

RatingsDirect®

Summary:

Washoe County School District, Nevada; General Obligation; School State Program

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

Washoe County School District, Nevada; General Obligation; School State Program

Credit Profile		
US\$60.0 mil GO (ltd tax) sch imp bnds ser 2023A due 06/01/2043		
Long Term Rating	AA/Stable	New
Washoe Cnty Sch Dist GO		
Long Term Rating	AA/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AA' long-term rating to Washoe County School District, Nev.'s proposed \$60 million series 2023A general obligation (GO) school improvement bonds.
- At the same time, S&P Global Ratings affirmed its 'AA' rating on the district's existing GO debt.
- The outlook is stable.

Security

The GO bonds are secured by the district's full-faith-and-credit pledge to levy sufficient ad valorem taxes to cover annual principal and interest payments. The ad valorem tax levy is subject to the state's statutory limit of \$3.64 per \$100 of assessed value (AV). The total overlapping tax rate in fiscal 2023 is \$3.66, but two cents of the state rate is exempt from the \$3.64 cap. Despite existing tax-rate limitations, we rate the district's limited-tax pledge on par with its general creditworthiness, reflecting our view of the district's willingness and ability to pay debt service. Proceeds from the series 2023A bonds will be used to finance improvements and renovations of existing school facilities as identified in the district's capital plan.

A portion of the district's GO debt (not including series 2023A) is additionally secured by a lien on a 0.54% sales and use tax imposed within Washoe County. Based on the application of our criteria, "Rating Approach To Obligations With Multiple Revenue Streams" (published Nov. 29, 2011), we ultimately rate to the strength of the district's limited-tax GO pledge, which we view as the stronger security.

The district has approximately \$1.17 billion of total GO debt outstanding, including \$582 million that is additionally secured by the sales and use tax pledge.

Credit overview

Washoe County Schools is the second largest school district in Nevada, anchored by an economic base that serves as the regional center for the northern portion of the state. The economy has continued to grow post-pandemic in terms of resident incomes, employment, and tax base growth, including a significant increase in assessed value for 2024 following a countywide revaluation. A key component of the district's credit profile has been its long-term maintenance of balanced budget performance and healthy reserves, which are supported by a robust framework of financial policies

and long-term planning. We anticipate that an improved funding environment for the district under the new pupil-centered model, including a \$98 million year-over-year increase for fiscal 2024, will support its track record of stable budget results while also providing funding to address board-identified priorities such as staffing levels, compensation, and safety. Given its large geographic footprint and aging facilities, we anticipate that the district will continue to issue debt within its existing bonding capacity. We understand that the district utilizes a dedicated property tax levy and voter-approved sales tax to manage its capital budget and finance debt, limiting general fund exposure to long-term facility needs.

The rating reflects our view of the district's:

- Participation in a relatively large regional economy with a growing tax base, slightly above-average resident incomes, and an expanding labor market with diversification into advanced manufacturing and IT, albeit with lingering exposure to gaming and tourism;
- Sustained strong available reserves, averaging 12.7% of expenditures in the past three audited fiscal years, although they are below average when compared with those of similarly rated peers;
- Strong financial management, including a robust budget development and monitoring process, long-term financial and capital planning, and formalized policies on investments, debt management, and reserves (minimum unrestricted general fund balance of 12% of expenditures); and
- Large nominal debt burden that remains affordable relative to the tax base and within the scope of existing debt service capacity.

Environment, social, and governance

We analyzed the district's environmental, social, and governance (ESG) risks relative to its economy, management, financial measures, and debt-and-liability profile. We assess that the district is exposed to certain acute and long-term physical risks including regional exposure to drought, wildfires, and extreme heat. In our view, social and governance risks are neutral within our credit analysis.

Outlook

The stable outlook reflects our expectation that the district will continue to manage its budget in a way that sustains its strong financial profile over the near term. In addition, we anticipate that the local economy will remain at least stable in the near term, supporting our view of the district's tax base, debt affordability, and financial performance.

Downside scenario

We could lower the rating if the district's financial performance deteriorates, leading to a large and sustained decrease in reserves to levels that we no longer consider in line with the rating level.

Upside scenario

All else equal, we could raise the rating if the district sustains operational surpluses for multiple years, leading to higher reserves held at what we consider very strong coupled with continued economic growth that results in wealth and income metrics similar to those of higher-rated peers.

Washoe County School District, Nevada--Key credit metrics

	Characterization	Most recent	Historical information		
			2022	2021	2020
Economic indicators					
Population			480,642	478,313	473,186
Median household EBI % of U.S.	Strong		111	110	111
Per capita EBI % of U.S.	Good		108	107	108
Market value (\$000)		83,453,083	60,963,691	57,039,609	53,957,591
Market value per capita (\$)	Extremely strong	173,628	126,838	119,252	114,030
Top 10 taxpayers % of taxable value	Very diverse	4.0	3.9	3.3	3.2
Financial indicators					
Total available reserves (\$000)			60,324	57,130	51,100
Available reserves % of operating expenditures	Strong		13.0	13.2	11.9
Total government cash % of governmental fund expenditures			58.2	68.0	65.8
Operating fund result % of expenditures			0.7	1.4	2.5
Financial Management Assessment	Strong				
Enrollment		60,956	62,353	61,673	64,037
Debt and long-term liabilities					
Overall net debt % of market value	Low	1.6	2.2	2.4	2.3
Overall net debt per capita (\$)	Moderate	2,764	2,783	2,901	2,582
Debt service % of governmental fund noncapital expenditures	Moderate		12.1	11.9	11.9
Direct debt 10-year amortization (%)	Slower than average	43	41	43	44
Required pension contribution % of governmental fund expenditures			5.9	6.1	6.2
OPEB actual contribution % of governmental fund expenditures			0.5	0.8	1.3
Minimum funding progress, largest pension plan (%)			75.6	93.5	81.2

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of August 22, 2023)

Washoe Cnty Sch Dist sch imp bnds (ltd tax) ser 2019B dtd 12/19/2019 due 10/01/2022-2049

Long Term Rating	AA/Stable	Affirmed
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Washoe Cnty Sch Dist GO

Long Term Rating	AAA/Stable	Current
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Underlying Rating for Credit Program	AA/Stable	Affirmed
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Ratings Detail (As Of August 22, 2023) (cont.)		
Washoe Cnty Sch Dist GO		
Long Term Rating	AA/Stable	Affirmed
Washoe Cnty Sch Dist GO bnds (ltd tax) rfdg bnds		
Long Term Rating	AA/Stable	Affirmed
Washoe Cnty Sch Dist GO ltd tax sch imp and rfdg bnds ser 2016A due 06/01/2036		
Long Term Rating	AA/Stable	Affirmed
Washoe Cnty Sch Dist GO (ltd tax) sch imp bnds		
Long Term Rating	AA/Stable	Affirmed
Washoe Cnty Sch Dist GO (ltd tax) sch imp bnds		
Long Term Rating	AA/Stable	Affirmed
Washoe Cnty Sch Dist GO (ltd tax) sch imp bnds ser 2020A dtd 05/07/2020 due 10/01/2022-2040 2045 2049		
Long Term Rating	AA/Stable	Affirmed
Washoe Cnty Sch Dist GO (AGM)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Washoe Cnty Sch Dist GO (BAM)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Washoe Cnty Sch Dist GO (BAM)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Washoe Cnty Sch Dist GO (BAM) (SECMKT)		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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