

2025 Bond Ratings for Stanislaus County School Districts

Stanislaus County	Rating
Oakdale Joint Unified	AA-
Ceres Unified	A+
Hughson Unified	A+
Modesto Union (Modesto City Schools)	A+
Newman-Crows Landing Unified	A+
Riverbank Unified	A+
Waterford Unified	A+
Patterson Joint Unified	A
Denair Unified	A-

Research Update:

Oakdale Joint Unified School District, CA GO Bonds Assigned 'AA-' Rating; Outlook Stable

May 27, 2025

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to Oakdale Joint Unified School District, Calif.'s anticipated \$35 million series A election of 2024 general obligation (GO) bonds.
- At the same time, we affirmed our 'AA-' long-term rating on the district's outstanding GO bonds.
- The outlook is stable.
- The rating reflects the application of our "Methodology For Rating U.S. Governments," published Sept. 9, 2024.

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Rationale

Security

Revenue from the district's unlimited ad valorem property tax secures the GO bonds. Proceeds will finance construction projects and improvements to the district's facilities. Following this issuance, the district will have around \$70 million remaining of authorized but unissued debt associated with the 2024 election.

Credit highlights

The rating reflects our view of the district's strong financial performance and healthy available reserves, which are partially offset by weaker county economic metrics, including lagging income and economic output figures and a high unemployment rate compared with those of its similarly rated peers. However, our analysis incorporates the district's local income metrics, which are notably higher than county metrics.

The district's student enrollment levels have been fairly stable at around 5,000 over the last decade. Management expects this trend to continue, which we believe will support stability in

the district's primary revenue source, state aid, which accounts for approximately 80% of the district's operating revenue.

The district has generated mostly breakeven-to-positive operations over the last decade, which has supported the maintenance of its healthy available reserve position. The positive results have been driven by conservative budgeting practices, stable enrollment metrics, and, more recently, an influx of one-time aid. Its fiscal 2025 estimates, as of March, project a deficit of around 9% of revenue; however, we note that this deficit mainly reflects a planned spend-down of pandemic-related funding. Its projections indicate a small deficit in fiscal 2026, although management indicates that breakeven results are expected due to conservative budget assumptions. Given the district's historical trend of healthy financial performance and conservative budgeting practices, we do not anticipate near-term deterioration in the district's credit quality.

For more information, see "U.S. Local Governments Credit Brief: California School Districts Means And Medians," published Oct. 22, 2024, on RatingsDirect.

The rating reflects our opinion of the district's:

- Primarily agricultural tax base located mainly in Stanislaus County, with a small portion in San Joaquin County. The district has experienced strong assessed value (AV) growth over the last decade, with ongoing residential development, which we believe will lead to continued AV growth looking forward. The county's unemployment rate remains higher than the state and national levels at 6.9% in 2024, which we believe is related to the region's concentration in the cyclical agricultural industry.
- Mostly positive operations during the last decade, although its most recent estimates reflect a deficit in fiscal 2025, as the district plans to spend down restricted pandemic funds. However, its multi-year projections reflect balanced operations in fiscal years 2026 and 2027, which we believe is likely given its history of healthy financial performance.
- Available reserves that are in line with those of similarly rated peer medians and that continue to be maintained above its formal reserve policy and informal reserve target of 10% of expenditures, which it has historically exceeded. Our analysis also incorporates the district's committed fund balance, partially committed for textbooks and necessary reserves or economic uncertainties.
- Standard management practices with a formal reserve policy of 5% as well as regular budget monitoring and board review during interim reporting cycles; multiyear projections for the current year and two subsequent years; and adherence to state policies for investments and debt management. The district has also taken steps to mitigate cyber risk.
- Affordable debt burden, but with what we consider slow amortization. The district has around \$70 million remaining of authorized but unissued debt associated with the 2024 election. District officials expect to issue the remaining debt in multiple installments over the next decade, and we incorporate this into our analysis. We view the district's pension obligations as having minimal impact on the district's overall operations. However, we note the district's pension profile includes what we consider an aggressive discount rate and a large pension obligation on a per capita basis. (For more information, see "Pension Spotlight: California," published Oct. 17, 2023.)
- For more information on our institutional framework assessment for California school districts, see "Institutional Framework Assessment: California Local Governments," published Sept. 9, 2024.

Environmental, social, and governance

In our view, the district has elevated exposure to certain physical risks, including seismic activity, which could affect the tax base or local demographic trends; however, we believe that strong state building codes partly mitigate this risk. In addition, we believe the district has elevated exposure to water stress and drought due to the agricultural nature of the area. We consider social and governance risks as neutral within our credit rating analysis.

Outlook

The stable outlook reflects our expectation that the district's available reserve position will remain at favorable levels throughout the outlook horizon, supported by historically healthy financial performance and conservative budget assumptions.

Downside scenario

We could lower the rating if the district significantly reduces its reserves to levels that we no longer consider sufficient to offset its weaker local economic metrics, with no credible plan to restore to healthy levels.

Upside scenario

We could raise the rating if the district's economic metrics improve to levels that we view as comparable with those of its higher-rated peers.

Oakdale Joint Unified School District, California--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.58
Economy	4.0
Financial performance	2
Reserves and liquidity	1
Management	2.65
Debt and liabilities	3.25

Oakdale Joint Unified School District, California--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GCP per capita % of U.S.	65	--	65	66
County PCPI % of U.S.	76	--	76	77
Market value (\$000s)	6,047,232	5,800,775	5,512,574	5,185,582
Market value per capita (\$)	188,223	180,552	171,582	160,778
Top 10 taxpayers % of taxable value	7.1	7.0	6.6	6.7
County unemployment rate (%)	6.9	6.9	6.3	5.4
Local median household EBI % of U.S.	111	--	111	111
Local per capita EBI % of U.S.	102	--	102	99

Oakdale Joint Unified School District, California--Key credit metrics

	Most recent	2024	2023	2022
Economy				
Local population	32,128	--	32,128	32,253
Financial performance				
Operating fund revenues (\$000s)	--	88,309	86,469	71,820
Operating fund expenditures (\$000s)	--	82,897	77,560	71,140
Net transfers and other adjustments (\$000s)	--	(490)	(374)	(211)
Operating result (\$000s)	--	4,922	8,535	469
Operating result % of revenues	--	5.6	9.9	0.7
Operating result three-year average %	--	5.4	5.5	3.1
Enrollment	--	5,105	5,173	5,203
Reserves and liquidity				
Available reserves % of operating revenues	--	29.9	25.8	28.3
Available reserves (\$000s)	--	26,437	22,352	20,342
Debt and liabilities				
Debt service cost % of revenues	--	1.7	1.3	--
Net direct debt per capita (\$)	1,288	200	234	245
Net direct debt (\$000s)	41,385	6,427	7,512	7,889
Direct debt 10-year amortization (%)	21	100	--	--
Pension and OPEB cost % of revenues	--	10.0	9.0	--
NPLs per capita (\$)	--	1,745	1,898	1,626
Combined NPLs (\$000s)	--	56,051	60,993	52,450

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Ratings List

New Issue Ratings

US\$35.0 mil GO bnds (Election Of 2024) ser A due 08/01/2054

Long Term Rating AA-/Stable

Ratings Affirmed

Local Government

Oakdale Jt Unif Sch Dist, CA Unlimited Tax General Obligation AA-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.