

St. Vrain Valley School District No. RE-1J, CO GO Ratings Raised To 'AA+' On Robust Financial Profile, Tax Base Growth

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CENTENNIAL (S&P Global Ratings) Sept. 14, 2018--S&P Global Ratings raised its long-term rating and underlying rating to 'AA+' from 'AA' on St. Vrain Valley School District No. RE-1J, Colo.'s existing general obligation (GO) bonds. In addition, S&P Global Ratings assigned its 'AA+' long-term rating and underlying rating to the district's series 2018 GO bonds (estimated \$60 million par amount). The outlook is stable.

The district's full faith and credit secures the GO bonds. All taxable property in the district is subject to an unlimited ad valorem property tax to pay debt service on the bonds. On Nov. 8, 2016, district voters approved the issuance of bonds in an amount not to exceed \$260 million. The series 2018 GO bonds are the second and final installment of the authorization, and proceeds will be used to fund capital improvements to school facilities and pay the costs of issuance.

"The rating action is based on our view of the district's very strong financial profile, supported by consecutive operational surpluses for over a decade and maintenance of very strong reserves, despite expected drawdowns in fiscal 2019," said S&P Global Ratings credit analyst Michael Parker.

"The rating action also reflects the district's extremely strong tax base, which continues to grow through valuation increases and new construction," continued Mr. Parker. "Adding to the district's credit strength are two fixed

mill levy overrides, which provide additional revenue as assessed value in the district increases. Finally, the rating action reflects the strong enrollment growth in recent years coupled with meticulous capital spending, allowing the district to capture additional students in the near term without any severe capacity constraints."

The ratings reflect our view of the district's:

- Large and diverse economic base, coupled with strong to very strong income indicators and access to the broad and diverse Denver and Boulder metropolitan statistical areas;
- Maintenance of very strong available fund balances, along with positive general fund results in consecutive audited fiscal years;
- Additional revenue flexibility through fixed mill levy overrides, which helps the district lower its reliance on state funding;
- Continued trend of enrollment increases in a growing community;
- Strong financial management policies and procedures; and
- Low overall debt as a percentage of district market value.

Partly offsetting the above strengths, in our view, are:

- The state funding formula, which limits the district's revenue-raising ability;
- The district's planned spenddowns of reserves in fiscal 2019, albeit somewhat modest; and
- The district's relatively low state pension funded level, which could lead to future pressure on the district's operating performance.

In addition to the district's own credit quality, the state aid withholding provision created under Colorado Revised Statutes, Section 22-41-110, provides additional security.

The stable outlook reflects our view of the district's strong economy with participation in the broad and diverse Denver and Boulder economies, in addition to a strong tax base that we expect will continue to grow. The stable outlook also reflects the district's history of strong operational performances and maintenance of very strong reserves, which we believe will be sustained in the near term. Moreover, the outlook reflects the district's additional revenue flexibility through mill levy overrides and management's strong policies and practices. We do not anticipate raising the ratings during the two-year outlook horizon.

We could raise the ratings if the economy continues to improve, the district can obtain more revenue flexibility through additional voter-approved mill levy overrides (continuing the reduction of reliance from state funding sources), and pension funded levels improve to more sustainable levels.

Should we come to view the district's operations as having become structurally

imbalanced and its reserve levels fall below the district's policy-mandated level, we could lower the ratings.

Upon issuance of the series 2018 bonds, the district will have approximately \$591 million in debt outstanding.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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