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Dublin School District
City of Dublin and Laurens County Development Authority, Georgia; General Obligation; School State Program

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Credit Profile		
US$3.33 mil taxable lease rev bnds (Dublin City Sch Dist) (City Of Dublin Sch Dist Proj) ser 2013		
Long Term Rating	BBB-/Watch Neg	New

Rationale

Standard & Poor's Ratings Services assigned its 'BBB-' long-term rating to City of Dublin and Laurens County Development Authority, Ga.'s series 2013 taxable lease revenue bonds, issued for Dublin School District's capital project, and supported by the district through rental payments pursuant to a sublease. The rating is placed on CreditWatch with negative implications. In addition, Standard & Poor's affirmed its 'BBB' issuer credit rating (ICR) on the district, which remains on CreditWatch with negative implications, where it was placed Dec. 20, 2012.

The CreditWatch placement reflects the potential for another negative rating action based on Standard & Poor's uncertainty regarding the district's current liquidity position and its receipt of revenues to ensure sufficient cash flow to repay its short-term cash flow notes outstanding in a timely fashion.

The series 2013 bonds are special, limited obligations of the issuer secured by the revenues derived under the lease, sublease, and the loan agreement. The district has pledged its full faith and credit and taxing power for the payment of its obligations under the sublease. However, under Georgia statute for nonvoter-approved debt, the district can only levy up to a combined debt service and operation tax rate of 20 mills. Currently, the district's tax rate is at 19.7 mills; the additional 0.3 mill levy could potentially generate an estimated $200,000 in revenues. Given the limited nature of the district's revenue-raising flexibility to cover its annual lease payment of about $300,000 and its poor liquidity position (as detailed in the report published Dec. 20, 2012, on RatingsDirect on the Global Credit Portal) the series 2013 debt is rated one notch below the school ICR.

The 'AA+' long-term rating on the district's existing general obligation (GO) bonds are unaffected by the rating action.

The 'AA+' long-term rating reflects what we view as:

- The district's participation in Georgia's voluntary state aid intercept program;
- The district's pledge of special purpose local option sales tax (SPLOST); and
- Added enhancements to the authorizing bond resolution.

The 'BBB' school ICR reflects what we consider the district's:

- Negative general fund balance with historical reliance on tax anticipation notes to meet its cash flow needs;

- Lack of timely action to address significant structural deficiencies and weak liquidity;
- Limited revenue-raising flexibility; and
- Below-average income indicators, with elevated unemployment rates.

In Standard & Poor's opinion, these weaknesses are offset by the district's:

- Somewhat diverse local economy, which serves as a regional service and commercial center; and
- Moderate overall debt burden.

The district's obligation on the series 2013 sublease payment is not subject to annual appropriation. Greenavations Power Dublin LLC, a Delaware special purpose entity, will enter into a loan agreement with the issuer to borrow the bond proceeds to construct a solar photovoltaic electricity generation system to be located on the campus of Dublin High School.

Greenavations will be the owner of the project and will sublet it to Laurens County Public Facilities Authority (PFA) as lessee through an operating lease. PFA, in turn, will sublet the facility to the district as sublessee. All rental payments are assigned and paid directly to the bond trustee. The district is also responsible for all applicable taxes outstanding, insurance, maintenance, and repair costs of the project. The district's commitment to pay debt service survives termination of the sublease following an event of default. The district's obligation to make rental payments continues even if the project is damaged, destroyed, or inoperable.

The series 2010 and 2011 bonds are secured by the district's full faith and credit. Debt service on the bonds is payable first from the SPLOST then from unlimited ad valorem property taxes. While the annual SPLOST receipts are not sufficient to meet debt service, the difference is covered by the district's capital projects fund.

CreditWatch

The CreditWatch negative placement on the school ICR and long-term rating reflects Standard & Poor's view that there is uncertainty regarding the district's receipt of timely revenues sufficient to produce adequate cash levels to repay the district's short-term debt outstanding in a timely fashion. In the next 90 days, we will continue to monitor and review information provided by the district on the status of its current and projected liquidity position. Standard & Poor's could lower the rating further if, following the receipt of additional information on the district's liquidity, it determines that the district liquidity will be strained, or that the provisions related to external liquidity borrowings could cause a liquidity crunch. If the district is unable to maintain cash levels sufficient to meet short-term debt obligations outstanding on time, we could lower the rating further.

The stable outlook on the program enhancement rating reflects what we view as the strength of Georgia's state aid intercept structure.

Legal Structure

The bonds will be issued by the City of Dublin and County of Laurens Development Authority, a public body corporate under the Georgia law. Greenavations Power Dublin, a special purpose entity, will enter into a loan agreement with the bond issuer in return for the use of bond proceeds to construct the project. As owner of the project, Greenavations will also enter into a lease agreement with the Laurens County PFA that has a term of about 25 years. The PFA in turn will enter into an approximately 25-year sublease with the district, which commits the district to pay debt service in the form of base rentals and make other payments in the form of additional rentals to cover taxes and the costs of maintenance, repair, and insurance. The lessor's rights to the project and under the lease and sublease will be assigned to the bond trustee.

State of Georgia law prohibits the district from entering into long-term financial obligations without voter approval. However, the district is allowed to enter into a contract with another public body. The district has pledged its full faith and credit and taxing power for the payment of its obligations under the sublease. The payments are not subject to annual appropriation. The district is also required under the sublease to pay additional rentals to cover repair, maintenance, and insurance on the project.

Although the lease is an operating lease, it is not subject to termination for convenience, and can only be terminated upon the occurrence of certain events. The limited ability of the parties to terminate the lease and sublease allows us to rate the bonds using our general obligation criteria.

The lease and sublease can be terminated at the option of the PFA and district upon the district's payment of the purchase price of the project following the occurrence of substantial damage to the project, the destruction of the project, or the taking on of a substantial part of the project by a governmental entity under eminent domain. Any compensation or insurance payment to the district will be paid to the bond trustee. The district then has the option to purchase the remaining project by offering to purchase it at market value or at the redemption price of bonds, whichever is greater. The bonds will be redeemed pursuant to the trust indenture following the payment of the purchase price to the bond trustee. In the event that project owner Greenavations rejects the purchase price, the lease can be terminated. Although Greenavations can reject the purchase price offer and terminate the agreements, it can only do so with the consent of the trustee and a majority of bondholders.

Although the lease and sublease may terminate upon an event of default, the district's and PFA's obligations under the documents continue until the bonds are paid.

The district also has the option to purchase the project on certain dates at fair market value or at the redemption price, whichever is greater..The bonds will be redeemed pursuant to the trust indenture following the payment of the purchase price to the bond trustee.

Georgia State Intercept Program

Georgia's voluntary state aid intercept program, which was authorized by Georgia House Bill 792 in 1991, allows the state to withhold state aid funds for the payment of debt service on a school district's GO bonds. Under the program, the paying agent must notify the board if monies held in the sinking fund are insufficient for timely payment of principal and interest. Notification must be given no later than the 15th day of the month before the scheduled debt service payment date. On notification, the board will transfer to the paying agent the lesser of an amount sufficient to make the debt service payment or the balance of any funds due to the local school district under any state education appropriation authorized for the current fiscal year.

On a case-by-case basis, an 'AA+' rating is assigned if certain enhancements are added to individual bond resolutions for school bonds issued with and without the benefit of the special local option sales tax. These bonds carry the additional security of the SPLOST and meet the following conditions:

- Maintenance of at least 2x state aid maximum annual debt service (MADS) coverage; and
- An additional bonds test that requires at least 2x MADS coverage for all bonds outstanding and proposed bonds under the program.

Standard & Poor's calculates that fiscal 2011 state aid covers MADS by 3x.

Related Criteria And Research

- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008
- USPF Criteria: GO Debt, Oct. 12, 2006
- Legal Criteria for U.S. Structured Finance Transactions: Special-Purpose Entities, Oct. 1, 2006
- Structured Finance Transactions: Appendix III: Revised UCC Article 9 Criteria, Oct. 1, 2006

Ratings Detail (As Of December 28, 2012)		
Dublin Sch Dist		
Long Term Rating	AA+/Stable	Affirmed
School Issuer Credit Rating	BBB/Watch Neg	Affirmed