects the district's adequate financial position and well-sized and growing tax base. The rating also incorporates the local institutional presence of Weber State University and several federal government employers. The district has manageable debt and pension liabilities. The district continues to suffer from declining enrollment pressured by considerable local charter school competition.

The Aaa enhanced rating is based on the additional security provided to bondholders by the Utah School District Bond Guaranty Program (Aaa stable). Under this program, the state's full faith and credit guarantees debt service payments by transfer of the state's general funds to the paying agent in the event of a shortfall for the district.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Ogden CSD, UT; however, the situation surrounding Coronavirus is rapidly evolving and the longer-term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the district changes, we will update the rating and/or outlook at that time.

#### RATING OUTLOOK

Outlooks are not typically assigned to local government credits with this amount of debt outstanding.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Structurally balanced operations supporting an improved financial position
- Strengthened local resident wealth and income metrics
- Meaningful expansion of the taxable base
- Trend of increased enrollment and/or significant decline in charter attendance

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration of financial position
- Prolonged trend of enrollment decline
- Sharp tax base contraction or considerable weakening of socioeconomic profile
- Deterioration of State of Utah credit quality (enhanced rating)

#### LEGAL SECURITY

The general obligation bonds are secured by the district's unlimited property tax pledge.

The Utah School District Bond Guaranty Program pledges its full faith and credit to make whole any shortfall in debt service by the district, if necessary, on a timely basis for payment to bondholders. The state pledges its

full faith and credit to make whole any shortfall in debt service by the district, if necessary, on a timely basis for payment to bondholders.

#### USE OF PROCEEDS

Bond proceeds will be used to fund various district-wide capital improvements.

#### PROFILE

The district provides K-12 educational services to the City of Ogden, located approximately 40 miles north of Salt Lake City. District enrollment is declining, reducing from 12,884 in 2009 to 11,466 in 2019.

#### METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in July 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1230443](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1230443). The principal methodology used in the enhanced rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1068154](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1068154). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

#### REGULATORY DISCLOSURES

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 at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004)

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1133569](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569).

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Joseph Manoleas  
Lead Analyst  
Regional PFG Northeast  
Moody's Investors Service, Inc.  
One Front Street  
Suite 1900  
San Francisco 94111  
US  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Orlie Prince  
Additional Contact  
Regional PFG Northeast  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Releasing Office:  
Moody's Investors Service, Inc.  
250 Greenwich Street  
New York, NY 10007  
U.S.A  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

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