

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings assigns Aaa underlying & Aa1 enhanced ratings to Edina ISD 273, MN's 2024 bonds**

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03 Oct 2024

New York, October 03, 2024 -- Moody's Ratings (Moody's) has assigned a Aaa underlying rating and a Aa1 enhanced rating to Edina Independent School District 273, MN's estimated \$97.9 million General Obligation Facilities Maintenance, Capital Notes, and Alternative Facilities and School Building Refunding Bonds, Series 2024A. We maintain the district's Aaa issuer and general obligation unlimited tax ratings. The district had around \$211 million in total debt outstanding at the end of 2023.

#### RATINGS RATIONALE

The Aaa issuer rating reflects the district's growing local economy in the Twin Cities metro area with a very strong full value per capita of more than \$300,000 and resident incomes exceeding 200% of the US . Enrollment is positive post-pandemic and will remain strong given the district's strong competitive position. The reserve position, while below peers at just 15% of revenues, is very stable and management is proactive in balancing revenues and expenditures. Fiscal 2024 is expected to be positive and fund balance will grow. The leverage is above-average but manageable.

The Aaa rating assigned to the district's GOULT bonds is equivalent to the Aaa issuer rating given a pledge of the district's full faith and credit and the authority to levy a dedicated property tax unlimited as to rate and amount.

The enhanced rating on the current bonds reflects the additional security provided by the State of Minnesota's School District Credit Enhancement Program. The Aa1 enhanced programmatic rating is notched once from the State of Minnesota's Aaa Issuer Rating. The enhanced rating reflects sound program mechanics and the state's pledge of an unlimited appropriation from its General Fund should the district be unable to meet debt service requirements. The program mechanics include a provision for third-party notification of pending deficiency. If the school district does not transfer funds necessary to pay debt to the paying agent at least three days prior to the payment due date, the state will appropriate the payment to the paying agent

directly.

## RATING OUTLOOK

We do not assign outlooks to local government issuers with this amount of debt outstanding.

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

- Not applicable

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

- Sustained increase in leverage to above 425% of revenues
- Decline in fund balance to below 10% of revenues
- Sustained negative enrollment trends leading to financial stress
- Downgrade of the State of Minnesota's Issuer Rating (enhanced)
- Weakening of the credit enhancement program mechanics (enhanced)

## LEGAL SECURITY

The general obligation unlimited tax (GOULT) bonds are supported by the district's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. The bonds are additionally secured by statute.

The GOULT bonds are also supported by the State of Minnesota's School District Credit Enhancement Program which provides for an unlimited advance from the state's general fund should the district be unable to meet debt service requirements

## USE OF PROCEEDS

The bonds will finance facility improvements, new school buses, and refund the outstanding General Obligation Alternative Facilities Bonds, Series 2014A and General Obligation School Building Bonds, Series 2015A for positive net present value savings.

## PROFILE

The district is located 12 miles southwest of downtown Minneapolis (Aa1 positive) and encompasses about 8,000 acres in Hennepin County (Aaa stable). The district's population is estimated at 43,000 and its student enrollment is an estimated 8,600. It provides K-12 education to approximately 8,600 students across 9 school buildings.

## METHODOLOGY

The principal methodology used in the underlying rating was US K-12 Public School Districts published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425431>. The principal methodology used in the enhanced rating was US State Aid Intercept Programs and Financings published in February 2024 and available at <https://ratings.moodys.com/rmc-documents/415020>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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Susanne Murray  
Lead Analyst  
Regional PFG Northeast  
Moody's Investors Service, Inc.  
Washington  
JOURNALISTS: 1 212 553 0376  
Client Service: 1 212 553 1653

Eva Bogaty  
Additional Contact  
PF Healthcare  
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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