

CREDIT OPINION

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New Issue

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Roslyn Union Free School District, NY

New Issue - Moody's Assigns Aa1 to Roslyn UFSD, NY's 2016 GO Bonds

Summary Rating Rationale

Moody's Investors Service has assigned a Aa1 rating to Roslyn Union Free School District, NY's \$24.5 million School District Serial Bonds- 2016. Concurrently, Moody's has affirmed the Aa1 rating on the district's \$9.3 million of outstanding general obligation debt.

The Aa1 rating incorporates the district's sizeable and wealthy tax base, strong financial position marked by healthy reserves and liquidity, and low debt burden.

Credit Strengths

- » Sizeable and diverse tax base
- » Above-average resident wealth levels
- » Ample reserves and liquidity

Credit Challenges

- » Elevated overlapping debt

Rating Outlook

Outlooks are not usually assigned to local government credits with this amount of debt outstanding.

Factors That Could Lead to an Upgrade

- » Continued trend of structurally balanced operations
- » Significant growth to the tax base

Factors That Could Lead to a Downgrade

- » Material declines in reserves
- » Deterioration of the tax base and wealth indicators
- » Sustained operating imbalance

Key Indicators

Exhibit 1

Roslyn Union Free School District, NY	2011	2012	2013	2014	2015
Economy/Tax Base					
Total Full Value (\$000)	\$ 4,852,313	\$ 4,792,818	\$ 4,477,500	\$ 4,323,132	\$ 4,365,630
Full Value Per Capita	\$ 286,323	\$ 281,038	\$ 255,769	\$ 241,327	\$ 243,699
Median Family Income (% of US Median)	243.6%	248.0%	233.9%	234.6%	234.6%
Finances					
Operating Revenue (\$000)	\$ 94,072	\$ 99,091	\$ 98,151	\$ 102,379	\$ 102,201
Fund Balance as a % of Revenues	24.1%	21.3%	27.4%	25.8%	25.1%
Cash Balance as a % of Revenues	38.6%	37.3%	41.4%	44.5%	40.7%
Debt/Pensions					
Net Direct Debt (\$000)	\$ 23,178	\$ 21,277	\$ 19,112	\$ 17,193	\$ 19,983
Net Direct Debt / Operating Revenues (x)	0.2x	0.2x	0.2x	0.2x	0.2x
Net Direct Debt / Full Value (%)	0.5%	0.4%	0.4%	0.4%	0.5%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	1.0x	1.6x	1.5x	1.6x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	2.0%	3.4%	3.6%	3.7%

Fiscal 2016 total full value is \$ 4,622,329 (in thousands).

Source: Moody's Investors Service

Recent Developments

The district's fiscal 2017 budget was approved by over 70% of voters in May 2016. Further details regarding estimates for fiscal 2016 and the fiscal 2017 budget are incorporated in the Financial Operations and Reserves section of the Detailed Rating Considerations.

Detailed Rating Considerations:

Economy and Tax Base: Large and Wealthy Tax Base Located on Long Island

Located in the Towns of Oyster Bay and North Hempstead (Aa1 positive), the district is highly developed and experiencing some recent commercial growth. The large \$4.6 billion tax base declined by a compound annual rate of 1% for the five years ending in 2016, though 2016 saw a large 5.9% growth in tax base. Despite the declines, the tax base has remained sizeable, and the 2016 full value per capita remains high at \$258,029, reflecting the high real estate values in the region. The district continues to benefit from its location 20 miles east of New York City (Aa2 stable) with easy accessibility to nearby employment centers throughout the area.

Resident wealth levels are above-average with the median family income at \$153,509 or 234.6% of the US median, according to the 2014 American Community Survey. The June 2016 unemployment rate for Nassau County (A2 stable) of 3.6% is lower than the state (4.5%) and national (5.1%) rates for the same period.

Financial Operations and Reserves: Healthy Reserves and Cash Levels

The district's financial position will remain solid given its record of strong management, as evidenced by strong reserve levels across its operating funds (General Fund and Debt Service Fund). Fiscal 2015 ended with an operating surplus of \$1.2 million, bringing the available operating reserves to \$25.7 million, or 25.1% of operating reserves. The operating surplus was mainly attributable to conservative budgeting and expenditure controls. Over the next five years, the district plans to use \$9.6 million in the Debt Service Fund to pay off its remaining outstanding debt obligations and to continue to maintain level debt service payments; significant declines in reserves could in the future result in negative rating pressure.

Property taxes are the main source of operating revenues at 92.9%, which the district is guaranteed full collection by Nassau County. State aid is the second largest source of operating revenue at 4.2%.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

The fiscal 2016 budget included a tax levy of 1% and \$500,000 appropriation which the district expects to replenishes. Management projects a \$5 million surplus of which a portion will be placed in the Capital Fund, which has offset the cost of borrowing for planned capital costs. The approved fiscal 2017 budget increased by 1.2% as compared to the fiscal 2016 budget.

LIQUIDITY

Cash and investments totaled \$41.6 million or a strong 40.7% of operating revenues in 2015, down from \$44.6 million or 44.5%.

Debt and Pensions: Manageable Debt Burden Likely to Remain Stable

The district's direct debt burden of .8% of full value will remain stable in the near term given limited plans for additional issuance. Overall debt burden is significantly higher at 3.8% when accounting for the district's share of overlapping county and town obligations. Debt service for the district comprised of a low 3.3% of fiscal 2015 operating expenditures. Total fixed costs, including debt service, pensions, and OPEB, accounts for approximately \$17.1 million, or 16.74% of operating expenditures.

DEBT STRUCTURE

All of the district's debt is fixed rate. Amortization of principal is rapid, with 73.9% retired within ten years.

DEBT-RELATED DERIVATIVES

Roslyn Union Free School District has no derivatives.

PENSIONS AND OPEB

The district's pension liability will remain manageable as the district has historically made its required annual required contribution (ARC), which was \$9.5 million in fiscal 2015, representing 9.3% of total expenditures. The district participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS), two multi-employer, defined benefit retirement plans sponsored by the [State of New York](#) (Aa1 stable).

The district's combined adjusted net pension liability for 2015, under Moody's methodology for adjusting reported pension data, was \$132.2 million, or an average 1.3 times total operating revenues. The adjustments are not intended to replace the district's reported liability information, but to improve comparability with other rated entities. We determined the district's share of liability for the state-run plans in proportion to its contributions to the plans.

The district funds its OPEB obligation on a pay-go basis, contributing \$4.2 million in fiscal 2015. As of July 1, 2014 the most recent actuarial valuation date, the district had an unfunded actuarial accrued liability (UAAL) of \$150.9 million.

Management and Governance

Conservative budgetary management will continue to support healthy financial operations of the district. District management plans to stay within the tax levy cap and has implemented a number of expenditure controls including hiring an internal auditor to balance the budget. The district's ability to maintain structurally balanced operations and healthy reserves will be a key determinant in future rating reviews.

New York school districts have an institutional framework score of "A," or moderate. Revenues, are moderately predictable and primarily consist of property taxes and state aid. Full collection of property tax revenues is guaranteed by counties and towns. Districts have a moderate ability to raise revenues as the state limits the annual growth in the property tax levy to the lower of 2% or the rate of inflation. Districts can exceed the cap with 60% voter approval. Expenditures, which primarily consist of personnel costs, are moderately predictable. Strong collective bargaining groups and the Triborough Amendment result in a low ability to reduce costs. The majority of districts receive state building aid reimbursements for approved capital spending which can be used to help offset debt costs.

Legal Security

The bonds are secured by the district's general obligation unlimited ad valorem tax pledge.

Use of Proceeds

Proceeds from the School District Serial Bonds - 2016 will redeem the district's \$5 million of outstanding bond anticipation notes maturing on September 23, 2016 and provide \$19.6 million of new money for various district-wide improvements.

Obligor Profile

Roslyn Union Free School District provides K-12 education to approximately 3,190 students within the towns of Oyster Bay and North Hempstead. The district is located on the north shore of Long Island and has an estimated population of 17,914.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Ratings Methodologies page on www.moody.com for a copy of this methodology.

Ratings

Exhibit 2

Roslyn Union Free School District, NY

<u>Issue</u>	<u>Rating</u>
General Obligation School District Serial Bonds - 2016	Aa1
Rating Type	Underlying LT
Sale Amount	\$24,505,000
Expected Sale Date	09/14/2016
Rating Description	General Obligation

Source: Moody's Investors Service

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