

**CREDIT OPINION**

9 January 2026



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# Regional SD 15 (Southbury & Middlebury), CT

## New Issue

### Summary

Regional School District 15 (Aa2) benefits from conservative financial management, the strong credit quality of its member towns, a large, strong, and stable tax base, and its very low leverage and fixed costs inclusive of current issuance. The district's credit profile is constrained by its modest financial reserves

### Credit strengths

- » Solid financial management
- » Conservative budgeting
- » Strong and stable tax base
- » Elevated Income and wealth levels

### Credit challenges

- » Relatively small enrollment that has declined slightly over the last several years
- » Modest financial reserves

### Rating outlook

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

### Factors that could lead to an upgrade

- » 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

- » 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

## Key indicators

Exhibit 1

### Regional S.D. 15 (Southbury & Middlebury), CT

	2021	2022	2023	2024	Aa Medians
<b>Economy</b>					
Resident income	160.5%	144.1%	148.5%	N/A	118.5%
Full value (\$000)	\$4,774,382	\$5,579,602	\$6,227,975	\$6,120,516	\$4,184,901
Population	27,483	27,601	27,709	N/A	32,217
Full value per capita	\$173,721	\$202,152	\$224,764	N/A	\$123,578
Enrollment	3,513	3,539	3,469	3,435	4,143
Enrollment trend	-1.1%	-0.8%	-1.9%	-0.7%	-1.0%
<b>Financial performance</b>					
Operating revenue (\$000)	\$95,425	\$84,838	\$94,110	\$98,691	\$76,434
Available fund balance (\$000)	\$2,364	\$2,382	\$1,080	\$2,348	\$21,177
Net cash (\$000)	\$7,388	\$7,055	\$4,350	\$6,179	\$26,035
Available fund balance ratio	2.5%	2.8%	1.1%	2.4%	29.2%
Net cash ratio	7.7%	8.3%	4.6%	6.3%	35.9%
<b>Leverage</b>					
Debt (\$000)	\$4,790	\$3,265	\$1,715	\$980	\$52,318
ANPL (\$000)	\$21,556	\$17,939	\$16,036	\$14,192	\$107,625
OPEB (\$000)	\$10,095	\$7,665	\$7,290	\$7,211	\$8,874
Long-term liabilities ratio	38.2%	34.0%	26.6%	22.7%	301.4%
Implied debt service (\$000)	\$466	\$336	\$228	\$119	\$3,696
Pension tread water (\$000)	\$1,257	\$1,040	\$1,217	\$1,148	\$1,705
OPEB contributions (\$000)	\$0	\$0	\$0	\$0	\$363
Fixed-costs ratio	1.8%	1.6%	1.5%	1.3%	9.8%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Regional S.D. 15 (Southbury & Middlebury), CT's financial statements and Moody's Ratings

## Profile

Regional School District 15 is located in New Haven County in west central Connecticut, approximately 20 miles northeast of New Haven.

## Detailed credit considerations

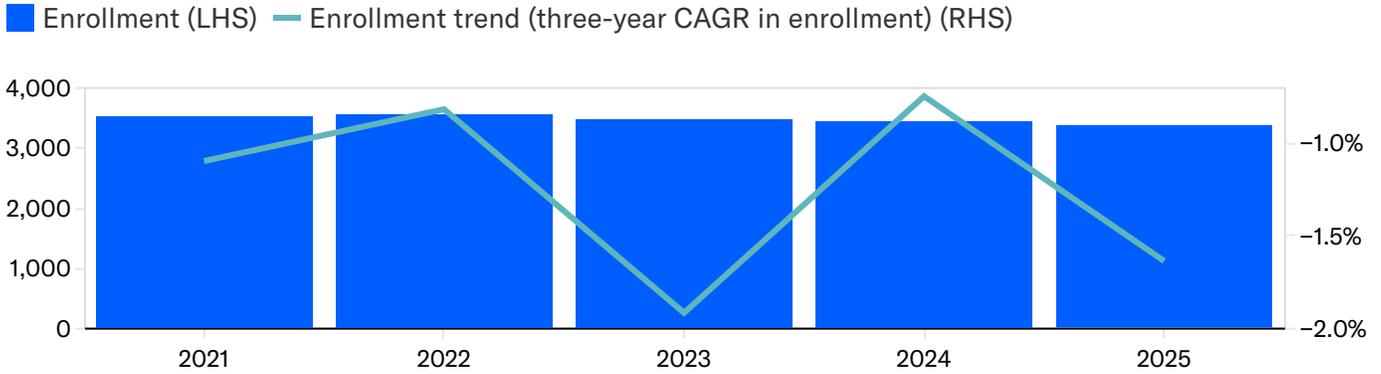
The district's stable financial operations are supported by strong fiscal management, conservative budgeting practices and an effective working relationship with its constituent towns: Middlebury, CT (Aa1) and Southbury, CT which levy property taxes on behalf of the district. The towns' strong credit profiles reflect their above average resident income and property wealth as well as their consistently balanced financial operations. The district's fund balance and liquidity are narrow, reflecting statutory limitations. Connecticut regional school districts are legally prohibited from holding budget surplus reserves, however a maximum of 2% of the operating budget can be transferred to a capital nonrecurring fund and/or the educational expense fund. This restriction, though offset to a degree by the constituent towns' financial reserves, limits the district's independent financial flexibility. District officials have indicated that FY 2025 will be a continuation of the recent trend of stable financial performance.

The district benefits from a strong local economy reflected in growing population and residential property value appreciation and a strong resident income profile. Although population in the towns is increasing, enrollment has recently been declining modestly. District officials currently project a modest enrollment increase over the next two school years.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody.com> for the most updated credit rating action information and rating history.

**Economy**

Exhibit 2  
**Enrollment has declined modestly over the last several years**



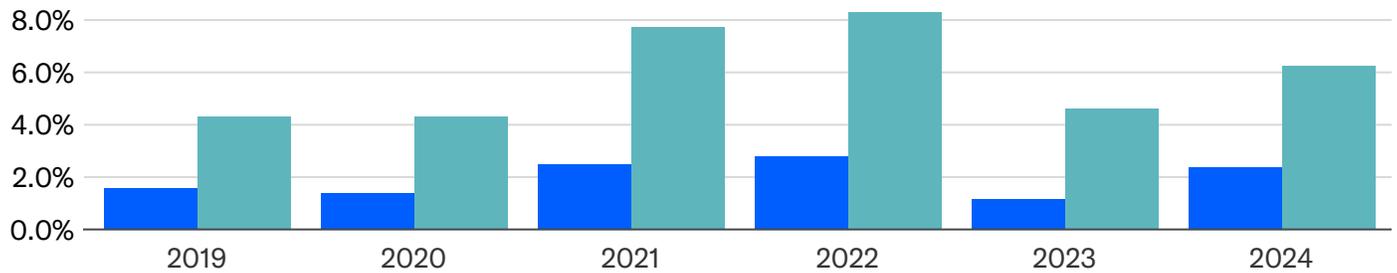
Source: state department of education; Moody's Ratings

**Financial operations**

In recent years the district's financial operations have been consistently balanced to positive, providing for transfers from the general fund to capital reserves to the extent permissible under Connecticut statute. Connecticut school districts are required by state statute to use all undesignated fund balance at the end of each fiscal year, which results in financial ratios lower than US medians.

Exhibit 3  
**Fund balance and liquidity are constrained by statute**

■ Fund Balance as a % of Revenues ■ Cash Balance as a % of Revenues



Source: Audited Financial Statements; Moody's Ratings

**Leverage**

The district's leverage and fixed costs are very low inclusive of current issuance plans. Following issuance of the Series 2026 Bonds, the district's long term liabilities will total approximately 22% of operating revenue. Additionally, leverage of the member towns, which are ultimately responsible to pay debt obligations of the district, is manageable. The district is in the midst of a five year capital program, approved in 2023 in the total amount of \$11.275 million. This program involves various building repairs, and facilities upgrades.

**Pensions and OPEB**

In Connecticut, K-12 teacher pension liabilities are carried entirely on the state's balance sheet. While teacher pension funding challenges have long been a credit challenge for the state, funding risks associated with Connecticut's Teachers' Retirement System have fallen in recent years because the state has lowered its reported discount rate and increased its contributions into the system.

## ESG considerations

### Environmental

Environmental considerations are not a driver for this rating.

### Social

Social considerations are not a driver for this rating.

### Governance

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.

Connecticut regional school districts have a strong ability to match revenues to expenditures. The bulk of district revenues are assessments (property taxes) collected by member towns, which are not subject to any caps. The remainder of revenues are provided by the state. The state typically provides for regular increases in aid but has modestly reduced allocations in some years.

## Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 4

### Regional S.D. 15 (Southbury & Middlebury), CT

	Measure	Weight	Score
<b>Economy</b>			
Resident Income (MHI Adjusted for RPP / US MHI)	148.5%	10.0%	Aaa
Full value per capita (full valuation of the tax base / population)	220,885	10.0%	Aaa
Enrollment trend (three-year CAGR in enrollment)	-1.6%	10.0%	A
<b>Financial performance</b>			
Available fund balance ratio (available fund balance / operating revenue)	2.4%	20.0%	Ba
Net cash ratio (net cash / operating revenue)	6.3%	10.0%	Baa
<b>Institutional framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	32.6%	20.0%	Aaa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	1.3%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			A1
<b>Assigned Rating</b>			

The complete list of outstanding ratings assigned to the Regional S.D. 15 (Southbury & Middlebury), CT is available on their [issuer page](#). Details on the current ESG scores assigned to the Regional S.D. 15 (Southbury & Middlebury), CT are available on their [ESGView page](#).

Sources: US Census Bureau, Regional S.D. 15 (Southbury & Middlebury), CT's financial statements and Moody's Ratings

## Appendix

Exhibit 5

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
<b>Financial performance</b>		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
<b>Leverage</b>		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

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