

# RatingsDirect®

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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\$49.115 mil sch dist serial bnds ser 2018 due 10/01/2035		
Long Term Rating	AAA/Stable	New
Plainview-Old Bethpage Cent Sch Dist sch dist serial bnds		
Long Term Rating	AAA/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'AAA' rating and stable outlook to Plainview-Old Bethpage Central School District, N.Y.'s series 2018 school district general obligation (GO) bonds and affirmed its 'AAA' rating, with a stable outlook, on the district's existing GO debt.

The district's full-faith-and-credit pledge secures the bonds.

Officials intend to use a portion of series 2018 bond proceeds to fund the construction and improvement of various district buildings and a portion to finance bonds outstanding permanently.

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.

The rating reflects our opinion of 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; and
- Low direct debt on a market value basis.

Economy

Plainview-Old Bethpage Central School District 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. Beachwood Country Point is constructing a 900-unit apartment

complex for 55-years-old and older residents. The district expects this to increase the property tax base but not have an effect on enrollment due to age restrictions. Oyster Bay unemployment remains below county, state, and national rates; it was 4.1% in 2017.

The district serves an estimated population of 29,857. Median household and per capita effective buying incomes are 193% and 174%, respectively, of national averages, both of which we consider very strong. Market value totaled \$5.4 billion in fiscal 2018, which we consider extremely strong at \$182,207 per capita. The 10 leading taxpayers make up an estimated 9.3% of assessed value, which is very diverse.

## **Finances**

New York State offers aid for school districts on both a foundational and categorical expense-driven basis. Foundational aid in New York State is more than two-thirds of state school aid, and the state cannot reduce a district's aid below prior-year levels. Categorical expense-driven aid, for expenses such as transportation and building construction, reflects spending, wealth, and need factors; therefore, enrollment has less of an effect on it. For these reasons, we believe changes to enrollment in the near term are unlikely to have a significant effect on state aid receipts for the district. For the 2018-2019 school year, student enrollment is 4,906. Enrollment decreased slightly overall from 2015-2019. Management projects enrollment to remain stable.

Available fund balance of \$9.8 million (which consists of assigned and unassigned general fund balance) was good, in our view, at 7.1% of general fund expenditures at fiscal year-end June 30, 2017. The district reported surplus operating results of 3.2% of expenditures in fiscal 2017. Property taxes generate 84.2% of general fund revenue while state aid accounts for only 12.7%.

The fiscal 2018 budget totaled \$152.2 million with a \$2.6 million fund-balance appropriation. Management is projecting a surplus for fiscal 2018 due to an unbudgeted \$2 million payment from Beachwood and payments in lieu of taxes totaling \$1 million above the budget from Long Island Power Authority. The \$157 million fiscal 2019 budget includes a fund-balance appropriation of \$3.25 million. Historically, the district has replenished appropriated reserves through conservative budgeting and expenditure reductions. Therefore, we expect fund balance will likely remain very strong.

## **Management**

We consider the district's financial management practices standard under our Financial Management Assessment methodology, indicating the finance department maintains adequate policies in some, but not all, key areas.

Highlights include management's strong focus on financial planning, evidenced by a four-year forecast improvement plan it updates twice annually. Management adheres to state investment guidelines and monitors investments regularly, and it presents holdings and returns to the school board monthly. Management budgets conservatively, using at least three years to five years of historical trends. Management monitors budget-to-actual results and makes monthly reports to the board.

The district manages multiple reserve policies that restrict fund balance to \$23 million, or 17% of expenditures, mainly for retirement contributions and employee benefits. Management updates its five-year capital plan every five years. It does not have a formal debt policy.

## **Debt**

Following the series 2018 issue, the district will have \$56.6 million of debt outstanding. We consider overall net debt, including overlapping debt, moderate at 3.5% of market value, or a high \$6,377 per capita. Direct debt is low, in our opinion, at 1% of market value, or \$1,896 per capita. Amortization is average, with 54% of direct debt scheduled to be retired within 10 years. Debt service carrying charges were 1.8% of total governmental-fund expenditures, excluding capital outlay, in fiscal 2017, which we consider low. Including the series 2018 bonds, we do not expect debt service to increase significantly; we believe it will likely remain manageable. Officials currently plan to issue an additional \$8.5 million of debt during the next two years for security and school building upgrades.

## **Pension and other-postemployment-benefit liabilities**

The district participates in the New York State Teachers' Retirement System and the New York State Employees' Retirement System. In fiscal 2017, the district paid its full required contribution of \$9.7 million, or 6.4% of total governmental expenditures, to pension obligations. The district also contributed \$2.7 million, or 1.8% of total governmental expenditures, to other-postemployment-benefit (OPEB) obligations in fiscal 2017. The combined pension and OPEB carrying charge totaled 8.1% of total governmental-fund expenditures in fiscal 2017.

## **Outlook**

The stable outlook reflects S&P Global Ratings' opinion the district will likely maintain current reserves due to its record of positive operations and conservative budgeting. It also reflects the district's very strong property wealth and income with access to the deep and diverse New York City MSA. Therefore, we do not expect to change the rating within the next two years.

## **Downside scenario**

While unlikely, a significant drawdown of reserves and deterioration in operating performance could cause us to lower the rating.

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