



Moody's Investors Service

Global Credit Research

New Issue

22 JUN 2009

New Issue: Regional School District 13 (Durham), CT

**MOODY'S ASSIGNS A2 RATING TO RSD #13 (DURHAM & MIDDLEFIELD), CT'S \$4.9 MILLION G.O. BONDS, ISSUE OF 2009**

**A2 AFFIRMATION AFFECTS \$19.9 MILLION IN DEBT OUTSTANDING, INCLUDING THIS ISSUE**

Primary & Secondary Education  
CT

**Moody's Rating**

ISSUE	RATING
General Obligation Bonds, Issue of 2009	A2
<b>Sale Amount</b> \$4,995,000	
<b>Expected Sale Date</b> 06/24/09	
<b>Rating Description</b> General Obligation Bonds	

**Opinion**

NEW YORK, Jun 22, 2009 -- Moody's Investors Service has assigned an A2 rating to Regional School District #13's (Durham, Middlefield) (CT) \$4.9 million General Obligation Bonds, Issue of 2009. Concurrently, Moody's has also affirmed the A2 rating on the district's \$15 million of outstanding parity debt. The bonds, which are ultimately secured by an unlimited property tax pledge of the member towns, will finance roof, water system and athletic field improvements. The A2 rating reflects the relative credit quality of the district's participants, as well as the district's satisfactory financial operations, and manageable debt burden.

**DISTRICT'S FINANCIAL OPERATIONS DEPEND UPON FINANCIAL STABILITY OF MEMBER TOWNS**

The district's operations and debt service are funded by assessments levied by member towns, which are assessed in proportion to the number of students attending the district and paid to the district monthly. The percent of students enrolled in the district for fiscal 2010, by town, are as follows: Durham (not rated; 65.9%) & Middlefield (not rated; 34.1%). The district is required by statute to use all of its Undesignated General Fund balance at the end of each fiscal year to reduce the subsequent year's net expenses. As such, the district does not maintain a consistent General Fund balance. In the event of unforeseen operating expenses, the district is allowed to ask voters for a mid-year appropriation. More importantly, in the event of a debt service deficiency, state statute requires the member towns to pay all debt service (plus a penalty) "as soon as it is available" either through adjusting their tax rates or through funds on hand.

Officials report that monthly assessments from the two member towns have historically been received on time and in full. The district's financial operations are overwhelmingly supported by assessments (94% of 2008 revenues), while state and federal aid represents a low 4.4% of revenues. The district ended fiscal 2008 with a \$653,000 operating surplus, increasing General Fund balance to 4.9% of revenues, the entire amount of which was designated to offset the subsequent year's budget. The district estimates its fiscal 2009 General Fund balance at \$1.0 million, as the district was able to turn back a portion of the previous year's appropriation due, in part, to excess grant revenues, salary savings, and lower than budgeted debt service expenditures. Also of note, the Town of Durham ended fiscal 2008 with an Unreserved General Fund balance equal to a satisfactory 11.2% of revenues while Middlefield reported a fiscal 2008 Unreserved General Fund balance position equal to 6.3% of revenues.

Due to multiple referendums in the Town of Middlefield the fiscal 2010 budget has yet to be adopted. The district has reduced its budget from an initial 2.4% increase to a .68% increase, with a minimal mill rate increase expected for both member towns. In order to accommodate the reduced expenditures the budget includes a \$1.05 million General Fund balance carry-over and reduces operating expenditures. Looking ahead, the credit quality of the member town's and the district's ability to maintain structural balance will be important considerations in future rating reviews. ←

LARGELY RESIDENTIAL TAX BASE; TAX BASE GROWTH EXPECTED TO SLOW

Moody's anticipates growth of the district tax base to slow over the near term reflecting continued weakness in the regional housing market and recessionary economic conditions. Located in central Connecticut, approximately 14 miles from New Haven (G.O. debt rated A3), and along the Interstate 91 corridor, the district comprises the towns of Durham and Middlefield. For the last five years, combined net taxable grand list growth has averaged 8.5% annually, inclusive of property revaluations in Durham and Middlefield, in 2005 and 2006, respectively. The towns are overwhelmingly residential in nature with wealth levels that are generally average to above average. Full value per capita is a solid \$162,515. Further, the unemployment rates for Durham and Middlefield, in April of 2009, were 5.5% and 7.3% respectively, levels below the state and the nation.

#### DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

Moody's expects the district's debt burden (currently 1.2% of full value) to remain manageable given its modest future borrowing plans and favorable payout of principal, with 78% retired within 10 years. Further, the district's debt service expenditures have remained relatively stable over the last several fiscal years, representing 6.2% of expenses in fiscal 2008. Future borrowing plans include the possibility of approximately \$1.1 million for roof improvements in two fiscal years. The district's debt profile consists entirely of fixed-rate borrowing and the district has not entered into any derivative agreements.

#### KEY STATISTICS

2000 Population: 10,830

District 2008 Net Equalized Grand List: \$1.7 billion

District Net Equalized Grand List Per Capita: \$162,515

District Per Capita Income as % of CT, % of US: 97%, 129%

District Median Family Income as % of CT, % of US: 117%, 154%

District Overall debt burden: 2.2%

District Direct debt: 1.2%

District Payout of principal (10 years): 78%

District Fiscal 2007 General Fund balance: \$2.0 (4.9% of revenues)

Post Sale Long-term Parity Debt Outstanding: \$19.9 million

Member communities:

Durham (not rated; 65.9% of students)

Middlefield (not rated; 34.1% of students)

#### METHODOLOGY REFERENCE AND LAST RATING ACTION

The principal methodology used in rating this issue was "Local Government General Obligation and Related Ratings" which can be found at [www.moodys.com](http://www.moodys.com) in the Credit Policy & Methodologies directory, in the Index of Special Reports - U.S. Public Finance. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action was on March 2, 2004 when the district's A2 rating was affirmed.

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