

# MOODY'S

## INVESTORS SERVICE

### Rating Action: Moody's assigns Aa3 UND/Aaa ENH to Seguin ISD, TX'S GOs, Ser. 2021

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31 Dec 2020

New York, December 31, 2020 -- Moody's Investors Service has assigned a Aa3 underlying rating and Aaa enhanced rating to Seguin Independent School District, TX's \$30 million Unlimited Tax School Building Bonds, Series 2021. We maintain the Aa3 on the district's outstanding general obligation debt.

#### RATINGS RATIONALE

The Aa3 rating reflects the district's large tax base, a strong and relatively stable financial position, and manageable fixed costs. These credit strengths partially offset additional rating considerations including an elevated debt burden, moderate pension liability, and trend of modestly declining enrollment.

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 stable.

#### RATING OUTLOOK

Outlooks are not usually assigned to local governments with this amount of debt outstanding.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Substantial tax base expansion
- Decline in debt burden
- N/A (enhanced)

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Additional debt absent corresponding tax base growth
- Enrollment loss that leads to operational imbalance
- Downgrade of the Texas Permanent School Fund (enhanced)

#### LEGAL SECURITY

The Bonds are secured by and payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, in an amount sufficient to provide for the payment of debt service. 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 bonds will be used to update the current Briesemeister Middle School, Jefferson Elementary School, and Matador Stadium; outdoor recreation improvements at all existing elementary schools; and acquire land for a new elementary school.

#### PROFILE

Seguin Independent School District is located in Guadalupe County in south central Texas, approximately 35 miles east of San Antonio. The county has a population of 155,137 and a moderate population density of 218 people per square mile. The district's enrollment in 2020 was 7,226.

#### METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in July 2020 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1230443](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1230443). The principal methodology used in the enhanced rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1068154](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1068154). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.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 at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1243406](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1243406).

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