MOODY'S
RATINGS

Rating Action: Moody's Ratings revises Pima County Community College District's (AZ) outlook to negative; affirms Aa2 issuer and Aa3 revenue bond ratings

17 Jun 2026

New York, June 17, 2026 -- Moody's Ratings (Moody's) has revised the outlook for Pima County Community College District, AZ (PCC) to negative from stable. Concurrently, the Aa2 issuer and Aa3 revenue bond ratings have been affirmed. Total debt was approximately $45.5 million at fiscal year-end 2025.

The revision of the outlook to negative reflects the decline in operating performance over the past three fiscal years, along with a decline in total wealth and liquidity over that time.

RATINGS RATIONALE

The affirmation of the Aa2 issuer rating reflects the college's very good brand and strategic positioning as the primary provider of low-cost two-year higher education and vocational training in the City of Tucson, Arizona's (Aa3 positive) metropolitan area. While strong enrollment growth over the past several years has driven an increase in net tuition revenue, state operating support and growth in tax revenue have been more modest and not sufficient to offset rising costs. As a result, operating margins have compressed, with a trailing three-year EBIDA margin on a Moody's adjusted basis of 2.7% through fiscal year 2025, down from 15% in the three years prior.

Total cash and investments of $150 million and unrestricted liquidity of 197 monthly days cash on hand have declined over the past two years, from $192 million and 301 days, respectively. However, the decline reflects substantial investment in the college's physical plant, with age of plant decreasing from 23 years to 13 years over the same period. Despite the decline, wealth and liquidity remain solid for the rating category. The college's leverage profile should remain manageable, however pension liabilities are sizable and will continue to limit financial flexibility.

The affirmation of the Aa3 revenue bond rating, one notch below the issuer rating, reflects the underlying credit characteristics of the college as well as the limited nature of pledged revenue.

RATING OUTLOOK

The negative outlook reflects challenges the district will face as management works to realign revenues with a growing expense base.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Notable increase in operating scale and market share, reflected in operating revenue growth and sustained increases inenrollment

- Material increase in total cash and investments that outpaces peers and provides greater coverage of debt and expenses

- Acceleration of state support or tax revenue that results in significant improvement in operating margin

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Continued EBIDA margins below 8%

- Lack of resumption of growth in total wealth and liquidity above the fiscal 2025 level of $150 million and 197 monthly days cash on hand

- Notable increase in leverage from additional debt issuance without accompanying financial reserve, tax revenue and/or operating scale growth

PROFILE

Pima County Community College District is the main provider of two-year education and vocational training across five campuses in Pima County, Arizona. The district served 17,565 full-time equivalent students in fiscal 2025 and had operating revenue of $233 million in fiscal 2025.

METHODOLOGY

The principal methodology used in these ratings was Higher Education published in July 2024 and available at https://ratings.moodys.com/rmc-documents/425580. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

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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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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