

RatingsDirect®

Summary:

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

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Credit Profile

US\$17.0 mil BANs ser 2016 dtd 10/05/2016 due 10/05/2017

<i>Short Term Rating</i>	SP-1+	New
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Plainview-Old Bethpage Cent Sch Dist sch dist serial bnds

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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<i>Underlying Rating for Credit Program</i>	AAA/Stable	Affirmed
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Rationale

S&P Global Ratings assigned its 'SP-1+' short-term rating to Plainview-Old Bethpage Central School District, N.Y.'s series 2016 bond anticipation notes (BANs). We also affirmed our 'AAA' rating on the district's existing GO debt. The outlook on all ratings is stable.

The short-term rating reflects our criteria for evaluating and rating BANs. In our view, Plainview-Old Bethpage Central School District maintains a very strong capacity to pay principal and interest when the notes come due. The district maintains what we view as a low market risk profile because it has strong legal authority to issue long-term debt to take out the notes and is a frequent issuer that regularly provides ongoing disclosure to market participants.

The district's full-faith-and-credit pledge secures the bonds. Officials intend to use series 2016 BAN proceeds for the cost of construction and improvements of various district buildings.

We rate Plainview-Old Bethpage Central School District higher than the sovereign because we believe the district can maintain better credit characteristics than the U.S. in a stress scenario based on its predominantly locally derived revenue base and our view that pledged revenue supporting debt service on the bonds is at limited risk of negative sovereign intervention. In 2015, local property taxes generated approximately 77% of revenue, demonstrating a lack of dependence on central government revenue.

The rating reflects our opinion of the district's general creditworthiness, including its:

- Affluent local economy with access to jobs throughout the New York City metropolitan statistical area (MSA);
- Very strong financial position and budgetary flexibility and our expectation that budgetary performance will remain stable;
- Very little dependence on state or federal revenues;; and
- Low direct debt burden on market value basis.

Economy

Plainview-Old Bethpage Central School District is a wealthy suburban community comprising 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. Oyster Bay's unemployment remains below county, state, and national rates; it was 4.3% in 2015 and 4% as of July 2016.

Plainview-Old Bethpage Cent School District serves an estimated population of 29,453. The median household effective buying income in the district is 194% of the national average, and the per capita effective buying income in the district is 170% of the national average, both of which we consider very strong. Market value totaled \$4.8 billion in 2017, which we consider extremely strong at \$162,410 per capita. Assessed value declined by a total of -8.1% since 2014 to \$14.7 million in 2016, the most recent year available. The tax base is very diverse, in our view, with the 10 largest taxpayers accounting for approximately 10.1% of assessed value.

In 2017, enrollment came in at 4,867 students. Enrollment decreased slightly overall from 2013 to 2017. New York State offers state aid for school districts on both a foundational and categorical expense-driven basis. Foundational aid in New York State accounts for more than two-thirds of state school aid; we recognize the state cannot reduce the district's aid below prior-year levels set in state statute. Categorical expense-driven aid, for expenses such as transportation and building construction, encompasses spending, wealth, and need factors; therefore, enrollment has less of an effect on this form of state aid. For these reasons, it is our opinion changes to enrollment over the next few years are unlikely to have a significant effect on state aid receipts for the district.

Finances

The district's total fund balance of \$36.8 million is very strong in our view, at 28% of general fund expenditures at fiscal year-end (Jun. 30) 2015. The district reported a deficit operating result of 0.3% of expenditures in 2015. The district depends primarily on property taxes for general fund revenue (77.7%), followed by state aid (11.3%).

The fiscal 2016 unaudited results show an operating deficit of \$3.8 million due to a voter approved transfer of \$5 million of restricted funds to the capital fund. After this transfer total fund balance equaled \$33 million or very strong in our view, at 24.4% of general fund expenditures. The fiscal 2017 budget of \$149 million includes the appropriation of \$5.5 million of fund balance.. Therefore we expect fund balance to remain at very strong levels.

Management

We consider the board's financial management practices "standard" under our financial management assessment methodology. Management highlights include its strong focus on financial planning, evidenced by a four-year forecast improvement plan that it updates twice annually. The district adheres to state investment guidelines and monitors the investments regularly with holdings and returns presented to the board monthly. Management is conservative in its budget assumptions, using at least three to five years of historical trends when creating the budget. Management monitors budget-to-actual results monthly and reports to the board monthly. The district manages multiple reserves policies to restrict fund balance equaling \$23 million or 17% of expenditures mainly for retirement contributions and employee benefits. The district maintains a five-year capital plan which it updates every five years. The district does not have a formal debt policy.

Debt

Overall net debt including overlapping debt of the member towns is moderate, in our opinion, as a percentage of market value at 3.8%, but high on a per capita basis at \$6,228. Direct debt of the district is very low, in our opinion, as a percentage of market value at 0.5%, and low on a per capita basis at \$815. Amortization is slower than average, with

41% of the district's direct debt scheduled to be retired within 10 years. Debt service carrying charges were 1.9% of total governmental fund expenditures excluding capital outlay in fiscal 2015, which we consider low. The district does not have additional debt plans at this time.

Pension and other postemployment benefit liabilities

Plainview-Old Bethpage Central School District participates in both the New York State Teachers' Retirement System and the New York State Employees' Retirement System. In fiscal 2015, the district paid its full required contribution of \$13.3 million, or 9.5% of total governmental expenditures, toward its pension obligations. In fiscal 2015, the district also paid \$1.9 million, or 1.4% of total governmental expenditures, toward its other postemployment benefit (OPEB) obligations. Combined pension and OPEB carrying charges totaled 10.9% of total governmental fund expenditures in 2015.

Outlook

The stable outlook reflects our expectation that the district will maintain current reserves given its track record of positive operations and conservative budgeting practices. It also reflects the district's very strong property wealth and incomes with access to the deep and diverse New York City MSA.

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

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