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Summary:

Ramapo-Indian Hills Regional High School District Board of Education, New Jersey; General Obligation

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Credit Profile		
US$18.395 mil sch rfdg bnds ser 2015		
Long Term Rating	AAA/Stable	New
Underlying Rating for Credit Program	AAA/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AAA' long-term rating and underlying rating to Ramapo-Indian Hills Regional High School District Board of Education, N.J.'s series 2015 general obligation (GO) refunding bonds. The outlook is stable.

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

- Affluent, mature, and primarily residential economy with access to, and participation in, the greater New York-New Jersey metropolitan statistical area;
- Extremely strong income and per capital property wealth indicators coupled with a large property tax base that has begun to modestly increase, following declines due to the recent economic downturn;
- Strong financial performance and very strong overall reserves, with another operating surplus projected for 2015; and
- Low overall net debt as a percent of market value, and low pension and other postemployment benefit (OPEB) liabilities.

The board's full-faith-and-credit pledge secures the GO bonds. The New Jersey Fund for the Support of Free Public Schools program provides additional bond security. Officials intend to use bond proceeds to refund the series 2005, 2006, and 2007 GO school bonds for present value savings. There is no extension of maturity and savings are taken evenly over the maturity schedule.

The district is located in Bergen County with easy access to New York City and oversees the operation of two high schools (Ramapo High School and Indian Hills High School) that serve the communities of the Borough of Franklin Lakes, the Borough of Oakland and the Township of Wyckoff. Enrollment was 2,350 in the 2013-2014 school year. Management expects enrollment to remain relatively stable over the next few years.

County unemployment dropped to 4.8% in November 2014, from an average of 7.1% in 2013. Median household and per capita effective buying incomes are, in our view, a very strong 227% and 249%, respectively, of national averages. Property values grew by 1.9% over the previous year following several years of decline, to $11.06 billion, or an extremely strong $272,590 per capita. The tax base is very diverse, with the 10 leading taxpayers accounting for 4.0%

of assessed value. We understand there are currently no significant tax appeals.

In our opinion, management has achieved strong operating performance, resulting in very strong total reserves. The district has completed a number of major capital projects over the past 15 years and will need to address smaller routine maintenance repairs, which will be financed with cash. Fiscal 2014 (audited) closed with a small operating surplus of $108,000 net of a $4 million transfer out of the current fund to the capital fund for routine expenditures. As a result of the current fund transfer to the capital fund, total reserves decreased to $12.6 million, or a very strong 25.0% of current fund expenditures. This includes a capital reserve fund ($4.9 million), emergency fund ($477,000), and a maintenance reserve fund ($1.6 million). We understand that management has no plans to spend down these reserves. Total available reserves were $1.7 million, or 3.4% of expenditures, a level we view as adequate on generally accepted accounting principles (GAAP).

Revenues from local sources, including property taxes, are the district's primary income source, representing 88.5% of fiscal 2014's current fund revenues, followed by state sources at 9.75%. The final state aid payment has been delayed in the past several years, resulting in a reduced fund balance based on GAAP. Districts historically receive these delayed payments soon after each fiscal year-end. Total fund balance was $12.6 million on a GAAP basis, and $12.96 million, or 25.7% of expenditures, on a budgetary basis.

As is historical practice, the 2014-2015 budget includes a $2.37 million appropriation of reserves. With less than five months remaining in the current fiscal year, management estimates ending the year with the full replenishment of reserves and positive operating results due to cost savings related to health insurance, energy, and various equipment contracts. We understand that management will likely transfer a portion of the anticipated surplus into the district's capital reserve to fund routine capital expenditures. The 2015 budget includes a tax levy increase within the state's 2% levy cap and the district maintains about $700,000 in banked levy capacity. Due to the district's history of what we regard as conservative budgeting and replenishing of much of its previous-year appropriations, we do not expect a material change in current-fund reserves at fiscal 2015 year-end. The district's collective bargaining unit contracts are settled. Management anticipates that the 2016 budget will include an appropriation of reserves of between $1.8 million and $2 million.

Standard & Poor's considers the district's financial management practices "good" under its Financial Management Assessment, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them. In formulating the budget, management uses at least three years of historical data and focuses on expected state aid revenues and salary and benefit expenditures. Budget-to-actual results are reviewed monthly and are presented to the board quarterly. Management maintains an informal, rolling five-year financial plan that looks ahead two years and that is updated annually. It also has a formal five-year plan for capital improvements. Officials follow state-mandated investment policies and report holdings to the board quarterly. Other than state guidelines, there is no formal debt policy. The district does not maintain a formal reserve policy aside from state guidelines but does seek to build up reserves where possible.

In our opinion, overall net debt, including overlapping debt, is a low 1% of market value, or a moderate $2,799 per capita. Carrying charges remain, in our view, a low 4.6% of governmental expenditures. We consider debt amortization average, with officials planning to retire 55% of principal over 10 years and 100% over 20 years. The district has no contingent liquidity risks from financial instruments with payment provisions that change upon the occurrence of certain events. We understand officials do not currently have any additional debt plans for the next few years since they plan to finance modest capital needs with cash.

The district is required to make its full annual billable contribution to the state employees' and teachers' retirement systems. Fiscal 2014 contributions were $427,000, or 0.79% of governmental expenditures. The state funds the district's postretirement health care costs.

Outlook

The stable outlook reflects our opinion that the district will maintain a very strong financial position through balanced operations. The district's sizable tax base, very strong wealth level, and diverse and dynamic local and regional economies support the rating. We further expect the district to maintain a low debt burden as its capital needs are limited. We are unlikely to revise the rating during our two-year horizon as we believe the capable management team will maintain the district's strong financial performance and solid reserves. While unlikely, a sustained or substantial weakening of reserves and liquidity could put downward pressure on the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008
- Ratings Above The Sovereign: Corporate And Government Ratings—Methodology And Assumptions, Nov. 19, 2013

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