



Rating Action: Moody's assigns Aa3 UND/Aaa ENH to Seguin ISD, TX's GOULT, Ser. 2023A

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New York, June 28, 2023 -- Moody's Investors Service has assigned Aa3 underlying and Aaa enhanced ratings to Seguin Independent School District, TX's proposed \$7.5 million Unlimited Tax School Building Bonds, Series 2023A. Moody's maintains the district's Aa3 issuer rating and the Aa3 underlying rating on its outstanding general obligation unlimited tax (GOULT) debt. Post-sale, the district will have approximately \$210 million in general obligation unlimited tax debt outstanding.

RATINGS RATIONALE

The Aa3 issuer rating reflects the district's large, growing tax base, strong reserves, and improving enrollment trend. The rating also considers the district's slightly elevated leverage which is expected to increase given additional issuance plans.

The Aa3 assigned to the district's general obligation unlimited tax bonds is the same as the district's issuer rating based on its unlimited property tax pledge dedicated to pay debt service.

The Aaa enhanced rating is based on the rating of the Texas Permanent School Fund (PSF) and the structure and legal protections of the transaction which provide for timely payment by the PSF if necessary. Moody's currently rates the Texas Permanent School Fund Aaa.

RATING OUTLOOK

Moody's does not generally assign outlooks to local government issuers with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improved resident income levels
- Decrease in debt and long-term liabilities ratio
- Not applicable (enhanced)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Trend of imbalanced operations that narrows reserves and liquidity
- Additional leverage absent corresponding revenue growth
- Rating downgrade of the Texas Permanent School Fund (enhanced)

LEGAL SECURITY

The bonds are secured by an annual ad valorem tax, levied against all taxable property in the district without legal limitation as to rate or amount. The bonds are further secured by the Texas Permanent School Fund's commitment to pay debt service if necessary.

USE OF PROCEEDS

Proceeds from the sale of the Series 2023A bonds will be used for athletic improvements.

PROFILE

Seguin Independent School District is in Guadalupe County in south central Texas, approximately 35 miles east of San Antonio. The district's enrollment in fiscal 2023 was 7,209.

METHODOLOGY

The principal methodology used in the underlying rating was US K-12 Public School Districts Methodology published in January 2021 and available at <https://ratings.moodys.com/rmc-documents/70054>. The principal methodology used in the enhanced rating was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moodys.com/rmc-documents/386295>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

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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