

RatingsDirect®

Summary:

Central Community School System, Louisiana; General Obligation

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Summary:

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Credit Profile

US\$13.1 mil go sch bnds ser 2014 due 03/01/2034

Long Term Rating

A+/Stable

New

Central Community Sch Sys GO

Long Term Rating

A+/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'A+' rating and stable outlook to Central Community School System, La.'s general obligation (GO) bonds.

In addition, Standard & Poor's has affirmed its 'A+' rating on the school district's GO debt outstanding.

The rating reflects what we view as the district's:

- Direct access to Baton Rouge, La., and good household income indicators;
- Strong community support for both the school district's creation and bond elections; and
- Very strong reserve levels following a recent property tax settlement that boosted the general fund balance levels to more than \$9.6 million, or about 29% of operations, which will provide significant budget flexibility as the district faces the operating challenges of a young and growing district.

In our opinion, a higher rating is precluded at this time due to the district's significant enrollment-driven additional capital needs.

The bonds are secured by an unlimited ad valorem tax on all taxable property in the district. We understand that school officials will use bond proceeds to make school improvements.

The 66-square-mile Central Community School System, created in December 2006, is in East Baton Rouge Parish, about 15 miles northeast of the city and state capital of Baton Rouge. The district serves an estimated 28,000 residents with five schools, which were all previously operated by the East Baton Rouge Parish School Board. The school system opened its doors with 3,000 students and started fiscal 2013 with about 4,315; it projects to add between 150-175 students annually in the next few years. Projections are based on a recent demographic study and development plans to add 1,000 new single-family homes in the next four years. The district's direct participation in the deep and diverse economy of Baton Rouge is the primary catalyst for the school system's current and projected rapid enrollment growth.

Central Community School System encompasses the city of Central, which was incorporated in 2005. Currently, the school system's economy is primarily residential with easy access to the diverse economy of Baton Rouge; however,

with ample room for development, management projects future growth to bring both commercial and residential development. The school system's leading employers include:

- Wal-Mart (more than 375 employees);
- Central Community School Board (about 360);
- Healthcare Options, home health care (250-500); and
- Winn Dixie (250-500).

Assessed value for the district is more than \$124.7 million in fiscal 2014 and has an estimated market value of about \$1.13 billion. There is no concentration among the district's leading property taxpayers.

To date, Central Community School System's financial performance and position have been sound in our view. Despite using \$1.06 million for added capital, the district ended fiscal 2012 with a \$9.6 Governmental Accounting Standards Board (GASB) 54 available fund balance. The district finished fiscal 2013 with a \$1.1 million surplus, which brought the GASB 54 available fund balance to \$10.8 million, or a very strong, in our view, 29.7% of expenditures. What had enabled the district to build it balances was that on June 30, 2009, the Central School System received about \$5.4 million from the East Baton Rouge School District (EBR) after reaching a settlement with EBR for taxes owed to it. Management has done well in maintaining and improving reserve levels since then.

For fiscal 2014, the district is budgeting to use some reserves to fund needed capital; however, the district has been controlling expenditures and has experienced stronger enrollment growth than budgeted, which should limit the drawdown to about \$600,000, but still leave the district with a fund balance of more than 25%, well more than the district's reserve policy.

Standard & Poor's deems the district's management practices "good" under its Financial Management Assessment (FMA) methodology. An FMA of good indicates practices exist in most areas, although not all might be formalized or regularly monitored by governance officials.

Officials have a formal general fund balance policy to maintain a minimum of 15% of revenues in reserve. In addition, the administrative staff prepares comprehensive financial monthly reports for the school board and implements budget amendments as needed. Management's budget assumptions are very conservative and include sales tax assumptions that are even with previous-year actual figures.

These budget control tools allow management to closely monitor the performance of its various budget and investment funds and provide timely information to the school board, and staff to implement corrective actions as necessary. The district does not have formal debt policies other than state law-imposed legal limits.

The district participates in two plans, the Teachers' Retirement System of Louisiana and the State of Louisiana School Employees' Retirement System. The district's combined required contribution in fiscal 2013 was \$4.9 million, or 13.6%. The district provides other postemployment benefits (OPEB) benefits; it has been paying on a pay-as-you-go basis and the net OPEB liability for the district is \$15.9 million. In fiscal 2013, the district paid only \$98,897 of \$4.05 million. It has set aside \$2 million of the general fund reserve to fund an OPEB trust fund, but as of yet it has not been formally approved by the board.

The district's debt burden is moderate, in our view, at 8.8% of market value, which includes \$6 million of sales tax revenue debt that is supported by a dedicated sales tax levy. Carrying charges for fiscal 2012 are a moderate 9.3%. The amortization schedule is slightly below average, with 47% retired in the next 10 years and 100% of principal retired by 2034. The district has no plans for additional debt at this time.

Outlook

The stable outlook reflects Standard & Poor's expectation that the district will continue to budget effectively to maintain healthy reserves as new facilities open. The outlook also reflects our expectation that future capital needs, while significant, will be managed effectively as to not put any undue pressure on the district's financial operations. Should reserves drop to levels comparable with lower rated credits then potentially we could lower the rating. However, Standard & Poor's does not expect this to occur over the two-year outlook horizon.

Related Criteria And Research

Related Criteria

USPF Criteria: GO Debt, Oct. 12, 2006

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