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Los Angeles School District to Sell \$1.3 Billion in Muni Bonds.

(Reuters) - The largest U.S. municipal market deal next week is expected to total \$1.3 billion from Los Angeles Unified Schools, a district that faces declining student enrollments and competition from charter schools.

The deal, along with \$1.1 billion of general obligation bonds from the state of Massachusetts, helped push scheduled new sales of municipal bonds to \$10.09 billion next week, according to preliminary figures from Thomson Reuters Municipal Market Data (MMD).

Fitch Ratings rated the Los Angeles bonds triple-A, better than the agency's A-plus for the school district, because bondholders would be insulated from the district's operating risk. The new bond money will be used to fund facility renovations.

The debt will repaid with property taxes, which are considered "pledged special revenues," in the event of a municipal bankruptcy. The district benefits from positive tax base growth because of its huge, diverse and growing economy, Fitch noted.

While state funding for Los Angeles' school district has grown, revenues have declined from lower student enrollment. At the same time, fixed costs are rising, in part from retiree benefits.

Fitch warned that enrollment continues to decline at Los Angeles public schools. The district has lost almost 210,000 students from since 2003, or more than a quarter of its student body.

Los Angeles Unified School District is the second largest U.S. public school district, with more than 1,000 schools and educational centers, plus 53 affiliated charter schools.

Within the region, another 211 independent charter schools compete for students. The Los Angeles district has lost about 100,000 students to independent charter schools, Fitch estimated.

By REUTERS

FEB. 26, 2016, 2:09 P.M. E.S.T.

(Reporting by Robin Respaut; Editing by Richard Chang)