

Rating Action: Moody's assigns Aaa underlying to Austin ISD, TX's new GO bonds, enhanced Aaa to Series 2022 A, B and D

18 Jan 2022

New York, January 18, 2022 -- Moody's Investors Service has assigned a Aaa underlying rating to Austin Independent School District, TX's \$92.9 million Unlimited Tax School Building Bonds, Series 2022A; \$101.6 million Unlimited Tax Refunding Bonds, Series 2022B; \$29.1 million Unlimited Tax Refunding Bonds, Series 2022C (Non-PSF); \$50.8 million Unlimited Tax Refunding Bonds, Taxable Series 2022D; and \$80.3 million Unlimited Tax Refunding Bonds, Taxable Series 2022E (Non-PSF). Moody's has also assigned a Aaa enhanced rating to the Series 2022A, Series 2022B, and Series 2022D bonds. Moody's maintains the district's Aaa issuer rating and the Aaa underlying rating on its outstanding general obligation unlimited tax (GOULT) debt. The issuer rating reflects the district's ability to repay debt and debt-like obligations without consideration of any pledge, security or structural features. The outlook on the district's underlying ratings is stable. Post issuance, the district will have \$1.6 billion of total debt outstanding.

RATINGS RATIONALE

The Aaa issuer rating reflects the district's large local economy with notable institutional presence, above-average adjusted income indices and strong full value per capita. While the three-year enrollment trend is negative, the pace of decline should moderate as the pandemic abates. The district has strong financial operations despite being subject to large and growing wealth recapture payments back to the state. Although available reserve metrics are below peers, they are much stronger compared to the district's true operations net of the recapture payment and will stabilize in the current fiscal year (June 30 year-end) because of significant federal stimulus funding. The rating also reflects the district's manageable long-term liabilities and fixed cost profiles, which are below peers.

The Aaa 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

The stable outlook on the underlying ratings is based on the strength of the local economy coupled with our expectation that significant federal funding allocated to the district and its sophisticated and forward-looking management team will achieve structurally balanced financial operations in fiscal 2022 and stabilize the district's financial operations and reserves. Additionally, the stable outlook reflects our expectation that the district's long term liabilities and fixed costs will remain favorable relative to peers.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Not applicable (N/A)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Weakened financial performance leading to further erosion of reserves
- Continued trend of declining enrollment without corresponding expenditure management
- Significant increase in long-term liabilities or fixed costs
- Weakened property wealth or resident incomes
- Rating downgrade of the Texas Permanent School Fund (enhanced)

LEGAL SECURITY

The bonds are payable from a dedicated ad valorem tax levied by the district on all taxable property without limitation as to rate or amount. Certain series of outstanding bonds are further payable from the Texas Permanent School Fund's commitment to pay debt service if necessary.

USE OF PROCEEDS

The Series 2022A bonds will finance renovations, repairs, and upgrades to various school buildings.

The Series 2022B bonds will refund a portion of the outstanding Series 2016B GOULT bonds for net present value savings with no extension of final maturity.

The Series 2022C bonds will refund a portion of the outstanding Series 2016C GOULT bonds for net present value savings with no extension of final maturity.

The Series 2022D bonds will refund a portion of the outstanding Series 2014A and Series 2014B GOULT bonds for net present value savings with no extension of final maturity.

The Series 2022E bonds will refund a portion of the outstanding Series 2014B and Series 2015B GOULT bonds for net present value savings with no extension of final maturity.

PROFILE

Austin Independent School District is a public school district located within Travis County (Aaa stable) in central Texas (Aaa stable). The district provides K-12 educational services to the Austin, TX (Aa1 stable) area; its boundaries extend several miles beyond the corporate limits of the city to the north and south, but there are small areas to the east and west where the city limits extend beyond the district's boundaries. In 2021, the district's enrollment was roughly 75,000.

METHODOLOGY

The principal methodology used in the underlying ratings was US K-12 Public School Districts Methodology published in January 2021 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1202421. The principal methodology used in the enhanced ratings 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.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1068154. Alternatively, please see the Rating Methodologies page on www.moody.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.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Nathan Phelps
Lead Analyst
REGIONAL_SOUTHWEST
Moody's Investors Service, Inc.
Plaza Of The Americas
600 North Pearl St. Suite 2165
Dallas 75201
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

David Strungis
Additional Contact
REGIONAL_MIDWEST
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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