

## ISSUER COMMENT

13 October 2021

### RATING

Issuer Rating <sup>1</sup>

Aa2

No Outlook

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# Port Jefferson Union Free School District, NY

## Annual comment on Port Jefferson UFSD

### Issuer profile

Port Jefferson Union Free School District is located in Suffolk County, New York, on the north shore of Long Island, approximately 50 miles east of New York City. In 2020, the district's enrollment was 1,048.

### Key indicators

Exhibit 1

#### Port Jefferson Union Free Sch Dist, NY

	2017	2018	2019	2020	Aa Medians
<b>Economy</b>					
Resident income	158.4%	155.7%	153.8%	N/A	120.3%
Full value (\$000)	\$2,633,852	\$2,667,451	\$2,786,906	\$2,940,626	\$3,767,803
Population	7,389	7,659	7,703	N/A	32,239
Full value per capita	\$356,456	\$348,277	\$361,795	N/A	\$110,286
Enrollment	1,135	1,114	1,098	1,048	4,353
Enrollment trend	N/A	0.1%	-0.4%	-2.6%	0.1%
<b>Financial performance</b>					
Operating revenue (\$000)	\$41,504	\$42,507	\$43,230	\$43,901	\$70,864
Available fund balance (\$000)	\$15,565	\$15,777	\$15,053	\$17,120	\$17,424
Net cash (\$000)	\$22,053	\$23,149	\$22,721	\$27,345	\$20,807
Available fund balance ratio	37.5%	37.1%	34.8%	39.0%	26.1%
Net cash ratio	53.1%	54.5%	52.6%	62.3%	31.0%
<b>Leverage</b>					
Debt (\$000)	\$5,561	\$4,805	\$3,745	\$3,074	\$48,829
ANPL (\$000)	\$66,819	\$60,728	\$56,581	\$69,781	\$92,102
OPEB (\$000)	N/A	\$81,718	\$106,100	\$109,739	\$10,438
Long-term liabilities ratio	N/A	346.4%	385.0%	415.9%	280.7%
Implied debt service (\$000)	\$274	\$413	\$354	\$273	\$3,402
Pension tread water (\$000)	\$1,596	\$1,495	\$1,540	\$1,568	\$3,018
OPEB contributions (\$000)	N/A	\$2,594	\$2,984	\$2,914	\$440
Fixed-costs ratio	N/A	10.6%	11.3%	10.8%	11.9%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Port Jefferson Union Free Sch Dist, NY's financial statements and Moody's Investors Service

### Credit overview

The credit position of Port Jefferson UFSD is strong. Also, the Aa2 rating is slightly above the US school district median of Aa3. Key credit factors include a very healthy economy, a weak enrollment trend, a strong financial position, high leverage and modest fixed costs.

### Economy

The economy of Port Jefferson UFSD is very strong and the enrollment trend is weak. Overall, the factor is consistent with Aa2 rating.

- » The average resident income is very healthy at 154% of US.
- » The three year enrollment trend of -2.6% is weak.
- » The full value per capita is very healthy at \$361,795.

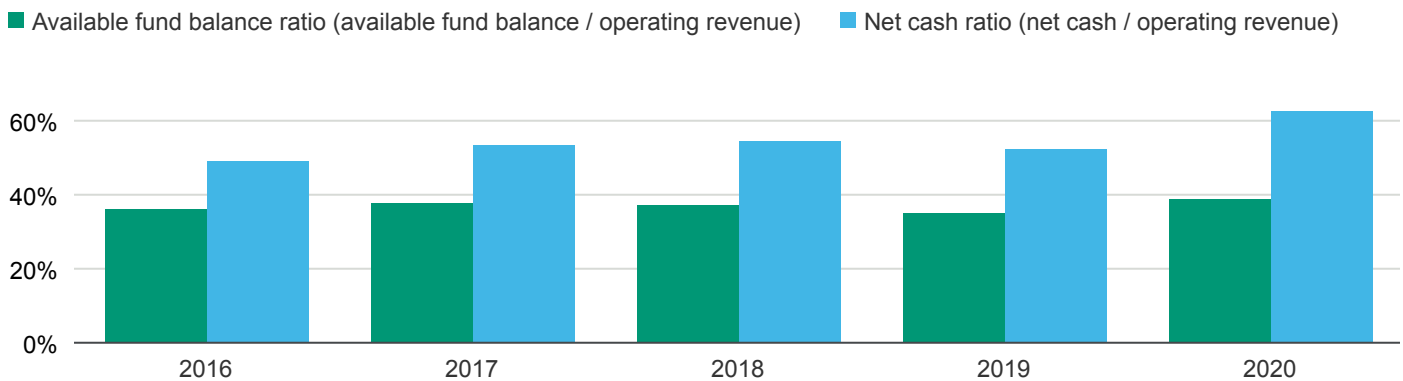
### Financial performance

The district has a strong financial position which is slightly favorable relative to the rating of Aa2.

- » Cash balance ratio of 62.3% is very strong.
- » Available fund balance ratio of 39.0% is robust.

Exhibit 2

#### Fund balance and cash balance as percentage of operating revenues



Source: Issuer financial statements; Moody's Investors Service

### Leverage

The leverage of Port Jefferson UFSD is high and fixed costs are modest. Overall, this factor is unfavorable compared to Aa2 rating.

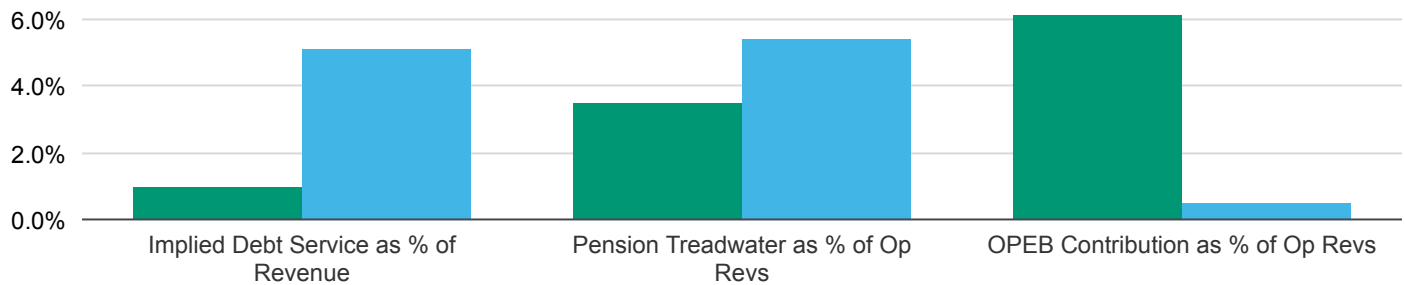
- » The ratio of long-term liabilities (Debt + ANPL + OPEB) to operating revenues of 415.9% is high.
- » Fixed-costs ratio is low at 10.8%.
- » The majority of New York school districts receive state building aid reimbursements for approved capital spending which can be used to help offset debt costs.
- » Unfavorably, the district has a very high capital asset depreciation ratio, which signals that reinvestment in capital assets is lagging behind depreciation and indicates a future increase in capital funding is likely.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody.com](http://www.moody.com) for the most updated credit rating action information and rating history.

Exhibit 3

**Fixed costs as a percentage of operating revenues**

■ District ■ Median



Source: Issuer financial statements; Moody's Investors Service

**Institutional framework**

New York school districts have an Institutional Framework score <sup>2</sup> of Aa. Control of revenue varies across the sector with some districts primarily dependent on state-controlled state aid that is allocated based largely on wealth, while others are funded primarily with locally controlled property taxes. Historically, the state has provided regular increases in annual state aid. The state's property tax caps provide enough room for districts to meaningfully raise property taxes each year. Districts can go to voters for increases that exceed the caps.

## Appendix

Exhibit 4

### Key Indicators Glossary

	Definition	Source
<b>Economy</b>		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau)  RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Investors Service
<b>Financial performance</b>		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
<b>Leverage</b>		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Investors Service
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Investors Service

## Endnotes

- 1 The rating referenced in this report is the local government's Issuer Rating. Issuer Ratings as applied to US local governments typically reflect an unlimited general obligation pledge, which may have security and structural features in some states that improve credit quality for general obligation bondholders.
- 2 The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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REPORT NUMBER

1292085