



Rating Action: Moody's assigns Aaa UND & Aa1 ENH to Edina ISD 273, MN's GO bonds

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New York, April 06, 2023 -- Moody's Investors Service has assigned a Aaa underlying rating and an Aa1 enhanced rating to Edina Independent School District 273, MN's estimated \$7 million General Obligation Capital Notes and Facilities Maintenance Bonds, Series 2023A. Moody's maintains the district's Aaa issuer rating, the Aaa rating on the outstanding general obligation unlimited tax (GOULT) bonds and the Aa1 rating on the outstanding Certificates of Participation (COPs). Following the sale, the district will have about \$183 million in GOULT bonds and \$14.7 million in COPs. The outlook is stable.

RATINGS RATIONALE

The Aaa issuer rating reflects the district's growing local economy and full value per capita in the Twin Cities metro area, very strong adjusted resident income, strong competitive position supporting relatively stable enrollment and above average leverage from debt and pensions paired with moderate fixed costs. While cash is strong, fund balance is a little low compared to peers in the rating category.

The Aaa rating assigned to the district's GOULT bonds is equivalent to the issuer rating given a pledge of the district's full faith and credit and the authority to levy a dedicated property tax unlimited as to rate and amount.

The Aa1 rating on the district's COPs is one notch below the issuer rating reflecting the contingent nature of the pledge, which is subject to annual appropriation and the more essential leased asset of a school building addition.

The enhanced rating on the current bonds reflects the additional security provided by the State of Minnesota's School District Credit Enhancement Program. The Aa1 enhanced programmatic rating is notched once from the State of Minnesota's Aaa Issuer Rating. The enhanced rating reflects sound program mechanics and the state's pledge of an unlimited appropriation from its General Fund should the district be unable to meet debt service requirements. The program mechanics include a provision for third-party notification of pending deficiency. If the school district does not transfer funds necessary to pay debt to the paying agent at least three days prior to the payment due date, the state will appropriate the payment to the paying agent directly.

RATING OUTLOOK

The outlook is stable because the tax base and economy will continue be a strength given the location in the metro area and solid resident income and population trends. Reserves will likely remain level because of the district's track record of good budget management overall.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- N/A

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Sustained declines in cash and fund balance
- Material increase in leverage
- Downgrade of the State of Minnesota's Issuer Rating (enhanced)
- Weakening of the credit enhancement program mechanics (enhanced)

LEGAL SECURITY

The general obligation unlimited tax (GOULT) bonds are supported by the district's full faith and credit pledge and the authority to levy a dedicated property tax unlimited as to rate and amount. The bonds are additionally secured by statute. The GOULT bonds are also supported by the State of Minnesota's School District Credit Enhancement Program which provides for an unlimited advance from the state's general fund should the district be unable to meet debt service requirements.

USE OF PROCEEDS

The Series 2023A proceeds will be used to finance facility maintenance projects included in the district's ten-year facility plan and to purchase capital equipment including school buses and technology devices.

PROFILE

The district is located 12 miles southwest of downtown Minneapolis (Aa1 stable) and encompasses about 8,000 acres in Hennepin County (Aaa stable). The district's population is estimated at 43,000 and its student enrollment is an estimated 8,500.

METHODOLOGY

The principal methodology used in the underlying rating was US K-12 Public School Districts Methodology published in January 2021 and available at <https://ratings.moodys.com/api/rmc-documents/70054>. The principal methodology used in the enhanced rating was State Aid Intercept Programs and Financings Methodology published in March 2022 and available at <https://ratings.moodys.com/api/rmc-documents/356903>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

REGULATORY DISCLOSURES

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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