S&P Global
Ratings

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Summary:

Cajon Valley Union School District, California; General Obligation

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Summary:

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Credit Profile		
US$13.51 mil GO rfdg bnds ser 2024 dtd 06/12/2024 due 08/01/2035		
Long Term Rating	AA-/Stable	New
Cajon Vy Un Elem Sch Dist GO (AGM)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Cajon Valley Union School District GO (BAM)		
Unenhanced Rating	AA-(SPUR)/Stable	Affirmed
Cajon Vy Un Sch Dist GO		
Long Term Rating	AA-/Stable	Current

Credit Highlights

- S&P Global Ratings assigned its 'AA-' long-term rating to Cajon Valley Union School District, Calif.'s anticipated $13.51 million 2024 general obligation (GO) refunding bonds.
- At the same time, S&P Global Ratings affirmed its 'AA-' underlying rating (SPUR) on the district's GO bonds outstanding.
- The outlook is stable.

Security

Revenue from an unlimited ad valorem tax levied on taxable property within the district secures the GO refunding bonds. Proceeds from the series 2024 bonds will be used to refund certain maturities of the district's existing 2014 GO refunding bonds for interest expense savings.

Credit overview

The rating reflects our view of the district's growing tax base and consistently stable financial performance, which have allowed it to maintain very strong reserves over the past several years. The district encompasses a highly residential tax base within the San Diego region just northeast of downtown San Diego, which has seen assessed value growth of 17% in the last three years. Enrollment in the district declined at the onset of the COVID-19 pandemic but has since recovered and stabilized, although still short of pre-pandemic numbers. The district's unduplicated student count, which allows it to receive additional state funding for students who meet certain demographic requirements, is nearly 80%, which we view as a positive credit factor. The district also expects enrollment to increase steadily in the next couple of years as its transitional pre-K program expands.

The district has maintained positive operating results over the past several years; however, it is expecting its first operating deficit, of 5% of expenditures, in 2024. This operating deficit is a result of the district's spending of nearly $13 million in restricted funds, much of which are from one-time sources. We expect that moving forward the district will continue to have structurally balanced operations given its stable enrollment, on which its funding is based, and lack of plans to spend down available reserve balances.

The rating also reflects our view of the district's:

- Relatively large and growing tax base close to the San Diego city center, with incomes just below the national average on a per capita basis;
- Track record of structurally balanced operations and very strong reserves despite a one-time spending of restricted funds;
- Standard financial management policies and practices that include state-required intra-year financial updates, projections that go two fiscal years beyond the current one, and a minimum reserve requirement of 3% of expenditures for economic uncertainties; and
- Manageable debt profile, which has improved following the recent issuance of multiple refunding bonds. The district plans to approach voters for additional debt authorizations over the next couple of years, although voters have resisted approving additional debt in recent years. Pension costs are manageable but have increased over the past couple of years and make up about 11% of total governmental fund expenditures. For more information on our view of California pensions and recent trends, see our report "Pension Spotlight: California," published Oct. 17, 2023, on RatingsDirect.

Environmental, social, and governance

We view the district as exposed to elevated acute physical risk, including earthquakes, wildfire, and drought. One or more of these risks, if realized, could negatively affect local student population growth via loss of housing stock, higher housing costs, or economic damage that reduces total assessed value. However, we believe California's strong building codes substantially mitigate the environmental risk associated with seismic activity. We view governance and social factors as neutral within our credit rating analysis.

Outlook

The stable outlook reflects our view that the district's finances will remain balanced and that its reserves will be maintained at the current high levels over the next couple of years as enrollment continues to recover.

Downside scenario

We could lower the rating if district reserves were to fall significantly without a plan to correct.

Upside scenario

We could raise the rating should the district maintain its high reserve balance while its underlying economic metrics strengthen.

Cajon Valley Union School District, California--Key credit metrics					
	Characterization	**Most recent**	**Historical information**		
			2023	**2022**	**2021**
Economic indicators					
Population				168,105	167,824
Median household EBI % of U.S.	Good			106	105
Per capita EBI % of U.S.	Good			94	91
Market value ($000s)		22,492,164	21,173,351	19,609,165	18,921,022
Market value per capita ($)	Extremely strong	133,798	125,953	116,648	112,743
Top 10 taxpayers % of taxable value	Very diverse	4.8	4.8	4.4	4.4
Financial indicators					
Total available reserves ($000s)			74,790	61,378	56,447
Available reserves % of operating expenditures	Very Strong		27.7	25.9	25.3
Total government cash % of governmental fund expenditures			62.0	49.1	42.0
Operating fund result % of expenditures			15.7	4.4	8.3
Financial Management Assessment	Standard				
Enrollment		15,601	15,337	14,799	15,776
Debt and long-term liabilities					
Overall net debt % of market value	Moderate	3.4	3.7	4.0	3.5
Overall net debt per capita ($)	Moderate	4,569	4,645	4,696	3,932
Debt service % of governmental fund noncapital expenditures	Low		6.1	6.9	7.5
Direct debt 10-year amortization (%)	Fairly Rapid	73	69	58	60
Required pension contribution % of governmental fund expenditures			10.1	9.0	8.6
OPEB actual contribution % of governmental fund expenditures					
Minimum funding progress, largest pension plan (%)			101.3	106.7	94.8

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 May 29, 2024)		
Cajon Vy Un Sch Dist GO rfdg bnds		
Long Term Rating	AA-/Stable	Current

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.