MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aaa to Concord-Carlisle RSD, MA's $30M GO bonds; outlook stable

Global Credit Research - 27 Feb 2015

Assigns MIG 1 to $2M BANs

CONCORD-CARLISLE REGIONAL SCHOOL DISTRICT, MA
Public K-12 School Districts
MA

Moody's Rating

ISSUE		RATING
General Obligation School Bonds, Unlimited Tax		Aaa
Sale Amount	$30,000,000	
Expected Sale Date	03/04/15	
Rating Description	General Obligation	
General Obligation Bond Anticipation Notes		MIG 1
Sale Amount	$2,000,000	
Expected Sale Date	03/04/15	
Rating Description	Note: Bond Anticipation	

Moody's Outlook STA

NEW YORK, February 27, 2015 --Moody's Investors Service has assigned a Aaa rating and stable outlook to the Concord-Carlisle Regional School District's (MA) $30 million General Obligation School Bonds and a MIG 1 rating to $2 million General Obligation Bond Anticipation Notes. Concurrently, Moody's has affirmed the Aaa and MIG 1 rating and maintained the stable outlook on $32.2 million of outstanding parity debt.

SUMMARY RATING RATIONALE

The MIG 1 rating reflects the district's strong long-term credit characteristics, sufficient liquidity and history of market access.

The Aaa rating and stable outlook incorporates the district's sizeable and affluent tax base, member towns that have shown strong support for the district's operating and capital needs, a stable financial position, and manageable debt profile.

OUTLOOK

The stable outlook reflects our expectation that the district will maintain a healthy financial position bolstered by the additional operating flexibility provided by the history of support by its member towns through debt exclusions and operating overrides to Proposition 2 ½. The outlook also incorporates the sizeable and affluent tax base of the district.

WHAT COULD MAKE THE RATING GO DOWN

- Trend of operating deficits resulting in a material decline in reserves

- Severe decline in tax base or wealth levels

STRENGTHS

- Above average wealth levels

- Manageable debt burden

- History of stable financial operations

CHALLENGES

- Narrow unassigned reserves, as mandated by Massachusetts statute

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

REVENUE GENERATING BASE: MEMBER TOWNS PROVIDE SOUND CREDIT QUALITY

The district, which consists of a regional high school with 2014 enrollment of 1,255 students, is primarily funded by member town assessments for operations and debt service. Assessments are levied in proportion to the number of students attending the district and paid to the district monthly. The towns' apportionment of all costs to the district for fiscal 2015 were about 73% for Concord (Aaa stable) and 27% for Carlisle (Aa1). Each member town may legally withdraw from the district, but if it does, the departing town remains liable for its share of outstanding indebtedness.

Located approximately 17 miles northwest of the City of Boston (Aaa stable), both towns are primarily residential. Over the last six years, the combined tax base of these communities has contracted at an average annual rate of 1.3%, reducing combined full value to $6.8 billion in fiscal 2015. Combined assessed value experienced a 0.1% increase since 2010. The district's income indices are very strong and continue to increase; representing 2 times the commonwealth and 2.5 times the national medians. The equalized value per capita of $301,139 remains well above average due to the continued strength of the housing stock.

FINANCIAL OPERATIONS AND POSITION

The district continues to maintain a sound financial position, limited by statutory restrictions. State law only allows school districts to maintain a maximum unassigned General Fund balance equal to 5% of the subsequent year's operating and capital appropriations. Total General Fund balance has averaged approximately $3.6 million (a solid 13.4% of revenues) from fiscal 2010 through 2013, reflecting a trend of conservative budgeting practices. Over the same time period, unassigned General Fund balance has remained stable, averaging $1.2 million (a satisfactory 4.4% of revenues).

Fiscal 2013 audited results indicate revenues over expenditures of $17,203 due to positive variances in both revenues and expenditures. However, after BAN payments of $250,000 related to financing the high school feasibility study, the district ended the year with a slight deficit of $194,000. The deficit reduced the available fund balance to $4.5 million (16.2% of revenues) while a reduction in year-end encumbrances helped to increase unassigned fund balance to $1.3 million (4.8% of revenues).

The fiscal 2014 total budget increased by 8.3%, due primarily to a jump in debt service costs after a new debt issuance. Debt service increased to approximately $2.4 million from $640,000 the prior year. Management reports that the year ended with a small operating surplus and unassigned fund balance in excess of 4% of revenues.

The fiscal 2015 total budget increased 4.1% again related to debt service costs and employee benefits and included a $600,000 appropriation of fund balance. Management projects ending the year close to budget with unassigned fund balance again in excess of 4% of revenues.

The district derives a majority of revenues from town assessments (78% of 2013 revenues) while state aid comprises 22% of revenues. In addition, the district has strong support from both member towns, reflected in a history of passing debt exclusions and budget overrides of Proposition 2 1/2. This strong support provides additional operating flexibility which is a key credit strength.

Liquidity

The district ended fiscal 2013 with a strong cash position of $5.8 million or 20.9% of revenues.

DEBT AND OTHER LIABILITIES

The district's debt position will remain favorable despite the recent borrowings for a high school project. The district's direct debt is a modest 0.9% of equalized value up from 0.1% in 2012 after issuing over $32.5 million in bonds in 2013 and including the $30 million current issuance. The debt amortization is below average with 44% of principal retired within 10 years, but representative of the long useful life of the facility. Both member towns have voted to exempt the debt service from the limitations of Proposition 2 ½. The district has minimal future debt plans.

Debt Structure

All the district's debt is fixed rate.

Debt-Related Derivatives

The district has no exposure to derivatives.

Pensions and OPEB

The district participates in two retirement plans; teachers are covered by the Massachusetts Teachers Retirement System which is funded by contributions from the commonwealth, the district does not contribute. For a small amount of non-teaching employees, the district participates in the Town of Concord Retirement System. The district contributed its full ARC payment in 2013 of $473,533 which represented a low 1.7% of expenditures. The Moody's adjusted net pension liability is below average.

MANAGEMENT AND GOVERNANCE

Massachusetts school districts are assigned an institutional framework rating of "A" or moderate. The primary revenue source for school districts are member town assessments derived from property taxes which are highly predictable and can be increased annually as allowed under the Proposition 2 ½ levy limit. The school district budget process requires approval of each member town, which adds an additional hurdle to passage as compared to cities and towns. Additionally, expenditures are predictable and can be cut in response to a decline revenue, despite the presence of collective bargaining units.

KEY STATISTICS

- Full Value: $6.8 billion

- Full value per capita: $301,139

- Median family income as % of US: 250%

- Available fund balance as a % of revenues: 16.3%

- 5-year dollar change in available fund balance as a % of revenues: 12.7%

- Cash balance as a % of revenue: 20.9%

- 5-year dollar change in cash as a % of revenues: 10.1%

- Institutional Framework: A

- Operating History: 5-year average of operating revenues/operating expenditures: 1.02x

- Net direct debt/full value: 0.95%

- Net direct debt/operating revenues: 2.33x

OBLIGOR PROFILE

Concord-Carlisle Regional School District operates a high school for students from the towns of Concord and Carlisle, located approximately 17 miles northwest of Boston.

LEGAL SECURITY

The notes are general obligations of the district, although debt service for the notes are expected to be paid from assessments to the member towns of Concord and Carlisle. Both member towns have voted to exempt the debt service from the limitations of Proposition 2 ½..

USE OF PROCEEDS

The bond proceeds will redeem $30 million bond anticipation notes maturing on April 15, 2015 originally issued for the high school project. Proceeds of the bond anticipation notes also will be used for the high school project.

PRINCIPAL METHODOLOGY

The principal methodology used in the short-term rating was US Bond Anticipation Notes published in April 2014. The principal methodology used in the long-term rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

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