MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Chesterfield County S.D., SC's A1 GO Rating and A2 Lease Rev. Rating; Outlook Negative

Global Credit Research - 09 Jun 2017

New York, June 09, 2017 -- Summary Rating Rationale

Moody's Investors Service has affirmed the A1 underlying rating on Chesterfield County School District, SC's general obligation unlimited tax (GOULT) bonds, affecting $40.5 million of outstanding GOULT debt. Concurrently, Moody's has affirmed the A2 rating on the district's installment purchase revenue bonds (IPRB), affecting $20 million in outstanding IPRB debt. The outlook remains negative.

The A1 GOULT rating reflects the district's moderately-sized tax base experiencing modest growth, limited liquidity and reserve position pressured by state mandated salary and pension expense increases, and above average debt and pension burdens. The A2 rating on the IPRBs reflects the risk of non-appropriation, which is mitigated by the essential nature of the financed assets, sound legal provisions for bondholders, and the underlying credit characteristics of the school district.

Rating Outlook

The negative outlook reflects challenges to the district's ability to increase General Fund reserves and liquidity to sound levels commensurate with the long-term rating, because of state-mandated salary and pension contribution increases.

Factors that Could Lead to an Upgrade

Continued tax base growth and diversification coupled with improved demographics

Strengthened reserves and liquidity levels

Factors that Could Lead to a Downgrade

Trend of structural imbalance resulting in deteriorated financial position

Material contraction in tax base and weakened wealth levels

Significant increase in debt burden

Legal Security

The general obligation bonds are secured by the district's unlimited property tax pledge.The IPRBs are secured by the district's annual installment payments on these obligations made pursuant to an agreement with SCAGO Educational Facilities Corporation for the district with additional security provided by a long term leasehold interest in two facilities for 10 years beyond the term of the bonds.

Use of Proceeds

Not applicable.

Obligor Profile

The district is coterminous with Chesterfield County, which has an estimated population of 46,192 as of 2015. Enrollment has declined at an average annual rate of -0.9% over the last five years to 7,015 in fiscal 2017.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. The additional methodology used in this 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.

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