



Rating Action: Moody's Assigns Aa2 Underlying/Aa1 Enhanced to Hillsboro SD, OR's 2017 GOULT Bonds; Outlook Stable

Global Credit Research - 29 Nov 2017

New York, November 29, 2017 -- Issue: General Obligation Bonds, Series 2017; Rating: Aa2; Rating Type: Underlying LT; Sale Amount: \$281,305,000; Expected Sale Date: 12/12/2017; Rating Description: General Obligation;

Issue: General Obligation Bonds, Series 2017; Rating: Aa1; Rating Type: Enhanced LT; Sale Amount: \$281,305,000; Expected Sale Date: 12/12/2017; Rating Description: General Obligation;

Summary Rating Rationale

Moody's Investors Service assigned an Aa2 underlying rating to Hillsboro School District No. 1J, Oregon's General Obligation Bonds, Series 2017 in the amount of \$281.3 million. Moody's also assigned an Aa1 enhanced rating to the bonds. Moody's maintains Aa2 underlying ratings on the district's rated GOULT and full faith and credit obligations outstanding in the amounts of \$114.4 million and \$39.5 million, respectively. The outlook on the district is stable.

Rating Outlook

The stable outlook anticipates that the district will maintain a consistent, although narrow, financial position. The service area will continue to benefit from its position as a hub for tech companies, and participation in the Portland metro economy. Debt and pension liabilities are moderate and manageable, though leverage will grow in the next few years.

Factors that Could Lead to an Upgrade

Substantial and sustainable growth in reserves and liquidity

Appreciation in socioeconomic measures

Factors that Could Lead to a Downgrade

Deterioration of the district's financial position, with a regression to structural imbalance

Significant growth in fixed costs burden that materially reduces operating flexibility

Legal Security

The district's GOULT bonds are secured by its full faith, credit, and unlimited property tax pledge. Debt service for GOULT bonds in Oregon is funded by a separate property tax levy approved by voters that is secured through statute and dedicated to bondholders, a beneficial credit strength. Also, the state pledges its full faith, credit and taxing power under the Oregon School Bond Guaranty Program to guarantee debt service when due for qualified school districts' GOULT bonds. The district's non-voted obligations are secured by the district's full faith and credit pledge of all legally available resources and debt service is not subject to appropriation.

Use of Proceeds

The current offering will finance a variety of capital improvements across the district's facilities.

Obligor Profile

The district is located 18 miles west of Portland and serves approximately 135,840 residents with 20,177 students. The district serves Hillsboro, portions of North Plains and Cornelius, and unincorporated areas in Washington County.

Methodology

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the enhanced rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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