

ISSUER COMMENT

26 February 2020

RATING

General Obligation (or GO Related) ¹

Aa3 No Outlook

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Kinderhook Central School District, NY

Annual Comment on Kinderhook CSD

Issuer Profile

Kinderhook Central School District is located primarily in Columbia County in upstate New York, approximately 20 miles south of Albany. Columbia County has a population of 60,919 and a low population density of 96 people per square mile. The county's median family income is \$76,190 (1st quartile) and the December 2019 unemployment rate was 3.2% (2nd quartile) ². The largest industry sectors that drive the local economy are health services, retail trade, and local government.

Credit Overview

Kinderhook CSD's credit position is good. Its Aa3 rating matches the median rating of Aa3 for US school districts. Key credit factors include a healthy financial position, a low debt burden and a moderate pension liability. The district's credit position also reflects a strong wealth and income profile and a solid tax base.

Finances: The district has a healthy financial position, which is roughly consistent with its assigned rating of Aa3. The cash balance as a percent of operating revenues (13.7%) is lower than the US median, although it remained stable between 2015 and 2019. Similarly, Kinderhook CSD's fund balance as a percent of operating revenues (14.3%) is lower than that of other Moody's-rated school districts nationwide.

Debt and Pensions: The debt burden of the district is low and is favorable in comparison to its Aa3 rating. The net direct debt to full value (0.7%) is lower than the US median, although it remained stable from 2015 to 2019. Additionally, the pension liability of Kinderhook CSD is moderate and is consistent with its assigned rating of Aa3. The Moody's-adjusted net pension liability to operating revenues (1.5x) approximates the US median. The majority of New York school districts receive state building aid reimbursements for approved capital spending that can be used to help offset debt costs.

Economy and Tax Base: Overall, the district has a healthy economy and tax base, which are aligned with its Aa3 rating. The median family income of district residents is a strong 124.8% of the US median level. In addition, Kinderhook CSD's full value per capita (\$99,471) is slightly above the US median, and it increased between 2015 and 2019. On the contrary, the total full value of the district's tax base (\$1.4 billion) is slightly smaller than that of other Moody's-rated school districts nationwide.

Management and Governance: New York school districts have an institutional framework score ³ of "A", which is moderate. New York School Districts operate within a state-imposed property tax cap, which limits their ability to increase their operating levy by the lesser of 2% or CPI. This cap cannot be overridden at the local level, but can be overridden with 60%

voter approval. Unpredictable revenue fluctuations tend to be low, or less than 5% annually. Across the sector, fixed and mandated costs are generally greater than 25% of expenditures. New York State has the additional constraint of the Triborough Amendment, which limits the ability to cut expenditures. Unpredictable expenditure fluctuations tend to be moderate, or between 5-10% annually.

Sector Trends - New York School Districts

New York's economic expansion continues, although it varies widely by region. School districts continue to be constrained by the statewide property tax cap, but most are able to maintain balanced operations, in part due to favorable state aid trends. Enrollment is generally declining, although there are modest increases in some areas. Charter schools have not created pressure in New York. Pension liabilities are not a pressure for New York schools due to the well-funded nature of the state run plan.

EXHIBIT 1

Key Indicators ⁴ ⁵ Kinderhook CSD

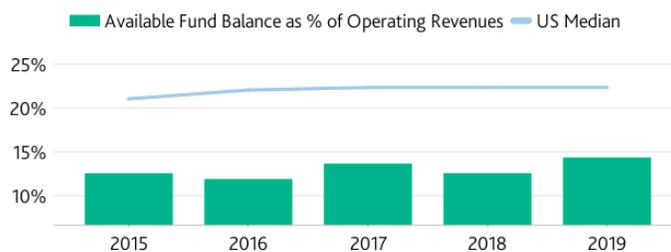
	2015	2016	2017	2018	2019	US Median	Credit Trend
Economy / Tax Base							
Total Full Value	\$1,240M	\$1,240M	\$1,249M	\$1,267M	\$1,368M	\$1,919M	Improved
Full Value Per Capita	\$90,325	\$89,280	\$90,832	\$92,176	\$99,471	\$87,328	Improved
Median Family Income (% of US Median)	128%	125%	125%	125%	125%	101%	Stable
Finances							
Available Fund Balance as % of Operating Revenues	12.5%	11.9%	13.6%	12.5%	14.3%	22.3%	Stable
Net Cash Balance as % of Operating Revenues	16.8%	13.5%	15.8%	14.8%	13.7%	27.2%	Stable
Debt / Pensions							
Net Direct Debt / Full Value	1.0%	0.9%	0.9%	0.8%	0.7%	1.6%	Stable
Net Direct Debt / Operating Revenues	0.35x	0.30x	0.31x	0.27x	0.24x	0.73x	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Full Value	4.0%	3.3%	4.0%	4.3%	4.4%	3.3%	Stable
Moody's-adjusted Net Pension Liability (3-yr average) to Operating Revenues	1.41x	1.11x	1.31x	1.42x	1.49x	1.48x	Stable
	2015	2016	2017	2018	2019	US Median	
Debt and Financial Data							
Population	13,739	13,894	13,754	13,754	13,754	N/A	
Available Fund Balance (\$000s)	\$4,468	\$4,409	\$5,140	\$4,831	\$5,757	\$9,391	
Net Cash Balance (\$000s)	\$6,011	\$5,006	\$5,970	\$5,690	\$5,506	\$11,164	
Operating Revenues (\$000s)	\$35,688	\$37,167	\$37,754	\$38,573	\$40,216	\$42,583	
Net Direct Debt (\$000s)	\$12,393	\$10,998	\$11,601	\$10,583	\$9,657	\$29,872	
Moody's Adjusted Net Pension Liability (3-yr average) (\$000s)	\$50,151	\$41,367	\$49,490	\$54,885	\$60,061	\$62,410	

Source: Moody's Investors Service

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EXHIBIT 2

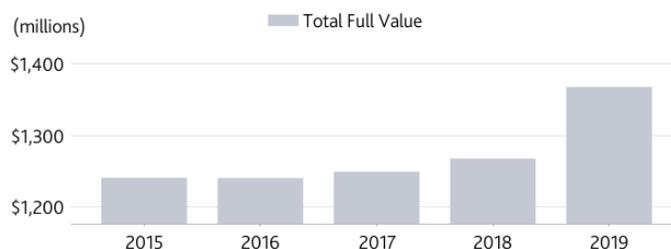
Available fund balance as a percent of operating revenues remained stable from 2015 to 2019



Source: Issuer financial statements; Moody's Investors Service

EXHIBIT 3

Full value of the property tax base increased from 2015 to 2019



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

EXHIBIT 4

Moody's-adjusted net pension liability to operating revenues remained stable from 2015 to 2019



Source: Issuer financial statements; Government data sources; Offering statements; Moody's Investors Service

Endnotes

- The rating referenced in this report is the issuer's General Obligation (GO) rating or its highest public rating that is GO-related. A GO bond is generally backed by the full faith and credit pledge and total taxing power of the issuer. GO-related securities include general obligation limited tax, annual appropriation, lease revenue, non-ad valorem, and moral obligation debt. The referenced ratings reflect the government's underlying credit quality without regard to state guarantees, enhancement programs or bond insurance.
 - The demographic data presented, including population, population density, per capita personal income and unemployment rate are derived from the most recently available US government databases. Population, population density and per capita personal income come from the American Community Survey while the unemployment rate comes from the Bureau of Labor Statistics.
- The largest industry sectors are derived from the Bureau of Economic Analysis. Moody's allocated the per capita personal income data and unemployment data for all counties in the US census into quartiles. The quartiles are ordered from strongest-to-weakest from a credit perspective: the highest per capita personal income quartile is first quartile, and the lowest unemployment rate is first quartile.
- The institutional framework score assesses a municipality's legal ability to match revenues with expenditures based on its constitutionally and legislatively conferred powers and responsibilities. See [US Local Government General Obligation Debt \(December 2016\)](#) methodology report for more details.
 - For definitions of the metrics in the Key Indicators Table, [US Local Government General Obligation Methodology and Scorecard User Guide \(July 2014\)](#). Metrics represented as N/A indicate the data were not available at the time of publication.
 - The medians come from our most recently published local government medians report, [Medians - Tax base growth underpins sector strength, while pension challenges remain \(May 2019\)](#) which is available on Moody's.com. The medians presented here are based on the key metrics outlined in Moody's GO methodology and the associated scorecard.

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