

Rating Action

Moody's Ratings affirms Oakland USD's (CA) A1 GOs; outlook stable

New York, September 12, 2024 -- Moody's Ratings (Moody's) has affirmed the A1 rating on Oakland Unified School District, CA's general obligation unlimited tax (GOULT) bonds and the district's A2 issuer rating. The district has about \$1.0 billion in outstanding GOULT bonds. The outlook is stable.

The affirmation is largely driven by the district's favorable economic factors, and our expectation that its financial position will remain sound given management's prudent budgeting practices.

RATINGS RATIONALE

The A2 issuer rating incorporates the district's favorable economic factors such as strong property wealth, with assessed value per capita reaching \$193,209 (2024), and resident income that is slightly above the US. These positive factors are balanced against continued enrollment declines. The rating anticipates that the district's reserves will decline, largely due to the spend down of one-time revenue and a slowdown in state funding, yet remain adequate for the rating level due to our expectation that management will continue to implement budget reductions. The district's elevated long-term liabilities ratio and above-average fixed costs are factored into the rating.

The A1 rating on the district's general obligation unlimited tax bonds is one notch higher than the district's issuer rating. The one-notch distinction reflects California school district GO bond security features that include the physical separation through a "lockbox" for pledged property tax collections and a security interest created by statute.

RATING OUTLOOK

The stable outlook incorporates our expectation that management will take steps to ensure that expenditures are aligned with slowing revenue growth in order to maintain adequate levels of reserves and liquidity.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Outperformance of current projections leading to structurally balanced operations
- Meaningful progress toward right sizing operations
- Stabilized enrollment levels

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Weakened financial performance with available general fund balance declining below 3%
- Inability to outperform out year financial projections
- Material increases in leverage to above 450%

LEGAL SECURITY

The district's general obligation bonds are secured by an unlimited ad valorem property tax pledge. Alameda County (Aaa stable), rather than the district, levies, collects and disburses the district's property taxes, including the portion constitutionally restricted to debt service on general obligation bonds.

PROFILE

The district is located in the City of Oakland (Aa1 stable) and its boundaries also include small portions of the cities of Emeryville and Alameda. The district is governed by a seven-member board and operates 81 schools (grades TK-12). There are also 39 independent charter schools with 14,800 students that operate within the district. Oakland Unified School District's projected fiscal 2025 average daily attendance is 30,799.

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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