

MOODY'S

INVESTORS SERVICE

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

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. 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.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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_1243406.

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