Rio Rancho Public School District No. 94, NM - Unlimited Tax Obligations (NM SD Enhancement Program)

ANALYTICAL CONTACTS

Joanne Ferrigan
Senior Director
+1 646-731-1455
joanne.ferrigan@kbra.com

Mallory Yu
Associate
+1 646-731-1380
mallory.yu@kbra.com

METHODOLOGY

[Public Finance: U.S. Local Government General Obligation Rating Methodology]

Ratings

Description	Rating Action	Rating/Outlook or Watch
Issuer: Rio Rancho Public School District No. 94, NM		
General Obligation School Bonds, Series 2026	Assigned	AA-/Stable
Outstanding General Obligation School Bonds (Parity Debt)	Assigned	AA-/Stable

Rating Summary

The long-term rating reflects the inherent strength of the Rio Rancho Public School District No. 94's (the "District's") unlimited ad valorem tax pledge; strong State support and oversight; the healthy growth in the District's assessed value, which is largely residential; and favorable area demographics, including healthy population growth and per capita income levels for the City of Rio Rancho that exceed the State averages. Counterbalancing these strengths is the District's declining enrollment and low level of general fund reserves, though a significant portion is unassigned.

Proceeds of the General Obligation (G.O.) School Bonds, Series 2026 Bonds (the "Bonds") will be used to fund renovations and upgrades to various District high schools and a middle school, acquire property to construct future schools, and pay the costs of issuance.

G.O. Bonds, including the Bonds, are a general obligation of the District, payable from ad valorem taxes that are levied against all taxable property within the boundaries of the District, without limitation as to rate or amount. Credit enhancement for the Bonds is expected to be provided under the New Mexico Credit Enhancement Program. Under this program, if a school district indicates it will be unable to make a principal and/or interest payment by the due date, the New Mexico Department of Finance and Administration (DFA) will forward funds to the paying agent, from the school district's undistributed State Equalization Guarantee (SEG) distributions for the current fiscal year. KBRA's rating is based solely on the underlying credit standing of the District, without consideration of support afforded by the New Mexico Credit Enhancement Program.

The Bonds represent the final $32.0 million of an $80 million total authorization approved by voters at a November 7, 2023 election. Further, the Bonds also represent the first series of another $80 million of bonds authorized at a November 4, 2025 election, using $3 million of this authorization. Post issuance, $77 million of the November 4, 2025 authorization will remain outstanding.

The District, a political subdivision of the State, is comprised of two early childhood centers (preschools), 11 elementary schools, four middle schools, one virtual education center, one student support center, two comprehensive high schools, and one alternative high school. Further, a career technical high school opened in August of 2026.

District enrollment has declined each year since fall 2021, to 15,896 students in fall 2025. Management has identified potential reasons for this nearly 6.0% decline over five years, including open enrollment policies in New Mexico and the addition of charter schools. However, management is developing strategies to address these challenges, including the creation of certain magnet programs and increasing focus on technical offerings. In addition, the District's pre-K program has been attracting children from Albuquerque and some of these students may continue with their education at the District.

The District is located near the center of the State of New Mexico (the State), adjacent to the City of Albuquerque and encompasses most of the City of Rio Rancho (the "City") and part of the unincorporated areas of Sandoval County. Favorably, the City's population grew at a CAGR of 1.9% between 2014 and 2024, ahead of both the County (1.4%) and the State's (0.21%). At the same time, as of June 2026, the City's unemployment rate (4.9%) was below both the County (5.0%) and the State (5.1%), but above the National average (4.4%). The City's poverty rate (6.7%) is significantly lower than the County (9.2%), State (16.4%) and Nation (12.1%).

The District's total assessed value grew at a healthy CAGR of 11.5% from 2022 through 2026, to $4.63 billion (estimated) for FY 2026. The tax base is primarily residential (74% of the total AV in FY 2026) and somewhat diversified, with the 10 largest taxpayers combined accounting for only 13.1% of total AV. However, the assessment paid by the District's largest taxpayer, Intel (9.9% of 2025 AV), has fluctuated with their issuance of Industrial Revenue Bonds (IRB). During the term of the IRB, certain Intel property becomes exempt from the District's taxable assessment.

For tax year 2025, the District's total residential tax levy is $10.591 per $1,000 of AV. This includes $0.241 for operations, $1.807 for the Two Mill Levy,[1] a capital improvements tax that is renewed every six years, and $8.543 for debt service. The non-residential rate totals $10.023 per $1,000 of AV. The State Constitution limits the total ad valorem tax levied for operations by all overlapping governmental units within the District to $20.00 per $1,000 of AV, and in tax year 2025 registers $12.642. However, this $20.00 limit does not apply to levies for public debt and levies for additional taxes if authorized by a majority of voters; therefore when combined with the overlapping debt, the total 2025 residential tax in Rio Rancho is $34.896 per $1,000 AV. At present, the District does not anticipate changing its ad valorem tax rates.

The District's financial profile is relatively sound, characterized by positive net change in the General Fund (GF) balance in three of the last five years. GF revenues grew at a CAGR of 10.1% between FY 2021 and FY 2025, while expenses saw a 10.7% CAGR over the same timeframe. The District's largest revenue source is Intergovernmental–State Grants which accounted for approximately 97% of revenues in FY 2025. Intergovernmental–State Grants refers to the funding received by school districts from the State for operating support and primarily includes the State Equalization Guarantee (SEG).

The District's unassigned fund balance is low and represents only 4.3% of expenditures in FY 2025. KBRA notes that school districts in New Mexico maintain lower fund balances, per State policy. This lower level of liquidity is counterbalanced by strong State oversight, which includes involvement in budgetary development, frequent budget reviews and required approval of fund reallocations.

As of June 30, 2025, the District had approximately $110.3 million of long-term debt outstanding. Post issuance of the Bonds, outstanding long-term debt is expected to be $96.3 million, reflecting the rapid amortization of outstanding bonds. Total indebtedness is constitutionally limited to a maximum of 6% of District taxable AV as shown by the last preceding general assessment. The District is expected to have significant headroom under this cap, as post issuance of the Bonds, the ratio of total outstanding G.O. debt to the 2026 preliminary AV will be approximately 2.1%. Overall direct and overlapping debt, inclusive of the Bonds, represents less than 1% of the estimated FY 2026 Estimated Actual Valuation, and approximately $1,634 per capita.

1 The Two Mill levy was most recently authorized in 2023 for tax years 2024 through 2029.

The District's fixed costs at FYE 2025 were approximately $58.0 million, inclusive of $27.2 million of G.O. Bond debt service, a $3.1 million required OPEB contributions and a $27.76 million pension contribution. These fixed costs represent a manageable 16.9% of total FY 2025 governmental expenditures.

The Stable Outlook reflects KBRA's expectation that the District's taxable base remains strong, supportive of financial performance at or near current levels, adequate reserves, and its fixed cost burden.

Key Credit Considerations

The rating was assigned because of the following key credit considerations:

Credit Positives

- A growing tax base and favorable economic profile.
- Strong State oversight in the budgetary process.
- Manageable debt burden, and the Bonds have a short average life and final maturity of 2038.

+

Credit Challenges

- Declining student enrollment.
- Low level of liquidity, but adequate given robust State oversight.

–

Rating Sensitivities

- Significant growth of the tax base, in conjunction with positive operating performance that leads to the maintenance of increased reserves.

+

- Sustained decline in enrollment resulting in general fund deficits and further erosion of reserves.

–

Key Ratios

Direct & Overlapping Debt Per Capita[1]	$1,634
Direct and Overlapping Debt as a % of Total Estimated Actual Value[1]	0.9%
Debt Service, Pension and OPEB Contributions as a % of Governmental Expenditures (FY 2025)	16.9%
Net Pension Liability as a % Est. Actual Valuation	1.5%
General Fund Unassigned Fund Balance as a % of Expenditures (FYE 2025)	4.3%
General Fund DCOH (2025)	48
District Population (2026 Estimate)	114,813
Total Assessed Value (2026 Estimate)	$4,630,874,427

[1] Including the 2026 Bonds

Source: Preliminary Official Statement and KBRA Calculations

Rating Determinants

Rating Determinants (RD)	
1. Management Structure and Policies	AA-
2. Debt and Additional Continuing Obligations	AA
3. Financial Performance and Liquidity Position	A+
4. Municipal Resource Base	AA

RD 1 Management Structure and Policies

Management Experience

The District is governed by an elected five-member Board of Education (BOE), with members serving four-year terms. The BOE is authorized to establish policies and regulations for its own government consistent with the law of the State of New Mexico and the regulations of the Legislative Finance Committee. There is a history of long tenure in District leadership. The current District Superintendent has more than 30 years of experience serving students, educators and communities in public education and has been with the District since March 2026. The prior Superintendent retired after serving the District for 32 years and was the District' first superintendent.

Budget Process

The budget is prepared by District management and approved by the local BOE and the Public School Budget and Planning Unit of the Department of Education. State law requires that the Public Education Department supervise and control the preparation of all budgets of all school districts.

In April or May, the superintendent submits to the BOE a proposed operating budget for the fiscal year commencing the following July. In May or June, the budget is approved by the BOE. This is followed by the school board meeting. The superintendent is able to transfer budgeted amounts between departments within any fund. However, revisions that alter the total expenditure of any fund must be approved by the school board and the State of New Mexico Department of Education.

These budgets are prepared on a cash basis and carryover funds must be reappropriated in the budget for the subsequent fiscal year. There are monthly and quarterly reviews of the budget, in addition to weekly discussions regarding open positions and associated hiring. Current collections as a percentage of the net levied are fairly constant – averaging 97.1% over the past five years.

State Equalization Guarantee Distribution

The District's primary funding source (97% in FY 2025) is State Revenues derived from the SEG distribution. Property taxes, which are due in two installments, are collected by the County Treasurer and distributed monthly to the various political subdivisions.

School districts in New Mexico receive these SEG distributions – which is the amount of money distributed to each district to ensure that a district's operating revenue, including its local and federal revenues, is at least equal to the district's program costs. A district's program costs are determined through various formulas which consider early childhood education, basic education, special education, bilingual-multicultural education, and size – each assigned a specific unit. The goal of the funding formula is to equalize educational opportunities statewide and retain local autonomy by allowing funds to be used in local school districts at the discretion of the local policy making bodies. The SEG payments are made monthly and the distribution is based on the previous year's enrollment. In addition to the SEG payments, the District is also reimbursed by the State for the costs of student transportation.

While enrollment has seen some decline, the District's units have increased leading to increased SEG funding.

Capital Improvement Plan

The District prepares a five-year capital plan which includes an in-house assessment of all schools, completing a programmatic needs assessment and establishing short and long-term enrollment projections.

RD 2 Debt and Additional Continuing Obligations

The District's overall debt and additional continuing obligations profile is favorable, with a long history of making annually required pension and OPEB contributions. The District participates in the New Mexico Educational Employees' Retirement Plan, a cost-sharing, multiple employer plan. In recent years, the employer contributions were increased. However, the Plan's fiduciary net position as a percentage of the total pension liability remains low at approximately 66% in FY 2025. The District also contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post-employment healthcare plan. At FYE 2025, this plan's fiduciary net position as a percentage of the total OPEB liability was a weak 47%.

Direct and Overlapping Debt

As of June 30, 2025, the District had approximately $110.3 million of long-term debt outstanding. Post issuance of the Bonds, outstanding long-term debt is expected to be $96.3 million, reflecting the rapid amortization of outstanding bonds. The District's debt has a short average life and all outstanding bonds, including Series 2026, will mature by 2038. Favorably, overall direct and overlapping debt, inclusive of the Bonds, represents less than 1% of the estimated FY 2026 Estimated Actual Valuation, and approximately $1,634 per capita.

The New Mexico Constitution limits total indebtedness of a school district to a maximum of 6% of taxable assessed value. The District is expected to have significant headroom under this cap, as post issuance of the Bonds, the ratio of total outstanding G.O. debt to the 2026 preliminary AV will be approximately 2.1%.

Fixed Costs

The District's fixed costs at FYE 2025 were approximately $58.04 million, inclusive of $27.23 million debt service, $3.05 million required OPEB contributions and a $27.76 million pension contribution. These fixed costs represent a manageable 16.9% of total FY 2025 governmental expenditures. In addition, the District's FY 2025 net pension liability as a percentage of FY 2026 Estimated Actual Valuation was an extremely manageable 1.5%.

RD 3 Financial Performance and Liquidity

The District's financial performance is sound. In three out of the last five years, there was a positive net change in fund balance. School districts in New Mexico may maintain a fund balance of up to 5% of expenditures as an emergency account and are required to carry-forward their remaining cash balances to the next fiscal year's budget. According to NMSA 22-8-41, a school district is unable to use their cash balance to acquire a building site or build a new structure unless they are bonded, or they can certify that the expenditure is necessary and current school operations are not disrupted. As mentioned earlier, SEG receipts, the District's primary funding source (97% in FY 2025), can be affected by enrollment. However, the District's unit factor, which is the basis for the SEG, has increased year-over-year (CAGR 10% FY 2022 through FY 2026), producing increasing receipts, despite ongoing enrollment declines.

The District has limited but adequate financial flexibility, given the robust monitoring and State oversight. The unassigned fund balance as a percentage of expenditures was low at 4.3% in 2025, but greater than the five-year average of 1.8%. In terms of General Funds liquidity, there were 48 days cash on hand available.

Figure 1

Rio Rancho Public School District No. 94 General Fund FYE June 30 (dollars in thousands)	2021	2022	2023	2024	2025
Summary Statement of Income					
REVENUES					
Property	$738	$801	$884	$973	$1,041
Intergovernmental - Federal Grants	590	957	1,825	1,362	1,183
Intergovernmental - State Grants	156,804	167,110	193,633	229,025	225,705
Contributions - Private Grants	411	131	566	388	488
Payments in Lieu of Taxes	259	263	287	-	-
Charges for Service	15	273	525	1,086	3,044
Investment and Interest Income	26	36	235	944	1,226
Miscellaneous	-	389	53	293	381
Total Revenues	**158,843**	**169,958**	**198,007**	**234,072**	**233,068**
EXPENDITURES					
Instruction	99,469	102,279	113,253	132,517	142,503
Support Services					
Students	17,310	17,753	20,758	24,370	26,057
Instruction	829	1,795	1,912	2,232	2,390
General Administration	4,313	4,727	5,261	6,262	8,007
School Administration	8,929	9,344	10,513	12,500	13,646
Central Services	8,666	10,054	11,085	12,338	13,167
Operation & Maintenance of Plant	17,935	18,323	21,129	26,149	23,969
Student Transportation	4,108	4,946	5,916	7,481	8,364
Other Support Services	30	554	26	-	-
Food Services Operations	3	-	81	78	93
Other	127				
Capital Outlay	1,800	-	223	6,780	7,198
Debt Service					
Principal Retirement	-	-	-	-	-
Bond Interest Paid	-	-	-	-	-
Total Expenditures	**163,519**	**169,776**	**190,157**	**230,706**	**245,393**
Excess (Deficiency) of Revenues Over (Under Expenditures)	(4,677)	183	7,851	3,366	(12,325)
Other Financing Sources	-	-	(0)	-	571
Net Change in Fund Balance	**(4,677)**	**183**	**7,851**	**3,366**	**(11,754)**
Beginning Fund Balance	18,724	14,048	14,231	22,082	25,447
Ending Fund Balance	14,048	14,231	22,082	25,447	13,693
Summary Balance Sheet					
ASSETS					
Cash, Cash Equivalents, and Investments	$26,933	$27,297	$22,330	$33,683	$32,050
Taxes Receivable	62	60	55	61	24
Intergovernmental Receivable	0	0	294	7	342
Interest Receivable/Other Receivables			0	0	0
Due from Other Funds/Fiduciary Funds	294	2,153	10,333	4,221	8,014
Prepaid Expenditures	0		0		
Other	183	90	59	0	0
Total Assets	**27,473**	**29,601**	**33,071**	**37,971**	**40,431**
LIABILITIES					
Accounts Payable	554	1,492	608	2,207	882
Payroll Liabilities - Held Payments	12,818	13,825	10,021	10,263	25,839
Due to Other Funds	0	0	309	0	0
Due to Other Governments	0	0	0	0	0
Total Liabilities	**13,372**	**15,317**	**10,939**	**12,470**	**26,721**
Deferred Inflows of Resources	53	53	51	54	16
FUND BALANCES					
Nonspendable	183	110	59	0	0
Assigned			0	0	0
Committed	13,855	12,011	17,004	23,536	3,156
Unassigned	10	2,110	5,018	1,912	10,538
Total Fund Balances	**14,048**	**14,231**	**22,082**	**25,447**	**13,694**
Unassigned Fund Balance as a % of Expenditures	0.0%	1.2%	2.6%	0.8%	4.3%

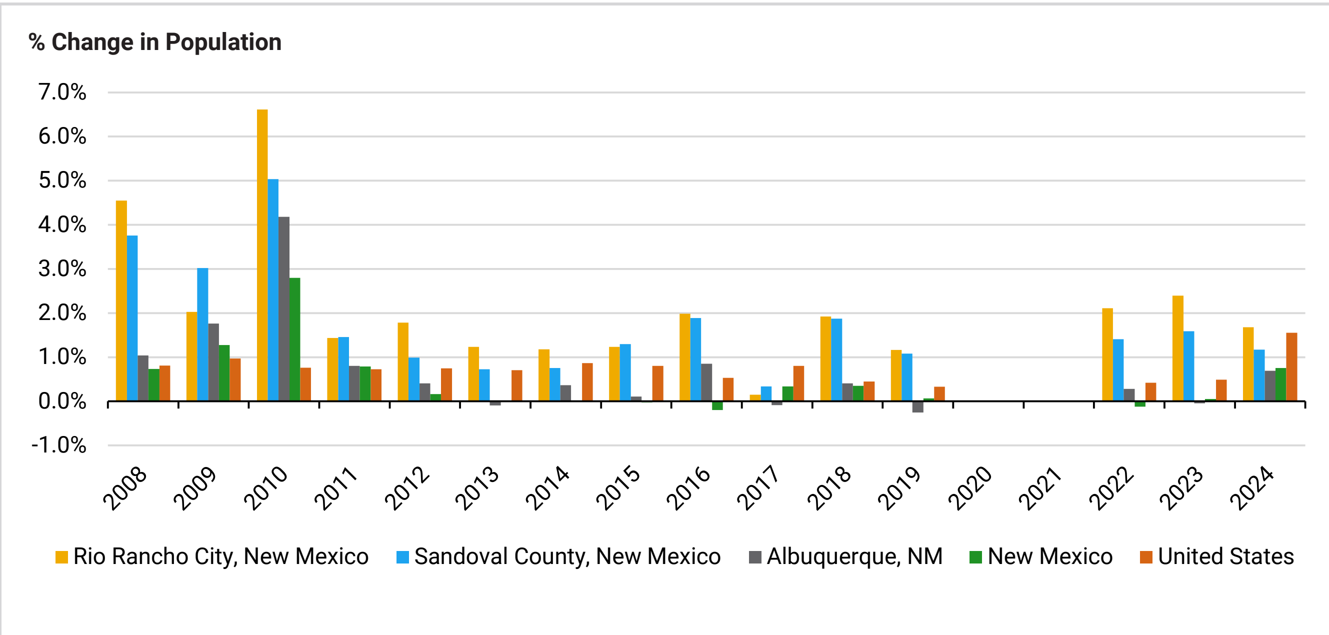
Source: Annual Comprehensive Financial Reports

RD 4 Municipal Resource Base

The Rio Rancho Public School District No. 94 incorporates most of the City of Rio Rancho (the “City”) and includes the unincorporated areas of Sandoval County. The City’s population growth has been very strong, registering a CAGR of 1.92% during the period 2014 through 2024, exceeding Sandoval County’s rate of 1.38%, and significantly surpassing the State of New Mexico which saw a CAGR rate of 0.21% during the period. At the same time, the City's 2024 per capita income was $41,800, favorably 110% above the State average. More impressive is the fact that the City's poverty rate, at 6.7%, as of 2024, is 59% below the 16.4% State average. Finally, the unemployment rate, as of June 2026, shows the City's rate at 4.9% slightly better than the 5.1% registered by the State.

The tax base has seen very strong growth. During the period 2022 through 2026, AV saw a CAGR of 11.5%. This level of growth comes on the heels of a 5.0% growth rate during the period 2017 through 2021. Favorably, residential taxpayers account for approximately 74% of the tax base. At the same time, the 10 largest taxpayers are somewhat diverse and collectively accounted for 13.1% of the total AV in 2025, with the largest single taxpayer, Intel, accounting for 9.9% of the total. In addition to being the largest taxpayer, Intel is also the largest private employer in the District.

Figure 2



	2014	2024	% Δ 2014 to 2024	10 Year CAGR (2024)
Rio Rancho City, New Mexico	93,011	112,518	21.0%	1.92%
Sandoval County, New Mexico	137,608	157,757	14.6%	1.38%
Albuquerque, NM	905,213	929,919	2.7%	0.27%
New Mexico	2,085,572	2,130,256	2.1%	0.21%
United States	318,857,056	340,110,990	6.7%	0.65%

* The Census Bureau did not release its standard 2020 ACS 1-year estimates because of the impacts of the COVID-19 pandemic.
*Source: U.S Census, ACS 1-Year Estimates**

Figure 3

Rio Rancho Public School District No. 94			
Ten Largest Taxpayers			
Name of Taxpayer	**Nature of Property**	**2025 Assessed Valuation**	**% Of District Assessed Value**
Intel Corporation	Manufacturing	$431,974,937	9.91%
Public Service Company of NM	Electric Utility	57,203,588	1.31%
Presbyterian Healthcare	Healthcare	35,730,974	0.82%
Cable One	Cable Provider	8,619,756	0.20%
LPG 7700 Inc.	Real Estate	6,643,398	0.15%
New Mexico Gas Company	Gas Utility	6,838,682	0.16%
Walmart Stores	Retail	6,397,341	0.15%
Northland Links LLC	Apartment Complex	5,520,271	0.13%
EP Country Club Drive LLC	Apartment Complex	5,505,049	0.13%
HD Development of Maryland	Real Estate/Development	5,370,492	0.12%
Top 10 Total TAV		569,804,488	13.07%
		$4,358,906,408	

Source: POS - Sandoval County Assessor's Offfice.

Figure 4

Rio Rancho Public School District No. 94	
Year	**Assessed Valuations**
2026 (Est.)	$4,630,874,427
2025	4,358,906,408
2024	4,073,382,173
2023	3,322,471,468
2022	2,992,479,159
2021	2,699,226,603
2020	2,520,460,803
2019	2,413,006,428
2018	2,314,565,227
2017	2,222,796,649
2016	2,158,037,928

Source: 2-11-2026 Continuing Disclosure - Sandoval County Assessor's Office.

Bankruptcy Risk Assessment

Bankruptcy and Legal Analysis

KBRA has consulted outside counsel on bankruptcy and legal matters and the following represents our understanding of the material bankruptcy and legal issues relevant to the District and the Bonds.

Bankruptcy Eligibility

To be a debtor under the municipal bankruptcy provisions of the U.S. Bankruptcy Code (i.e., Chapter 9), a local governmental entity must, among other things, qualify under the definition of a "municipality" in the Bankruptcy Code and be specifically authorized to file a bankruptcy petition by the state in which it is located.

The District is a political subdivision of the State of New Mexico and therefore is a "municipality" as defined under the Bankruptcy Code.

As to authorization, New Mexico does not provide the required specific authorization for its government entities to file a Chapter 9 petition. However, state law could be amended in the future to permit a filing under Chapter 9 by the District.

Treatment of Security Interests Under Chapter 9

Chapter 9 provides for post-petition recognition of (i) security interests represented by a pledge of specific special tax revenues or municipal enterprise revenues (each "special revenues"), and (ii) statutory lien on revenues pledged for municipal obligations. In contrast, the pledge of general ad valorem property taxes for general purpose obligations of a municipality, is not recognized as a security interest or lien that survives the filing of a petition under Chapter 9.

Accordingly, because (i) the funds pledged to pay the Bonds are not from a separate, dedicated source of revenues that meets the definition of "special revenues" under Chapter 9, and (ii) there is no statutory lien imposed on the pledged ad valorem tax revenues levied to pay the Bonds, if the District were to file a petition commencing a Chapter 9 proceeding, bondholders should be treated as unsecured creditors of the District.

Doc ID: 1016999