

RatingsDirect®

Summary:

Caddo Parish Parishwide School District, Louisiana; General Obligation

Primary Credit Analyst:

Alex Louie, Englewood + 1 (303) 721 4559; alex.louie@spglobal.com

Secondary Contact:

Lauren Levy, Englewood + 1303 721 4956; lauren.levy@spglobal.com

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Summary:

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Credit Profile		
US\$8.5 mil GO sch bnds ser 2024 due 03/01/2043		
Long Term Rating	A+ / Stable	New
Caddo Parish Parishwide Sch Dist GO		
Long Term Rating	A+ / Stable	Affirmed
Caddo Parish Parishwide Sch Dist GO sch rfdg bnds		
Unenhanced Rating	A+(SPUR) / Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'A+' long-term rating to Caddo Parish Parishwide School District, La.'s approximately \$8.5 million series 2024 general obligation (GO) bonds.
- At the same time, we affirmed our 'A+' long-term rating and underlying rating (SPUR) on the district's existing GO bonds.
- The outlook is stable.

Security

The bonds are secured by an ad valorem tax levied on all eligible property within the district.

Officials will use the bond proceeds for capital improvement projects which include improving and acquiring lands for building sites and school buildings.

Credit overview

Caddo Parish Parishwide School District, located in northwestern Louisiana, continues to experience a more-than-10-year trend of declining enrollment and shrinking population. Nevertheless, the district has reported increasing surpluses over the past three fiscal years, after an extended period of reserve declines. These recent surpluses have allowed it to restore its available reserves to a level that we consider very strong, helping to somewhat offset the enrollment and population decline. Officials attributed these recent surpluses to increased revenues from sales taxes, oil and gas royalties, expenditure savings from personnel vacancies, as well as some federal stimulus funding. The district has \$31 million in authorized but unissued debt and plans on gradually issuing these bonds over the next four to five years.

Despite some concentration in natural gas extraction and gaming, given that the parish contains Shreveport and is nearby Bossier City, it is a regional hub for northwest Louisiana, and the nearby Barksdale Air Force Base provides steady employment and federal investment to the area. Although the district's population is declining, we have not seen a decline in property tax values.

However, enrollment decline will continue to shrink the district's largest operating revenue source--state aid. The district anticipates at least balanced operations in the near term, and officials intend to address potential state-aid decreases and impending population and enrollment loss by closing additional schools, consolidating buildings and other resources, and reducing personnel expenditures through attrition. That being said, the district still maintains very strong reserve levels. The stability of the rating will depend on the district's ability to maintain balanced budgetary performance and rightsize the district in light of continued deterioration of the outflow of residents and students from the district.

The 'A+' rating reflects our opinion of the district's:

- Local economy anchored by the Shreveport metropolitan statistical area, with income levels that are below national averages;
- Continued decline in population and enrollment, which has led to losses in state revenue;
- Significant boost in available reserves, stemming from large surpluses in fiscal years 2020 through 2023 (year-end June 30); and material one-time cash influx from federal stimulus funds that provide flexibility and cushion for the operating budget;
- Efforts to rightsize the district and optimize the cost structure to offset continued population and enrollment decline;
- High pension costs as a percent of the district's budget, combined with low overall net debt that we expect will remain steady, with rapid amortization; and
- Standard financial practices and policies under our Financial Management Assessment methodology.

Environmental, social, and governance

We assessed the school district's environmental, social, and governance (ESG) factors relative to its economy, management, financial measures, and debt and liability profile and view governmental factors as neutral in our credit rating analysis. However, we view the social factors as moderately negative based on continuing decline in parishwide population trends, which affect the similarly declining enrollment and state funding stability for the overall operating budget. While the district's demographic study indicates enrollment will stabilize with anticipated residential development, we believe that the social capital risk will persist with a declining parishwide population trend because of fewer higher-paying jobs, which could affect the district's local revenues in the long term. We consider the parish's physical risk factors to be moderately negative due to its proximity to the Red River and a recent history of flooding, and the consistent threat of future floods.

Outlook

The stable outlook reflects our opinion that the district's level of reserves, with the past three years ending with reserves above \$100 million, is adequate to withstand any potential volatility in short-term revenue, increased expenditures, or other possible headwinds and therefore support the district's finances. We also believe management's efforts to rightsize the district over the next few years will help further mitigate continued enrollment and population decline.

Downside scenario

We could consider a negative rating action if the district does not maintain balanced operations or mitigate population and enrollment decline, leading to a material decline in reserves.

Upside scenario

We could consider a positive rating action if the district sustains a trend of surplus operations leading reserves to improve to levels in line with those of higher-rated peers, and if the parish's trend of population and enrollment decline reverses.

Caddo Parish Parishwide School District, La.--Key credit metrics					
	Characterization	Most recent	Historical information		
			2022	2021	2020
Economic indicators					
Population			234,277	236,156	238,954
Median household EBI % of U.S.	Adequate		68.0	65.0	61.0
Per capita EBI % of U.S.	Adequate		78.0	73.0	71.0
Market value (\$000)		17,600,573	16,923,527	16,738,009	16,576,400
Market value per capita (\$)	Strong	75,127	72,237	70,877	69,371
Top 10 taxpayers % of taxable value	Diverse	17.7	18.5	17.0	14.3
Financial indicators					
Total available reserves (\$000)			110,642	65,429	35,403
Available reserves % of operating expenditures	Very strong		29.4	16.9	9.3
Total government cash % of governmental fund expenditures			21.3	14.4	33.6
Operating fund result % of expenditures			12.0	7.7	3.1
Financial Management Assessment	Standard				
Enrollment		33,614	34,574	36,136	37,472
Debt and long-term liabilities					
Overall net debt % of market value	Low	1.4	1.4	1.5	1.7
Overall net debt per capita (\$)	Low	1,058	1,044	1,067	1,207
Debt service % of governmental fund noncapital expenditures	Low		2.0	2.4	2.4
Direct debt 10-year amortization (%)	Rapid	74.7	79.4	80.3	79.3
Required pension contribution % of governmental fund expenditures			10.6	11.5	12.1
OPEB actual contribution % of governmental fund expenditures			6.8	7.3	7.7
Minimum funding progress, largest pension plan (%)			127.8	134.8	101.9

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

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of December 5, 2023)		
Caddo Parish Parishwide Sch Dist GO (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Caddo Parish Parishwide Sch Dist GO (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Caddo Parish Parishwide Sch Dist GO (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Caddo Parish Parishwide Sch Dist GO (BAM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Caddo Parish Parishwide Sch Dist GO (BAM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Caddo Parish Parishwide Sch Dist GO (BAM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Caddo Parish Parishwide Sch Dist GO (BAM) (SECMKT)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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