MOODY'S
RATINGS

Rating Action: Moody's Ratings assigns Aa2 to Regional School District 15 (Southbury & Middlebury), CT; affirms Aa2 Issuer Rating

28 Mar 2025

New York, March 28, 2025 -- Moody's Ratings (Moody's) has assigned a Aa2 rating to Regional School District 15 (Southbury & Middlebury), CT's $10.275 million General Obligation Bonds, Issue of 2025. We have also affirmed the district's Aa2 issuer rating. Post-sale, this will be the only long-term debt that the district will have outstanding.

RATINGS RATIONALE

The Aa2 issuer rating reflects the district's stable financial operations, strong fiscal management, and conservative budgeting practices. The rating also takes into account the District's sizeable tax base, and above-average wealth and income profile, and the strong credit profiles of its constituent towns, Middlebury (Aa1) and Southbury (Aa1) which levy taxes on behalf of the district.

The rating also considers the district's narrow financial position which is constrained by statute. Connecticut regional school districts are prohibited from holding budget surplus reserves although up to 2% of the operating budget can be transferred to a capital nonrecurring fund and/or educational expense fund. This restriction, though offset to a degree by the constituent towns' financial reserves, limits the district's independent financial flexibility.

Governance is a driver of the rating as management has a demonstrated history of balanced operations, good expense management, conservative budgeting practices, and a strong working relationship with the constituent towns.

The rating assigned to the 2025 Bonds is at the same level as the issuer rating based on the district's faith and credit pledge to pay debt service supported by the constituent towns' pledge and unlimited authority to levy property taxes sufficient to pay debt service.

RATING OUTLOOK

We do not assign outlooks to issuers with this amount of debt outstanding

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improvement to local economy reflected in population growth, strengthened resident wealth and income profile and enrollment trend

- Material and sustained improvement in financial reserves

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Deterioration of resident income levels to below 120% of the national average

- Decline of full value per capital to below $180,000

- Sustained decline in enrollment

- Constituent town operating deficits leading to deterioration of financial reserves

LEGAL SECURITY

The Bonds are general obligation of the district, and the member towns of Middlebury, and Southbury, and are backed by the full faith and credit of the district supported by the town's pledge and unlimited authority to levy property taxes sufficient to pay debt service.

USE OF PROCEEDS

Bond proceeds will be used to refinance previously issued bond anticipation notes, associated with various capital projects for district facilities. The district is in the midst of a five year capital program, approved in 2023. This program involves various building repairs, and facilities upgrades.

PROFILE

Regional School District 15 is located in western Connecticut, about 25 miles northwest of New Haven. The district provides K12 education to about 3,500 students in the towns of Middlebury (Aa1) and Southbury (Aa1). Operations and debt service are funded through member town assessments proportioned by enrollment. As of October 1, 2024, member towns and proportionate assessments are as follows: Southbury (65.4%) and Middlebury (34.6%).

METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts published in July 2024 and available at https://ratings.moodys.com/rmc-

documents/425431. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions .

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880 .

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