

Rating Action: Moody's assigns Aa1 UND/Aaa ENH to College Station ISD, TX's GOULT bonds

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New York, January 14, 2022 -- Moody's Investors Service has assigned Aa1 underlying and Aaa enhanced ratings to College Station Independent School District, TX's \$78 million Unlimited Tax School Building Bonds, Series 2022. Moody's maintains the district's issuer and general obligation unlimited tax (GOULT) ratings at Aa1. The issuer rating reflects the district's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. Post issuance, the district has approximately \$366 million of GOULT debt outstanding.

RATINGS RATIONALE

The Aa1 issuer rating reflects the district's growing economy anchored by the significant institutional presence of Texas A&M University's flagship campus. The rating also incorporates the stable financial operation with healthy reserves, although weaker than similarly rated peers. The rating also considers the district's high yet manageable debt burden and fixed costs, which are both attributable to enrollment growth.

The Aa1 underlying rating assigned to the district's GOULT bonds is equivalent to the Aa1 issuer rating based on its pledge of an unlimited property tax that is dedicated for debt service and levied upon all taxable property within the district.

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. The Texas Permanent School Fund is rated Aaa.

RATING OUTLOOK

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

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Material moderation of total leverage
- Trend of surplus operations leading to significantly bolstered reserves

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Material increases in leverage
- Inability to maintain operating reserves consistent with the current rating

LEGAL SECURITY

The bonds are payable by a direct and continuing ad valorem tax levied by the district on all taxable property without limitation as to rate or amount. All of the district's bonds previously rated by Moody's are further payable by the Texas Permanent School Fund's commitment to pay debt service if necessary.

USE OF PROCEEDS

The proceeds of the Series 2022 bonds will be used to fund various capital projects on the school facilities and purchases of school sites and vehicles.

PROFILE

College Station Independent School District is located in Brazos County and benefits significantly from the institutional presence of the Texas A&M University System. The district provides K-12 educational services to approximately 14,200 students.

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://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1202421. 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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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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