MOODY'S
RATINGS

Rating Action: Moody's Ratings upgrades Southern Lehigh School District, PA's ratings to Aa1

28 Feb 2025

New York, February 28, 2025 -- Moody's Ratings (Moody's) has upgraded Southern Lehigh School District, PA's issuer, general obligation unlimited tax (GOULT), and general obligation limited tax (GOLT) ratings to Aa1 from Aa2. The district has approximately $44.4 million in debt outstanding.

The upgrade to Aa1 reflects the district's excellent financial position supported by strong budget management. The upgrade also recognizes the district's growing local economy which has resulted in a robust full value per capita metric.

RATINGS RATIONALE

The Aa1 issuer rating reflects the district's excellent financial position with available fund balance and liquidity ratios in excess of 40% of revenue as of fiscal 2024 (June 30 year-end). Management reports favorable year-to-date results and expects to end the current year with another surplus in the general fund. The district benefits from a growing local economy in which full value has increased at a marked compound rate of 15% annually the past five years. Full value per capita is a robust $234,000; adjusted median household income is also strong at 157% of the US level. Enrollment is poised to stay fairly level over the near term. Leverage, a manageable 158% of revenue, will steadily decline over time given the district's up-to-date facilities and lack of additional borrowing plans.

The lack of distinction between the district's issuer rating and the Aa1 ratings on the district's GOULT and GOLT debt is based on the district's general obligation full faith and credit pledge.

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 RATINGS

- Continued growth and diversification in the tax base

- Decline in long-term liabilities ratio to below 125% of revenue

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Decline in financial ratios to below 25% of revenue

- Growth in long-term liabilities ratio to above 300% of revenue

- Significant enrollment losses

LEGAL SECURITY

The Series AA of 2013 and Series 2015 bonds are backed by the district's full faith and credit and taxing power of the district, including ad valorem taxes subject to the limitations of Pennsylvania's Act 1 Taxpayer Relief Act.

The Series A of 2013 bonds are backed by the full faith and credit and taxing power of the district. Ad valorem taxes are not subject to the limitations of Pennsylvania's Act 1 Taxpayer Relief Act because the bonds issued prior to the 2006 implementation of Pennsylvania's Act 1 Taxpayer Relief Act.

PROFILE

Southern Lehigh School District, PA is located in Lehigh County, PA (Aa1) in the eastern portion of the Commonwealth of Pennsylvania (Aa2 stable) approximately eight miles south of the City of Allentown (A2). As of the current (2024-2025) school year, the district enrolled about 3,100 students through two elementary schools, one intermediate school, one middle school, and one senior high school.

METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts published in July 2024 and available at https://ratings.moodys.com/rmc-documents/425431. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

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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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