

Research Update:

# Agua Dulce Independent School District, TX Series 2025 Unlimited-Tax School Building Bonds Assigned 'A' Rating

July 21, 2025

## Overview

- S&P Global Ratings assigned its 'AAA' long-term rating and 'A' underlying rating to [Agua Dulce Independent School District](#) (ISD), Texas's approximately \$15 million series 2025 unlimited-tax school building bonds.
- At the same time, we affirmed our 'A' underlying rating on the district's general obligation (GO) debt outstanding.
- The outlook is stable.
- The rating reflects the application of our criteria, "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

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## Rationale

### Security

The bonds are payable from an unlimited ad valorem tax levied on all taxable property in the district.

The bond proceeds will fund various capital improvements throughout the school district.

The 'AAA' rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund (PSF) bond guarantee program, which provides debt-service payments on program-guaranteed bonds, secured by the Texas PSF bond guarantee program. (For more information on the program rating, see "[Texas Permanent School Fund](#)," July 3, 2024 on RatingsDirect.)

### Credit highlights

Agua Dulce Independent School District's rating reflects its healthy reserve position compared to the size of the budget, offset by its concentrated tax base and growing debt burden.

The district is located in Nueces County, approximately 40 miles from Corpus Christi. The majority of residents commute to Corpus Christi for employment opportunities or participate in agricultural activity within the district. The tax base is concentrated, in our view, with the 10 largest taxpayers accounting for approximately 52.8% of maintenance & operations (M&O) net taxable assessed value. The concentration in the tax base presents inherent risk to the district's credit factors; however, a number of the taxpayers are oil-and-gas pipelines, which are relatively stable, and management does not anticipate any changes to top taxpayers or employers at this time. The district's economic metrics are further characterized by below-average incomes compared to county and national levels, and the district's local population has declined in recent years.

The district's financial performance has fluctuated in recent years, primarily due to cash-funding capital projects. In fiscal year 2024, the district reported a general fund deficit of \$145,000, or 2.5% of general fund revenue. This result brought reserves to \$2.4 million, or 41.4% of general fund revenue. In fiscal year 2025, management anticipates an operating surplus of approximately \$160,000 and, due to increased state funding, a surplus of approximately \$500,000 in fiscal 2026. Given the positive results budgeted over the next two years, we expect reserve levels to increase over the two-year outlook period.

Additional rating factors include our view of the district's:

- Average gross county product and per capita personal income compared to peers, but below-average at 85.8% and 81.9%, respectively, compared to national averages. Local incomes are below county levels, which we incorporated into our analysis along with a declining local population; however, assessed value in the district has continued to grow consistently and a new housing development could bring additional population and revenue into the district in coming years;
- Varying financial performance in recent years, with fluctuations due to capital spending recently, and maintenance of strong reserves compared to the budget size;
- Adequate financial management policies and practices that include monthly financial and investment reporting, an informal reserve policy, and conservative budgeting practices. Management is taking measures to mitigate cyber security risk, although the district lacks a debt management policy and formalized long-term capital or financial planning;
- Currently low debt service costs, which we expect will remain low despite the new issuance due to very slow amortization, with only about 16% of principal retiring in 10 years, which we incorporate into our analysis. In addition, per capita debt levels are elevated given the small population size; however, the district has no future debt plans at this time; and
- Limited near-term credit risk tied to pension and other postemployment benefits because the state contributes a sizeable share of the employer contributions and is responsible for the proportionate share of the unfunded liability (for more information on Texas' pension landscape, see "[Pension Spotlight: Texas](#)," April 4, 2023).
- For more information on our institutional framework assessment for Texas school districts, see "[Institutional Framework Assessment: Texas Local Governments](#)," Sept. 9, 2024.

## **Environmental, social, and governance**

Given its location within 50 miles of the Texas coast, the district, similar to other districts in the area, could be vulnerable to extreme weather events that we believe expose it to environmental risks that are above the sector standard. However, given the district's reserve levels, we believe

management is prepared to navigate through fiscal challenges related to extreme weather events in the future. We also analyzed the district's social and governance factors and determined that they are neutral in our analysis.

## Outlook

The stable outlook reflects our expectation that Agua Dulce ISD will maintain stable financial operations. As a result, we do not anticipate a rating action over the two-year outlook period.

### Downside scenario

We could lower the rating if the district's financial position deteriorates to a level no longer comparable with that of peers due to either consistent revenue and expenditure mismatches or one-time capital spending.

### Upside scenario

We could raise the rating if the district's current taxpayer and sector concentration diversifies materially and if the local economy expands, increasing wealth and income levels, and if the district reports consistently positive financial operating results and adopts additional formalized financial management planning and practices.

### Agua Dulce Independent School District, Texas--Credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	3.30
Economy	6.0
Financial performance	3
Reserves and liquidity	1
Management	3.00
Debt and liabilities	3.50

### Agua Dulce Independent School District, Texas--Key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Real GCP per capita % of U.S.	86	--	86	82
County PCPI % of U.S.	82	--	82	81
Market value (\$000s)	231,317	240,950	214,116	195,488
Market value per capita (\$)	155,979	162,475	144,380	114,254
Top 10 taxpayers % of taxable value	52.8	59.1	54.5	47.9
County unemployment rate (%)	4.2	4.2	4.2	4.7
Local median household EBI % of U.S.	63	--	63	76
Local per capita EBI % of U.S.	52	--	52	60
Local population	1,483	--	1,483	1,711
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	5,893	5,460	5,449
Operating fund expenditures (\$000s)	--	6,038	6,657	5,219
Net transfers and other adjustments (\$000s)	--	--	--	--

## Agua Dulce Independent School District, Texas--Key credit metrics

	Most recent	2024	2023	2022
<b>Economy</b>				
Operating result (\$000s)	--	(145)	(1,197)	230
Operating result % of revenues	--	(2.5)	(21.9)	4.2
Operating result three-year average %	--	(6.7)	(1.4)	9.9
Enrollment	--	391	408	400
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	41.4	29.0	51.0
Available reserves (\$000s)	--	2,438	1,583	2,780
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	7.7	6.8	3.7
Net direct debt per capita (\$)	11,614	2,164	2,576	2,417
Net direct debt (\$000s)	17,224	3,209	3,820	4,135
Direct debt 10-year amortization (%)	16	45	--	--
Pension and OPEB cost % of revenues	--	2.0	2.0	2.0
NPLs per capita (\$)	--	1,004	1,129	903
Combined NPLs (\$000s)	--	1,489	1,675	1,545

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

### Ratings List

#### New Issue Ratings

US\$15.0 mil unlttd tax sch bldg bnds ser 2025 dtd 08/13/2025 due 08/15/2055

Long Term Rating AAA/Stable

Underlying Rating for Credit Program A/Stable

#### Ratings Affirmed

#### Local Government

Agua Dulce Indpt Sch Dist, TX Unlimited Tax General Obligation A/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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