S&P Global
Ratings

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Summary:

Plainview-Old Bethpage Central School District, New York; General Obligation; School State Program

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Credit Profile		
US$6.0 mil sch dist serial bnds ser 2021 dtd 06/04/2021 due 06/15/2036		
Long Term Rating	AAA/Stable	New
Plainview-Old Bethpage Cent Sch Dist sch dist serial bnds		
Long Term Rating	AAA/Stable	Affirmed
Underlying Rating for Credit Program	NR	
Plainview-Old Bethpage Cent Sch Dist sch dist serial bnds		
Long Term Rating	AAA/Stable	Affirmed

Rating Action

S&P Global Ratings has assigned its 'AAA' rating to Plainview-Old Bethpage Central School District (CSD), N.Y.'s series 2021 general obligation (GO) school district bonds. At the same time, we affirmed our 'AAA' rating on the district's GO debt outstanding. The outlook is stable.

The district's faith and credit pledge secures the GO bonds. Proceeds will be used to permanently finance $4.5 million bond anticipation notes (BANs) that were issued for districtwide capital improvements following a 2015 voter referendum.

Credit overview

The rating reflects the proactive budgeting practices that the district has sustained over the last ten years, which have resulted in consistently positive results and strong fund balances, as supported by an affluent tax base given its desirable proximity to New York City. The district has been deliberate in its use of reserves to finance capital projects, all of which have received full voter approval, and is expecting to continue its positive performance given its conservative budgeting with a forward-looking view, with additional cushion provided in the short term through the American Rescue Plan (ARP) and the sale of a building. Despite some projects in the pipeline, we view the district's fixed costs as currently manageable; however the large other postemployment benefit (OPEB) obligation could result in credit pressure in the medium term.

The GO bonds are eligible to be rated above the sovereign because we believe the district can maintain better credit characteristics than the nation in a stress scenario. The district has a predominately locally derived revenue source with 73% of general fund revenue from property taxes, indicating independent taxing authority and treasury management from the federal government.

In our opinion, the rating reflects the district's:

- Affluent local economy with access to jobs throughout the New York City metropolitan statistical area (MSA);
- Very strong finances and budgetary flexibility, coupled with our expectation budgetary performance will likely remain stable;
- Very little dependence on state or federal revenue;
- Low direct debt on a market value basis, but high on a per capita basis which is supported by voters; and
- Large OPEB liability compared with the budget, without the ability to prefund the obligations.

Environmental, social, and governance factors

The rating incorporates our view regarding health-and-safety risks posed by COVID-19. Absent COVID-19, we consider the district's social risks in line with sector standards. We have analyzed its governance and environmental risks relative to its economy, management, financial measures, and debt-and-liability profile and determined that all are in line with our view of the sector standard.

Stable Outlook

Downside scenario

We could lower the rating if the district's reserves weaken following sustained deterioration of operating performance, leading to material draws on reserves.

Credit Opinion

Affluent local economy with easy access to New York City's labor opportunities

Plainview-Old Bethpage CSD is a wealthy suburban community that includes a portion of the town of Oyster Bay in Nassau County on Long Island. Residents have convenient transportation access to employment on Long Island and throughout the New York City MSA. The largest local employer is the school district itself as well as the North Shore University Hospital, with over 500 employees each. Despite fluctuations in unemployment during the pandemic, it has since tempered to below state levels but above national levels.

The district is primarily residential, made up of suburban homes and shopping centers. New developments in the county are expected to have a positive effect on the tax base, and are expected to increase assessed values. However, it is important to note that the county's reassessment system has been somewhat volatile in recent years, which has resulted in annual fluctuations in market values, but the district's assessment remains consistent and has been largely unaffected. As a result, given the otherwise wealthy nature of the local economy and its desirable location, we do not expect any material changes to the district's wealth and income indicators. For more information on our view of the economy and the recovery, see "Economic Outlook U.S. Q2 2021: Let The Good Times Roll," published March 24, 2021, on RatingsDirect.

Advanced management team, with proactive forward-looking planning strategies

Management has a strong focus on financial planning, evidenced by a four-year forecast improvement plan it updates twice annually, which is supported by conservative assumptions regarding annual revenues and expenditures.

Management budgets conservatively, using at least three-to-five years of historical trends. It monitors budget-to-actual results and makes monthly reports to the board. Furthermore, the district is deliberate in its management and use of reserves, with formalized practices to allow for their appropriation subject to voter and board approval, with the informal goal to sustain total fund balances between 20%-25%, which it has done historically. The district uses the mandatory building survey to review facility improvements and has a formalized investment policy; it monitors investments regularly and presents holdings and returns to the school board monthly. It does not have a formal debt policy.

Conservative budgeting supports ongoing use of reserves for capital needs while maintaining strong fund balances

The district's revenues historically outpace expenditures, due to its low reliance on state aid and subsequent ability to project revenues based on local sources. Occasionally its results may fluctuate due to spending for capital projects, leading to draws on reserves, which was the case in fiscal years 2019 and 2020, despite operational savings from COVID-19-related closures in fiscal 2020. On the whole, the district aims to keep reserves between 20%-25% and has succeeded in doing so historically, replenishing what has been appropriated through conservative budgeting practices. It should be noted that the use of reserves follows a formalized process which requires voter approval, which the district has successfully garnered for various projects over the last four years; specifically, the board reviews the allocation of the district's surplus to reserves every year and affirms the annual reserve plan, whereby reserves and assigned fund balances are used to moderate and smooth local revenue growth.

Foundation aid was increased for fiscal 2022 and the district is expecting another surplus of approximately 4%, which it intends to add to its fund balance. In addition, it expects to receive approximately $5.2 million from the recently enacted ARP, which it intends to use toward learning loss and mental health support. Finally, the district is in the process of closing on the sale of a school building, which is expected to generate approximately $2.86 million in one-time revenue. Sale proceeds will be added to the district's Reserve for Tax Reduction and will be used over the next ten years to minimize increases to local revenues during periods of decreasing state aid support.

New York State aid for school districts is offered on both a foundational and a categorical expense-driven basis. Foundational aid in New York State consists of more than two-thirds of state school aid and a district's aid cannot be reduced below prior-year levels. Categorical expense-driven aid, for expenses such as transportation and building construction, is based on spending, wealth, and need factors and is therefore less affected by enrollment trends. For these reasons, we believe that changes to enrollment in the near term are unlikely to have significant effect on state aid receipts for the district. Enrollment in the district's seven school facilities is projected to remain relatively stable over the next few years.

Voter-supported debt levels consistent with ongoing capital projects

The district's overall net debt is $148.2 million, which includes $122.9 million of overlapping debt. The district does not have any privately placed or variable-rate debt. It has approximately $8.7 million in authorized and unissued debt outstanding for various capital improvements, but it has been able to capitalize on the state's SMART bond program for some of its projects. Given the history of voter support for issuing debt and its consistent track record of keeping debt levels low compared to market values, we do not anticipate the additional debt will significantly affect the current debt levels.

Well-funded pensions, with large OPEB liability and lack of ability to prefund these obligations

We do not view pension and OPEB liabilities as an immediate credit risk for the district, based on our opinion of its currently strong plan funding and limited escalating cost-trajectory risk. Significant OPEB liabilities, however, could create budgetary pressure, considering claims volatility, medical costs, and demographics are likely to lead to escalating expenditures.

As of June 30, 2020, the district participated in:

- New York Employee Retirement System: with a net pension liability of $11.6 million, 86.4% funded and a discount rate of 6.8%.
- New York Teachers' Retirement System: with a net pension asset of $10.7 million, 97.8% funded and a discount rate of 7.1%
- A defined-benefit health care plan that provides retiree health care, which is 0.0% funded with an OPEB liability of about $161.2 million.

In fiscal 2020, the district paid its full required contribution. Given state requirements limiting the ability to reserve against the OPEB liability, we believe it could be a pressure in the future.

Plainview-Old Bethpage Central School District, NY -- Key Credit Metrics

	Characterization	Most recent	Historical information		
			2020	2019	2018
Economic indicators					
Population				29,829	29,796
Median household EBI % of U.S.	Very strong			188	188
Per capita EBI % of U.S.	Very strong			184	178
Market value ($000)		5,140,004	6,015,383	5,908,155	5,440,151
Market value per capita ($)	Extremely strong	172,316	201,662	198,067	182,580
Top 10 taxpayers % of taxable value	Very diverse	13.9	9.6	9.3	9.3
Financial indicators					
Total available reserves ($000)			12,276	11,975	10,300
Available reserves % of operating expenditures	Strong		8.5	8.3	7.3
Total government cash % of governmental fund expenditures			14.6	15.4	18.8
Operating fund result % of expenditures		0.0	(1.5)	(2.9)	0.1
Financial Management Assessment	Good				
Enrollment		4,975	4,969	4,945	4,950
Debt and long-term liabilities					
Overall net debt % of market value	Low	2.9	2.7	3.0	3.1
Overall net debt per capita ($)	High	5,017	5,374	5,967	5,747
Debt service % of governmental fund noncapital expenditures	Low		3.2	3.0	3.0
Direct debt 10-year amortization (%)	Fairly Rapid	66	55	60	19
Required pension contribution % of governmental fund expenditures			4.8	5.5	5.3

Plainview-Old Bethpage Central School District, NY -- Key Credit Metrics (cont.)					
	Characterization	Most recent	Historical information		
			2020	2019	2018
OPEB actual contribution % of governmental fund expenditures			2.3	2.0	1.5
Minimum funding progress, largest pension plan (%)			81.3	111.7	120.9

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

Related Research

- Through The ESG Lens 2.0: A Deeper Dive Into U.S. Public Finance Credit Factors, April 28, 2020

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.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.