

## CREDIT OPINION

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### Contacts

Nathan Phelps +1.214.979.6853  
Analyst  
nathan.phelps@moody's.com

Adebola Kushimo +1.214.979.6847  
Associate Managing Director  
adebola.kushimo@moody's.com

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Asia Pacific 852-3551-3077  
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EMEA 44-20-7772-5454

# Rio Rancho Public SD 94 (Sandoval County), NM

Update to credit analysis

## Summary

[Rio Rancho Public School District 94 \(Sandoval County\), NM's](#) (A1) credit profile benefits from above median adjusted income and improving full value per capita; however, the enrollment trend is negative. Reserves are below the median and expected to decrease in fiscal 2025 to around 20% of revenue, with a majority of the available fund balance held in the debt service fund. The district's long-term liabilities continue to be manageable.

## Credit strengths

- » Above median resident income
- » Growing assessed value
- » Manageable long-term liabilities

## Credit challenges

- » Expected reduction of general fund balance in fiscal 2025 to narrow levels
- » Declining enrollment
- » Below median full value per capita

## Rating outlook

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

## Factors that could lead to an upgrade

- » Sustained trend of higher general fund balance of 15% of revenue and available operating fund balance that consistently remains above 25% of revenue
- » Maintained long-term liabilities below 250% of revenue

## Factors that could lead to a downgrade

- » Reduction of general fund balance to less than 5% of revenue and available operating fund balance below 15% of revenue
- » Increased long-term liabilities ratio in excess of 400% of revenue
- » Trend of weakened economic indices

## Key indicators

Exhibit 1

### Rio Rancho Pub S.D. 94 (Sandoval Coun.) NM

	2021	2022	2023	2024	A Medians
<b>Economy</b>					
Resident income	110.7%	112.8%	117.4%	N/A	95.7%
Full value (\$000)	\$7,568,951	\$8,105,786	\$8,986,424	\$9,977,392	\$1,315,322
Population	104,161	106,183	108,376	N/A	14,266
Full value per capita	\$72,666	\$76,338	\$82,919	N/A	\$95,408
Enrollment	16,807	17,292	17,272	16,667	1,838
Enrollment trend	-1.6%	-0.5%	-0.5%	-0.3%	-1.4%
<b>Financial performance</b>					
Operating revenue (\$000)	\$180,150	\$192,929	\$222,892	\$262,388	\$31,151
Available fund balance (\$000)	\$40,105	\$43,456	\$55,701	\$60,980	\$7,998
Net cash (\$000)	\$52,932	\$57,068	\$55,807	\$69,097	\$8,915
Available fund balance ratio	22.3%	22.5%	25.0%	23.2%	26.4%
Net cash ratio	29.4%	29.6%	25.0%	26.3%	32.5%
<b>Leverage</b>					
Debt (\$000)	\$129,381	\$129,296	\$137,851	\$123,600	\$23,604
ANPL (\$000)	\$861,090	\$750,065	\$560,734	\$532,434	\$48,858
OPEB (\$000)	\$99,944	\$89,084	\$63,394	\$54,161	\$3,281
Long-term liabilities ratio	605.3%	502.0%	341.9%	270.7%	316.8%
Implied debt service (\$000)	\$9,274	\$9,075	\$9,030	\$9,576	\$1,599
Pension tread water (\$000)	\$25,519	\$19,522	\$21,747	\$23,308	\$883
OPEB contributions (\$000)	\$1,950	\$2,266	\$2,627	\$2,904	\$148
Fixed-costs ratio	20.4%	16.0%	15.0%	13.6%	10.6%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Rio Rancho Pub S.D. 94 (Sandoval Coun.) NM's financial statements and Moody's Ratings

## Profile

Rio Rancho Public S.D. 94 is approximately 15 miles north of Albuquerque, in Sandoval County in central New Mexico. The district serves a population of 109,000 that primarily includes the City of Rio Rancho. The district operates 20 school sites and provides primary and secondary education to approximately 16,500 students.

## Detailed credit considerations

Rio Rancho Public School District 94 benefits from a diverse and growing economy that is adjacent to the [City of Albuquerque](#) (Aa3 stable) and includes the [City of Rio Rancho](#) (Aa1). Relative to peers, the district has high adjusted resident income of 117% of the US median, though full value per capita lags the A1 median at \$111,000. [Intel Corporation](#) (Baa2 stable) recently completed a \$3.5 billion expansion of its advanced semiconductor manufacturing facility, which is located in unincorporated [Sandoval County](#), (Aa3) but surrounded by the City of Rio Rancho. In July, Intel announced plans to cut 227 full-time positions at the Rio Rancho facility by September 2025, this represents less than 0.5% of the city's overall labor force of 77,194 as of June 2025. Despite the favorable assessed value growth and high adjusted resident incomes, the enrollment trend is -1.6% through fiscal 2025, as staggered school start times at the elementary school level led many parents and caregivers to seek alternative instruction through home schooling, charters schools, or adjacent public schools.

The district's available fund balance improved to \$61 million in fiscal 2024 (June 30 year-end), or a below median 23% of fiscal 2024 operating revenue. The available general fund balance improved to \$25.4 million in 2024, but reflects a narrow 11% of general fund revenue. Cash-funded capital outlay that was deferred from prior years and increase in salary accruals are expected to reduce the general fund balance to \$13.8 million at the end of 2025, or a much narrower 6% of budgeted general fund revenue. The fiscal 2026

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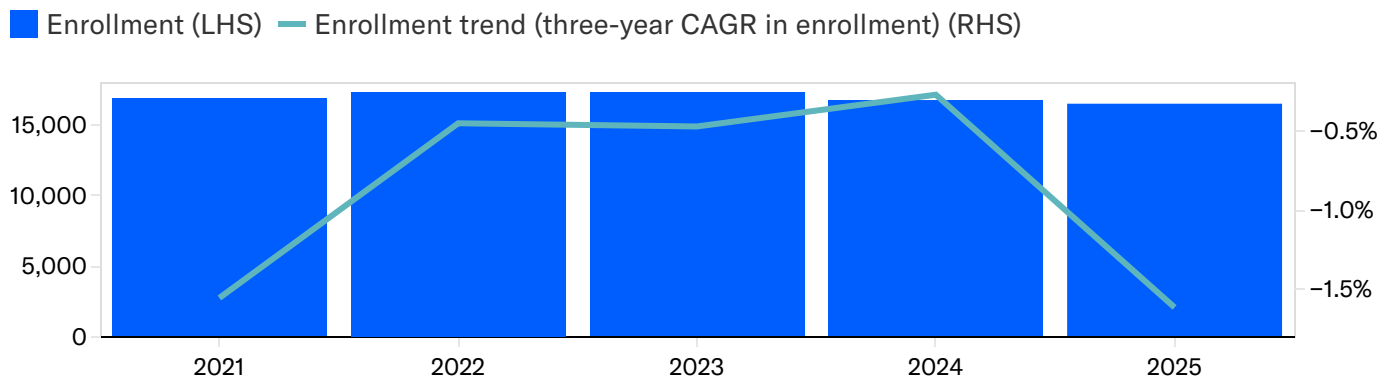
budget is balanced and management is working to reduce spending with a goal of maintaining a general fund balance of \$15 million. Fiscal 2025 audited results that are weaker than projections will be negative for the profile.

Long-term liabilities are above peers, but manageable. Following the 2025 issuance, long-term liabilities represent roughly 270% of fiscal 2024 revenue. The district anticipates issuing additional general obligation (GO) bonds over the next couple of years, but the leverage profile should remain steady given the relatively fast pace of principal amortization (83% of outstanding principal retired in five years and all debt retired in 10 years).

## Economy

Exhibit 2

### Enrollment continues to decline

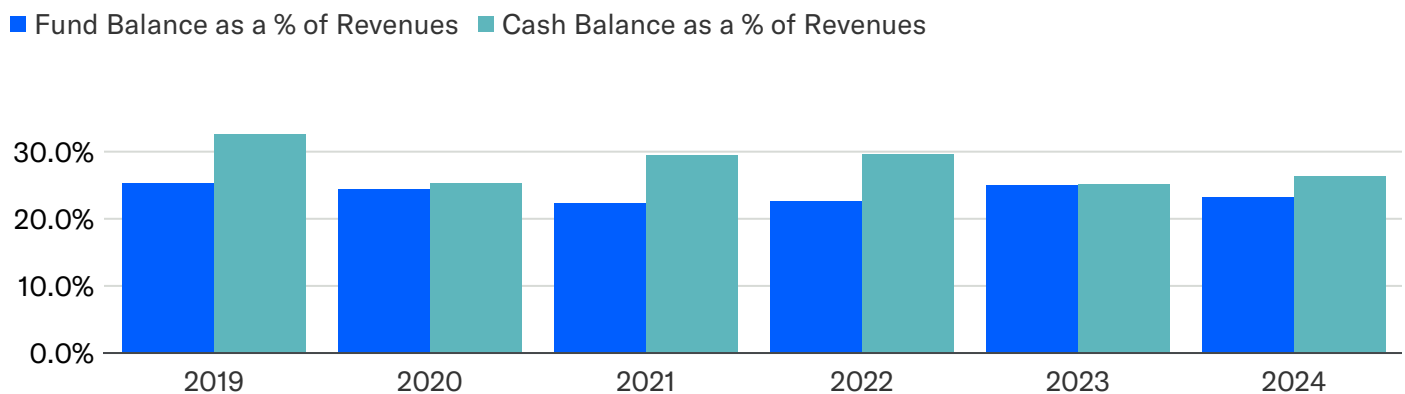


Source: Moody's Ratings

## Financial operations

Exhibit 3

### Stable fund balance to fall below 20% in 2025



Source: Moody's Ratings

## Leverage

Adjusted net pension liabilities (ANPLs) are frequently the single-largest long-term liability of New Mexico K-12 school districts, stemming from their participation in the Educational Employees Retirement Plan (EERP), a statewide cost-sharing plan. As of the retirement system's fiscal 2023 reporting, government contributions to EERP amounted to about 18.2% of payroll in aggregate, above our tread water indicator of 17.8% of payroll. Based on reporting by EERP, we expect New Mexico school districts' adjusted net pension liabilities (ANPLs) to decrease by about 7% in fiscal 2024. While results will vary across US public pension systems, we generally expect

local governments' fiscal year 2025 ANPLs to fall by around 20% based on our aggregate estimates, due to rising interest rates and above-target investment returns in 2024.

## ESG considerations

### Environmental

The local government sector generally has low exposure to environmental risks, though Rio Rancho is exposed to some climate challenges, including water stress and heat and wildfire risks.

### Social

Social considerations are material to most school district profiles, with factors such as demographics, labor force, income and education influencing the district's economy, demographic, financial and leverage trends. The local economy is growing. Resident income indices are above the median for the rating category.

### Governance

The district is governed by a five-member board of trustees who serve four-year terms. The board, subject to regulations adopted by the New Mexico Public Education Department (NMPED), develops educational policies for the district and delegates administrative and supervisory functions to the superintendent of schools.

New Mexico school districts have an Institutional Framework score <sup>1</sup> of Baa. The state controls the bulk of districts' operating funds through state aid. It is allocated by a funding formula with enrollment as the most important factor. The state has demonstrated a willingness to make substantial reductions to K-12 funding when confronted with its own budget challenges. Outside of periods of economic distress, state aid has increased only very modestly. By statute, districts cannot levy property taxes for operations, constraining their local revenue control.

## Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 4

### Rio Rancho Pub S.D. 94 (Sandoval Coun.) NM

	Measure	Weight	Score
<b>Economy</b>			
Resident Income (MHI Adjusted for RPP / US MHI)	117.4%	10.0%	Aa
Full value per capita (full valuation of the tax base / population)	111,465	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	-1.6%	10.0%	A
<b>Financial performance</b>			
Available fund balance ratio (available fund balance / operating revenue)	23.2%	20.0%	Aa
Net cash ratio (net cash / operating revenue)	26.3%	10.0%	Aaa
<b>Institutional framework</b>			
Institutional Framework	Baa	10.0%	Baa
<b>Leverage</b>			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	268.1%	20.0%	A
Fixed-costs ratio (adjusted fixed costs / operating revenue)	13.6%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
<b>Assigned Rating</b>			<b>A1</b>

The complete list of outstanding ratings assigned to the Rio Rancho Pub S.D. 94 (Sandoval Coun.) NM is available on their [issuer page](#). Details on the current ESG scores assigned to the Rio Rancho Pub S.D. 94 (Sandoval Coun.) NM are available on their [ESGView page](#).

Sources: US Census Bureau, Rio Rancho Pub S.D. 94 (Sandoval Coun.) NM's financial statements and Moody's Ratings

## Appendix

Exhibit 5

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
<b>Financial performance</b>		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
<b>Leverage</b>		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

## Endnotes

- 1 The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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