Fitch Ratings lists LTUSD as stable

Fitch Ratings has affirmed Lake Tahoe Unified School District's general obligation bonds as follows:

• $25.3 million outstanding GOs, Election of 1999, series A and B, and GO refunding bonds, series 2002 and 2005 at 'AA-'.

The rating outlook is stable.

Rating rationale:

• The AA rating reflects the district's currently sound financial operations, exhibited by a good financial cushion, prudent actions to reduce expenditures, projections for balanced financial operations by fiscal 2013, and a good degree of remaining expenditure flexibility.

• These financial strengths are tempered by the expected cessation of one-time federal revenues in fiscal 2012, a challenged state funding environment, somewhat stretched labor relations, and years of significant enrollment declines.

• The tourism-driven local economy shows signs of weakness, including a large 7.2 percent assessed valuation decline, high area unemployment, below average income levels, and a challenged housing market.

• The district's debt profile is good overall, with low debt levels, no OPEB liability, and limited capital needs. However, amortization is slow.

Key rating drivers:

• The district's unreserved financial cushion is sound, and Fitch expects management would sufficiently offset potential state revenue declines to maintain its financial cushion at adequate levels.

• The local economy is showing signs of weakness, and could weaken further from current levels in the near term, with potential secondary effects on enrollment and the tax base.

The district’s financial position is sound overall. According to the district’s second interim report, fiscal 2011 general fund operations are projected to produce a $1.2 million deficit, lowering the total and unreserved general fund balances to an adequate $1.8 million (5.1 percent of expenditures and transfers out). However, the district has resources available outside of the general fund that raise the total financial cushion to good levels. As with most school districts in the state, Lake Tahoe USD must contend with the expected cessation of one-time federal revenues in fiscal 2012 and a potentially significant state funding reduction. However, the board has already approved a two-year expenditure reduction plan to offset these declines, which nonetheless relies in part on needed labor concessions, and the district’s multi-year projections include conservative assumptions that could cause actual operations to out-perform current expectations. Further, the district has a good degree of remaining expenditure flexibility, including low class sizes that could be raised, and teaching days well in excess of the legal minimum. As such, the district is well positioned to weather anticipated revenue declines through fiscal 2013.

Additional information is available online.