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Summary:

Sabine Parish School District No. 34 (Many), Louisiana; General Obligation

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Table Of Contents

Rationale

Outlook

Related Criteria And Research

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Credit Profile

US\$17.225 mil go sch bnds ser 2014 due 03/01/2034

Long Term Rating

A/Stable

New

Rationale

Standard & Poor's Ratings Services assigned its 'A' long-term rating and stable outlook to Sabine Parish School District No. 34 (Many), La.'s series 2014 general obligation (GO) school bonds.

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

- Good income level coupled with strong wealth per capita;
- Historically very strong financial position, coupled with good financial management practices; and
- Moderate debt burden as a percentage of market value with no additional capital needs.

These credit strengths are offset, in part, by what we consider the district's:

- Limited economy that has historically been driven by the electric industry; and
- Concentrated tax base with domination by the timber and utility sectors.

An unlimited ad valorem tax secures the bonds. Officials plan to use bond proceeds to build a replacement elementary school. The district expects to levy an 18.85-mill tax rate to support debt service payments on this bond issue.

Sabine Parish School District No. 34 is in west Louisiana bordering Texas, and includes the city of Many. Portions of the district lie on the Haynesville Shale, a large natural gas shale at the corners of Louisiana, Texas, and Arkansas. The district functions as a taxing district for the maintenance of facilities and capital project bond debt service for facilities within its boundaries. The school board is responsible for the management and fiscal operations of all parish school taxing districts.

The primarily rural Sabine Parish is in west-central Louisiana. The school board operates 12 schools with an enrollment of 4,262, covering preschool through 12th grade. The parish's 2012 population estimate of 24,325 has remained relatively flat as has student enrollment since 2000. Management expects flat enrollment in the next two years.

Employment is centered on forestry and some tourism activities. As the seat of Sabine Parish, the city of Many offers job opportunities in the retail, medical, and banking sectors. The area's leading employers are Boise Cascade Corp. (460 employees); Sabine Parish School Board (800); and Market Basket (a supermarket with 220 employees).

The school board's median household income levels were what we consider a good 92% of the 2013 national level. As

an indicator of wealth specific to the district, market value is a high \$133,271 per capita. The district's property tax base has grown an average 3% per year for the last five years. Taxable assessed valuation (AV) has increased incrementally to \$32.6 million, or an estimated market value of \$371 million, in fiscal 2013. The property tax base is concentrated, with the 10 leading taxpayers accounting for 37.25% of fiscal 2013 taxable AV.

Sabine Parish School Board's financial performance has historically been very strong in Standard & Poor's opinion. The school board receives state funding under a formula that provides for the equitable distribution of funds among local school systems.

The school board levies a 2% sales tax, which generated \$17.8 million in fiscal 2012, and \$9.9 million in fiscal 2013, all of which flowed into the general fund. The large decrease in sales tax revenues is attributed to a fluctuation in the number of active oil and gas wells. Since fiscal 2008, the board has reported annual operating surpluses after transfers -- due primarily to increases in sales taxes -- that boosted the unreserved general fund balance to \$14.5 million in fiscal 2012. We view this balance as a very strong 25% of expenditures. At fiscal year-end 2013, due to reductions in state funding and sales tax revenues, the school board posted a drawdown of just over \$1 million. The ending general fund balance for fiscal 2013 was a still-strong \$13.5 million, or 36% of reduced expenses. The drawdown was much less than anticipated due to the board's reduction of expenses by almost \$10 million.

Based on year-to-date results, management expects to end fiscal 2014 with another deficit of \$3.2 million, again reflecting reductions in state funding and the board's decision to use reserves to smooth out the need to further reduce expenses. The budget for 2015 is also expected to use reserves to address the decline in state aid.

Standard & Poor's deems Sabine Parish School Board's management practices "good" under its Financial Management Assessment methodology. This indicates the finance department maintains good policies in most key areas. Key practices include management's monthly monitoring of the budget, which is typically revised once a year, a formalized debt management policy following State Bonding Commission guidelines, and an informal reserve policy, which the district has consistently met or exceeded. The school board lacks capital plans as well as a formal financial plan.

Including all overlapping jurisdictions, the district's overall net debt burden is what we view as a moderate 5.5% of fiscal 2013 market value, or a high \$1,142 per capita. Debt amortization is average, with officials planning to retire about 50% of principal in 10 years and 100% by 2026. The district does not plan to issue additional GO debt in the next two years.

Retirement contributions went up 5% in the past year due to increased funding from the state. The district has met its annual required contributions from 2008-2013 for the Teachers' Retirement System of Louisiana and the Louisiana School Employees' Retirement System. The district, however, participates in Louisiana's other postemployment benefits plan, which was recognized as an expense when the benefit premiums were financed on a pay-as-you-go basis.

Outlook

The stable outlook reflects Standard & Poor's expectation that the district's limited capital needs will allow the debt

burden to moderate. It also reflects our expectation that the school board will likely sustain its very strong financial position to offset any future declines in sales tax revenues and state funding. The rating could be pressured downward if the district's top taxpayers experience economic difficulties.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008

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