

Broward County School Board, Florida

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Credit Profile		
US\$125. mil certs of part ser 2011A due 07/01/2012-2026		
Long Term Rating	A/Stable	New
Broward Cnty Sch Brd certs of part master lse purch agmt (taxable qual sch construction bnds)		
Long Term Rating	A/Stable	Affirmed
Broward Cnty Sch Brd certs of part (auction rate certs) ser 2006B dtd 06/06/2006 due 07/01/2031		
Long Term Rating	AA+/A-1/Stable	Affirmed
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Broward Cnty Sch Brd COPs		
Long Term Rating	A/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'A' long-term rating to Broward County School Board, Fla.'s series 2011A certificates of participation (COPs). At the same time, Standard & Poor's affirmed its 'A' long-term rating and underlying rating (SPUR) on the school board's previously issued COPs.

The ratings reflect our view of:

- The board's general creditworthiness as lessee;
- The master-lease structure—under which the failure to appropriate for one series of lease payments causes the termination of all leases covered by the master agreement—that ties together 125 of the school district's facilities; and
- An absolute and unconditional obligation to make lease payments once funds have been appropriated.

In our opinion, the school board's general credit characteristics include its:

- Large and diverse economic base;
- Strong financial management policies and practices; and

- Low overall debt levels on a per capita and market-value basis, with no plans for additional debt. These rating strengths are offset, in our view, by the extremely limited taxing capacity of the district with pressures to comply with the state's class-size reduction requirements, which have put pressure on its capital spending and reserve levels. Along with these spending demands, the board must contend with a decreasing property tax base, which limits its taxing flexibility because the state caps its operating and capital levies and has, over time, been constraining Florida school districts' ability to issue debt under its dedicated property tax levy for capital expenditures. The district's finances are further negatively pressured by state aid cuts due to Florida's own budgetary concerns and the termination of federal stimulus funds after fiscal 2011.

The COPs represent an interest in lease payments made by the school board to Broward County School Board Leasing Corp. We understand the board will use the bond proceeds to refund its series 1997A and 1997B COPs and portions of its series 2001A and 2001B COPs. Under the schedules to the master lease purchase agreement, the board has agreed to pay lease payments equal to full principal and interest with respect to the series 2011A COPs. We understand that lease payments are primarily funded through a dedicated local-option 1.5-mill levy, of which 75% (or 1.125 mills) can be used for payments due under the lease purchase agreements.

The district estimates combined maximum annual debt service (MADS) to be \$160.5 million, excluding all federal subsidy payments related to its previous Build America and qualified school construction bond issuances. Based on the board's fiscal 2011 assessed value (AV) of \$139.2 billion (and a 95% collections rate), 1.21 mills is required to cover MADS.

In addition, we affirmed the long-term ratings on the issuer's series 2004D, 2005B, and 2006B bonds. For each of these bonds, there is a split (dual) rating. The long-term component of each rating is based on the credit support provided AGM (AA+). The short-term component of the dual rating is supported by different liquidity facilities. The liquidity facility for the series 2004D bonds is provided by JPMorgan Chase Bank N.A. (A-1+). The liquidity facility for the series 2005B bonds is provided by Bank of America N.A. (A-1). The liquidity facility for the series 2006B bonds is provided by PNC Bank Pittsburgh N.A. (A-1).

For additional information, please see the report published March 3, 2011, on RatingsDirect on the Global Credit Portal.

Outlook

The stable outlook reflects our assessment of district management's efforts to balance the 2011 budget. Management is projecting to maintain fund balances at the end of fiscal 2011 consistent with projected fiscal year-end 2010 levels. Should the district become further constricted in its ability to maintain adequate taxing capacity under its local option levy and allowable optional levies to pay debt service on its lease obligations, we could consider a lower rating. Should the district's tax base exhibit better-than-district projected growth coupled with stronger financial performance, we could consider a higher rating.

Related Criteria And Research

USPF Criteria: Appropriation-Backed Obligations, June 13, 2007

Ratings Detail (As Of 21-Mar-2011)		
Broward Cnty Sch Brd COPs (wrap of insured) (FGIC & AGM) (SEC MKT)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Broward Cnty Sch Brd COPs (wrap of insured) (FGIC & ASSURED GTY) (SEC MKT) (MBIA) (National)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Broward Cnty Sch Brd COPs (ASSURED GTY)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Broward Cnty Sch Brd COPs (FGIC) (ASSURED GTY)		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Broward Cnty Sch Brd certs of part		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Long Term Rating	AA+/A-1+/Stable	Affirmed
Broward Cnty Sch Brd certs of part VRDB 2005B		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Long Term Rating	AA+/A-1/Stable	Affirmed

Many issues are enhanced by bond insurance.

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