

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aaa UND & Aaa ENH to Austin ISD, TX's GOULT bonds, Series 2020; outlook stable

17 Aug 2020

New York, August 17, 2020 -- Moody's Investors Service has assigned Aaa underlying and Aaa enhanced ratings to Austin Independent School District, TX's \$252.4 million Unlimited Tax School Building Bonds, Series 2020. The Aaa enhanced rating reflects the guarantee of the Texas Permanent School Fund (PSF). Moody's maintains the Aaa underlying rating on the district's outstanding general obligation unlimited tax debt, amounting to roughly \$1.4 billion post sale. The outlook is stable.

RATINGS RATIONALE

The Aaa underlying rating reflects the district's large local economy with strong institutional presence, which has driven rapid assessed value growth. The rating also incorporates the district's strong financial operations despite being subject to large and growing wealth recapture payments back to the state. The rating further reflects the very manageable debt, pension, and fixed cost profiles.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action. We do not see any material immediate credit risks for Austin Independent School District given healthy financial reserves. However, the situation surrounding Coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the district changes, we will update the rating and/or outlook at that time.

The Aaa enhanced rating is based on the rating of the Texas Permanent School Fund 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 with a stable outlook.

RATING OUTLOOK

The stable outlook is based on the strength of the tax base coupled with the sophisticated and forward-looking management team will lead to a continuation of healthy financial operations and reserve levels.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Poor financial performance leading to a weakening of reserve levels
- Trend of declining taxable values
- Significant increase in debt absent taxable value growth
- Rating downgrade of the Texas Permanent School Fund (enhanced)

LEGAL SECURITY

The bonds constitute direct obligations of the district, payable as to principal and interest from the proceeds of a continuing direct annual ad valorem tax levied by the district, without legal limit as to rate or amount, on all taxable property within the district. 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 for the construction, acquisition and equipment of school building and to purchase the necessary sites therefore; and to pay costs of issuance of the bonds.

PROFILE

Austin Independent School District is a political subdivision located in central Texas (Aaa stable) wholly within

Travis County (Aaa stable). The district provides K-12 educational services to the City of Austin (Aaa negative) area and enrolls roughly 80,000 students.

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. 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. Alternatively, please see the Rating Methodologies page on 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.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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_1133569.

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