FitchRatings

RATING ACTION COMMENTARY

Fitch Affirms Pima County Community College District, AZ's IDR at 'AA+' and Rev Bonds at 'AA-'

Wed 05 Aug, 2026 - 2:39 PM ET

Fitch Ratings - Austin - 05 Aug 2026: Fitch Ratings has affirmed Pima County Community College District, AZ's (the district) Issuer Default Rating (IDR) at 'AA+' and approximately $39.7 million outstanding combined fee revenue bonds series 2019 at 'AA-.'

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING TYPE	RATING	RATING ACTION	PRIOR
Pima County Community College District (AZ)	LT IDR	AA+	Affirmed	AA+
Pima County Community College District (AZ) /Combined Fee Revenues/1 LT	LT	AA-	Affirmed	AA-

Pima County Community College District (AZ) /Issuer Default Rating/1 LT	LT	AA+	Affirmed	AA+

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VIEW ADDITIONAL RATING DETAILS

The district's 'AA+' IDR reflects 'aaa' financial resilience assessment, based on a 'High Midrange' level of budgetary flexibility. In addition, Fitch expects that the district will continue to maintain net working capital above 10% of total expenses (less depreciation and non-cash items). The rating reflects the district's mixed demographic and economic strength metrics due to an improving population trend that is now assessed at 'Midrange' and 'Midrange' demographic and economic level metrics. The also reflects 'Strongest' long-term liability burden metrics.

The 'AA-' combined fee revenue bond ratings reflect reflects a Revenue Risk assessment of 'bbb'. The assessment is supported by a narrow revenue stream reliant on discretionary educational activity, moderate expected sensitivity to cyclical stress, and slow pledged revenue growth.

The rating also incorporates a 'aaa' Resilience assessment, reflecting Fitch's expectation that coverage of stressed revenue will improve to over 10x MADS based on plausible pledged revenue growth assumptions over the near term. Fitch bases its resilience assessment on MADS coverage. The revenue bond rating is capped at the district's Long-Term IDR due to its exposure to general operating risks.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

For the IDR:

--A material increase in long-term liabilities due to additional debt and/or growth in net pension liabilities;

--A decline in net working capital to a level below 10% of total expenses (less depreciation and non-cash items), which would lower Fitch's assessment of financial resilience;

--A weakening of demographic and economic performance, including but not limited to declines in population or resident income and/or an increase in the unemployment rate as compared to the national average.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

For the Combined Fee Revenue Bonds:

--Future large declines in pledged revenue or additional leveraging resulting in debt service coverage levels under 2.5x MADS could alter Fitch's view of the and structure's resilience and the rating on the bonds;

--A downgrade in the IDR below 'AA-' due to the revenue bonds are capped at the IDR.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

For the IDR:

--A sustained improvement in local area economic fundamentals including population, unemployment, median household income, and educational attainment.

--A sustained approximately 20% decrease in long-term liabilities and carrying costs assuming current levels of personal income and governmental resources;

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

For the Combined Fee Revenue Bonds:

--A sustained increase in the revenue risks of pledged revenues.

SECURITY

The outstanding series 2019 revenue bonds are payable from a gross revenue pledge of and first lien on the district's tuition and fees, rental and contract revenues, interest earnings, and other certain operating revenues.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the IDR except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Pima County Community College District Model Implied Rating: 'AA+' (Numerical Value: 9.95)

-- Metric Profile: 'AA+' (Numerical Value: 9.95)

-- Net Additional Analytical Factor Notching: 0.0

Pima County Community College District's Model Implied Rating is 'AA+'. The associated numerical value of 9.95 is at the upper end of the 9.0 to 10.0 range for a 'AA+' rating.

KEY RATING DRIVERS

FINANCIAL PROFILE

Financial Resilience - 'aaa'

Pima County Community College District's financial resilience is driven by the combination of its 'Midrange' revenue control assessment and 'High' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

-- Revenue control assessment: Midrange

-- Expenditure control assessment: High

-- Budgetary flexibility assessment: High Midrange

-- Minimum fund balance for current financial resilience assessment: >=10.0%

-- Current year fund balance to expenditure ratio: 49.8% (2025)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2021-2025: 16.5% (2025)

Revenue Volatility - 'Weak'

Pima County Community College District's weakest historic three-year revenue performance has a negative impact on the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 11.5% decrease for the three-year period ending fiscal 2014

-- Median issuer decline: -3.6% (2025)

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Midrange'

Based on the median of 10-year annual percentage change in population, Pima County Community College District's population trend is assessed as 'Midrange'.

Population trend: 0.8% 2024 median of 10-year annual percentage change in population (41st percentile)

Unemployment, Educational Attainment and MHI Level - 'Midrange'

The overall strength of Pima County Community College District's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2025 are assessed as 'Midrange' on a composite basis, performing at the 48th percentile of Fitch's local government rating portfolio. This is due to high education attainment levels offsetting low median-issuer indexed adjusted MHI and midrange unemployment rate.

-- Unemployment rate as a percentage of national rate: 100.0% 2025 (46th percentile), relative to the national rate of 4.3%

-- Percent of population with a bachelor's degree or higher: 36.8% (2024) (68th percentile)

-- MHI as a percent of the portfolio median: 87.4% (2024) (29th percentile)

Economic Concentration and Population Size - 'Strongest'

Pima County Community College District's population in 2024 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 1,073,456 (2024) (above the 15th percentile)

-- Economic concentration: 25.2% (2025) (above the 15th percentile)

Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts, or non-recurring events that may otherwise skew the time series.

The analyst incorporated the most recent population data.

LONG-TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Strongest'

Pima County Community College District's long-term liability metrics remain broadly strong across each of the three dimensions: liabilities to personal income, liabilities to governmental revenue, and carrying costs to governmental expenditures. The long-term liability composite metric in 2025 is at the 95th percentile, indicating a low liability burden relative to the Fitch's local government rating portfolio.

-- Liabilities to personal income: 0.2% (2025) (100th percentile)

-- Liabilities to governmental revenue: 61.3% (2025) (97th percentile)

-- Carrying costs to governmental expenditures: 7.9% (2025) (91st percentile)

DEDICATED TAX AND REVENUE BOND SECURITY

The outstanding series 2019 revenue bonds are payable from a gross revenue pledge of and first lien on the district's tuition and fees, rental and contract revenues, interest earnings, and other certain operating revenues.

DEDICATED TAX AND REVENUE BOND KEY RATING DRIVERS

Revenue Risk - 'bbb'

The Revenue Risk assessment of 'bbb' reflects the narrow revenue pledge, comprised primarily of tuition and fees, which are subject to largely discretionary activity, consistent with a revenue type assessment of 'bbb'. Moderate expected revenue sensitivity to economic cycles followed by prompt recovery is consistent with an 'a' sensitivity assessment.

Fitch expects long-term growth prospects to be in line with inflation, consistent with a 'bbb' assessment, given expected modest growth in enrollment and tuition. Pledged revenue has grown steadily, driven by recovery from pandemic-era declines in headcount and contact hours, though not yet at pre-pandemic levels.

However, due to the district's enrollment history and despite some modest pledged revenue growth in recent years, Fitch believes the district's revenue risk (absent management action to increase tuition and fees) remain largely stagnant and in line with a 'bbb' revenue risk assessment. This is underpinned by Fitch' expectation for some stabilization in the long-term enrollment trend given the district's expanding technical and skill training workforce contracts with local employers in a growing local economy.

Resilience - 'aaa'

The 'aaa' Resilience assessment reflects Fitch's expectation for coverage of MADS from Fitch-stressed revenue, using the standard 15% stress for an 'bbb' Revenue Risk assessment will be sustained above 2.5 times, with coverage of 8.7 in fiscal 2025. The district's current unstressed MADS coverage is over 10x. Fitch considers these results consistent with a 'aaa' resilience assessment. The mandate to maintain the rate at which pledged revenue is charged also supports the 'aaa' assessment.

Exposure To Related Government Operations

The combined fee revenues pledged to the bonds do not meet the requirements set out in Fitch criteria for treatment as "pledged special revenue" under section 902(2) of the bankruptcy code and are not otherwise insulated from the operating risk of Pima County Community College District. Therefore, the rating of the debt is capped at the IDR.

PROFILE

Pima County, home to Tucson, Arizona's second-largest city, has over one million residents. Its diverse economy includes education, healthcare, government, technology, tourism, and manufacturing. The district operates multiple campuses countywide. The population has grown about 10% since 2010, matching national growth but trailing the state.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

U.S. Public Finance Dedicated Tax and Revenue Bond Rating Criteria (pub. 01 May 2026)

U.S. Public Finance Local Government Rating Criteria (pub. 01 May 2026) (including rating assumption sensitivity)

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Pima County Community College District (AZ)	EU Endorsed, UK Endorsed

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