



Rating Action: Moody's Ratings assigns A3 UND & Aa1 ENH to Duluth ISD 709, MN's Series 2025B full-term COPs

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New York, October 29, 2025 -- Moody's Ratings (Moody's) has assigned A3 underlying and Aa1 enhanced ratings to Duluth Independent School District 709, MN's Full Term Certificates of Participation, Series 2025B, which have a proposed par amount of about \$9.8 million. We maintain the district's A3 issuer rating, A3 rating on its outstanding full-term certificates of participation (COPs) (non-contingent lease backed by general obligation unlimited tax (GOULT) pledge), and its other outstanding ratings. Following the sale, the district will have about \$184 million in total debt outstanding.

RATINGS RATIONALE

The A3 issuer rating reflects the district's solid economic base with resident income and full value per capita that are in line with peers and modestly growing enrollment. The district's financial position will likely stabilize in fiscal 2025 (year-end June 30) following several expenditure reductions to address an initial budget shortfall. The district has implemented additional budgetary cuts in fiscal 2026 that will keep the available fund balance ratio at around 10%. The long-term liabilities ratio will grow modestly to around 240% following the issuance of the Series 2025B COPs, and leverage will likely remain moderate because of additional debt plans over the next five years partially offset by rapid debt amortization.

The A3 rating on the district's non-contingent lease backed by a GOULT pledge (full-term COPs) obligations is equivalent to the A3 issuer rating because debt service is not subject to annual appropriation.

The Aa1 enhanced rating assigned to the Series 2025B COPs reflects the additional security provided by the State of Minnesota's School District Credit Enhancement Program (Aa1 stable). 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. We have received a copy of the signed program applications.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Maintenance of available fund balance ratio at levels above 15%
- Reduction of long-term liabilities ratio to well under 200%

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration of available fund balance ratio to below 8%
- Notable growth of long-term liabilities ratio to levels above 300%
- Downgrade of the State of Minnesota's Issuer Rating (enhanced)

- Weakening of the credit enhancement program mechanics (enhanced)

PROFILE

Duluth Independent School District 709, MN is situated along the Lake Superior shoreline, about 150 miles north of the Twin Cities metropolitan area. The district provides pre-kindergarten to twelfth grade education to around 8,700 students.

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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