Rating Action: Moody's assigns Aa3 to Palm Beach Co. School District's (FL) $120.7M COPs, Series 2018C

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New York, February 13, 2018 -- Moody's Investors Service has assigned a Aa3 rating to Palm Beach County School District, FL's $120.69 million Certificates of Participation, Series 2018C. We currently maintain the Aa2 Issuer Rating and the Aa3 rating on $1.5 billion of outstanding COPs. The outlook is stable.

RATING STRATEGIC RATIONALE

The Aa3 COP rating reflects the essential nature of the leased assets and sound legal provisions and is notched one rating below the Issuer Rating. The Aa2 Issuer Rating reflects the district's adequate financial position, very large, expanding tax base with strong demographics, and manageable debt burden.

RATING OUTLOOK

The stable outlook reflects the expectation that the district's tax base will continue to expand given its growing tourism economy and recent increases in taxable values. The outlook also reflects the district's limited reserve position, which is expected to increase at a moderate pace given management's conservative budgeting practices.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Material increase in state aid and property tax revenues
- Substantial strengthening of district reserves and cash
- Significant improvement in available capital funds to pay for lease obligations and capital needs

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Additional demands on limited available capital funds
- Future financial deterioration, inability to maintain structural balance or grow reserves in step with revenues
- Overleveraging of capital outlay millage

LEGAL SECURITY

The COPs are issued under a Master Lease and are secured by the Board's annually appropriated lease payments.

USE OF PROCEEDS

Proceeds will be used to refund $124.3 million Series 2003B COPs and to pay a swap termination fee of approximately $17.9 million.

PROFILE

The school district is reportedly the fifth largest school district in the state and 12th in the nation, based on enrollment. There are 183 schools, about 184,578 students, and over 21,000 full-time and part-time employees.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. An additional methodology used in the lease rating was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.
For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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