

CREDIT OPINION

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Send Your Feedback

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Columbus Independent School District, TX

New Issuer

Summary

[Columbus ISD, TX's](#) (Aa3) credit profile benefits from the district's strong financial performance reflected in the 54.3% available fund balance ratio, modest enrollment growth and, inclusive of Series 2024 bonds, modest long-term liabilities that comprise 158% of revenue at fiscal 2023 year-end (August 31). The district currently faces challenges resulting from an undervaluation of property according to the state comptroller, which will result in the district receiving less state funding. If the district's appeal of the undervaluation is unsuccessful, projected deficits will reduce operating reserves in fiscal 2024 and 2025, though they will remain greater than 40% of revenue based on current district estimates, which is well above peers. The district's tax base has moderate taxpayer concentration across the oil and gas and manufacturing industries, though adjusted resident income is solid, and in line with the national median. The district's solid governance allows the district to maintain strong reserve levels providing the ability to weather short-term revenue disruptions, such as the impact the failed property value study may have on state revenue.

On June 26, 2024, Moody's assigned an initial Aa3 issuer rating and a Aa3 underlying general obligation unlimited tax (GOULT) rating to the district's Series 2024 bonds.

Credit strengths

- » Modest long-term liabilities and fixed costs
- » Growing enrollment trend supported by ongoing residential development

Credit challenges

- » Heavily depreciated capital assets
- » Uncertainty surrounding state funding levels resulting from the failure of the property value study by the Colorado County Appraisal District

Rating outlook

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

Factors that could lead to an upgrade

- » Maintenance of fund balance and liquidity ratios above 50% and resolution of property value issues
- » Continued economic expansion that supports improvements to resident income

Factors that could lead to a downgrade

- » An unfavorable outcome in the property values study appeal resulting in larger than anticipated deficits
- » Increase in the long-term liabilities ratio above 250%

Key indicators

Exhibit 1

Columbus Independent School District, TX

	2020	2021	2022	2023	Medians
Economy					
Resident income	95.5%	99.3%	100.3%	N/A	117.7%
Full value (\$000)	\$1,202,198	\$1,258,610	\$1,479,643	\$1,532,281	\$4,116,112
Population	9,864	9,698	9,653	N/A	33,491
Full value per capita	\$121,877	\$129,780	\$153,283	N/A	\$118,409
Enrollment	1,543	1,536	1,580	1,610	4,140
Enrollment trend	-0.6%	-0.1%	0.8%	1.4%	-1.1%
Financial performance					
Operating revenue (\$000)	\$18,034	\$17,971	\$19,338	\$19,764	\$72,169
Available fund balance (\$000)	\$11,423	\$11,026	\$11,058	\$10,725	\$19,387
Net cash (\$000)	\$11,407	\$11,731	\$11,429	\$10,507	\$23,204
Available fund balance ratio	63.3%	61.4%	57.2%	54.3%	28.9%
Net cash ratio	63.3%	65.3%	59.1%	53.2%	33.5%
Leverage					
Debt (\$000)	\$9,252	\$8,241	\$6,383	\$4,239	\$52,993
ANPL (\$000)	\$16,051	\$15,911	\$14,306	\$11,693	\$126,556
OPEB (\$000)	\$5,124	\$4,156	\$3,702	\$2,565	\$9,318
Long-term liabilities ratio	168.7%	157.5%	126.1%	93.6%	339.9%
Implied debt service (\$000)	\$736	\$663	\$578	\$446	\$3,664
Pension tread water (\$000)	\$398	\$409	\$261	\$452	\$3,207
OPEB contributions (\$000)	\$83	\$88	\$97	\$97	\$333
Fixed-costs ratio	6.7%	6.5%	4.8%	5.0%	12.2%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Columbus Independent School District, Tx's financial statements and Moody's Ratings

Profile

Columbus ISD is located primarily in Colorado County, approximately 75 miles west of the city of [Houston](#) (Aa3 stable). The district provides public K-12 education to roughly 1,630 students. The estimated population is 9,700.

Detailed credit considerations

The district's economy will expand, driving modest enrollment increases, as demand for residential housing in the area grows. The district's local economy is largely rural, centered around the [City of Columbus](#) (A1). Agriculture, oil & gas, and construction and manufacturing are the primary industries throughout the district. Adjusted resident income in the district is level with the US median household income. Full value per capita improved to nearly \$175,000 from \$107,000 in fiscal 2019, reflecting an 8.6% average annual growth in assessed valuation (AV) over the past five years, reaching \$1.3 billion in fiscal 2024. The top 10 taxpayers account for a moderate 17.5% of the total taxbase and are comprised primarily of oil & gas-related firms, a power plant and various commercial and manufacturing firms. The district's enrollment is growing by an average of 1.4% over the past three years. Management anticipates enrollment growth will remain modest over the next several years, but plan a demographic study in two to three years, as residential development is expected to increase, as demand for housing pushes further west in the Houston MSA.

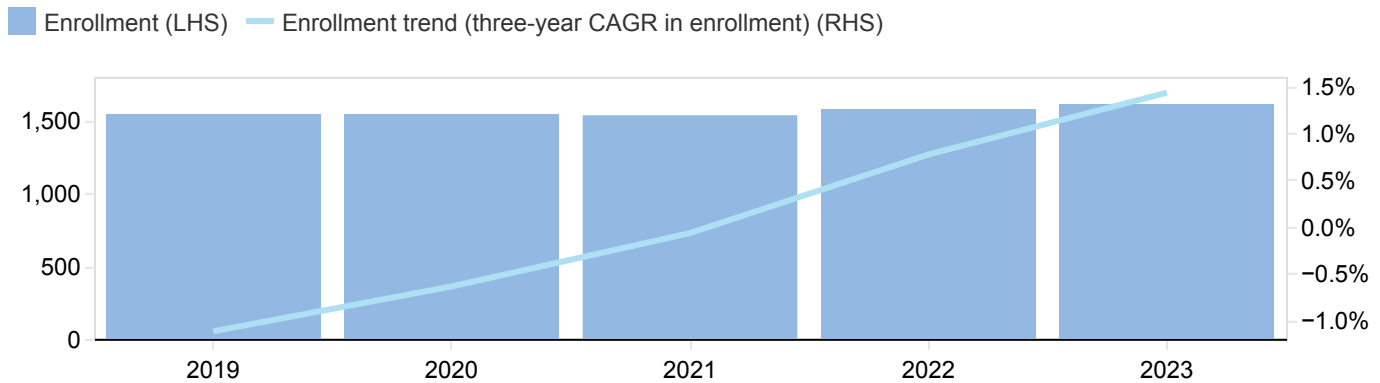
This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

Although the district expects budgetary challenges as a result of lower than anticipated state revenue in fiscal 2024 and 2025, strong financial operations will keep reserves and liquidity healthy over the near-term. The district's financial reserves have exceeded 50% of revenue in each of the past five years as management has maintained an available fund balance between \$9.2 million and \$10 million. However, that financial performance may be challenged, as the Colorado County Appraisal District failed the state comptroller's property value study, which lowers the amount of state funding the district receives. The district is appealing the results of the property value study. Lower state revenues could ultimately lead to declines in fund balance by roughly \$710,000 in fiscal 2024 and up to \$1.1 million in fiscal 2025. If both deficits are fully realized, the district's fund balance will remain above 40% of revenue, indicative of its robust financial performance and ability to weather short-term financial disruptions.

The district's modest leverage will remain so, with no concrete plans to approach voters over the next several years. However, the district's capital were 61.7% depreciated at fiscal 2023 year-end, and will likely require an approach to voters for additional authorization to achieve sufficient funding for needed renovations. Enrollment is also expected to increase as demand for housing in the Houston MSA moves westward towards the district, driving additional capital needs. Including the upcoming issuance, the district's leverage (including debt, adjusted net pension liability and adjusted net other post-employment benefits [OPEB]) will total a modest 158% of fiscal 2023 revenue. Adjusted fixed costs, which includes implied debt service, Moody's pension tread water indicator, and the district's OPEB contribution, totaled a modest 5% at fiscal 2023 year-end, but are expected to increase to nearly 9% as the district begins paying debt service on the Series 2024 bonds during fiscal 2025.

Exhibit 2

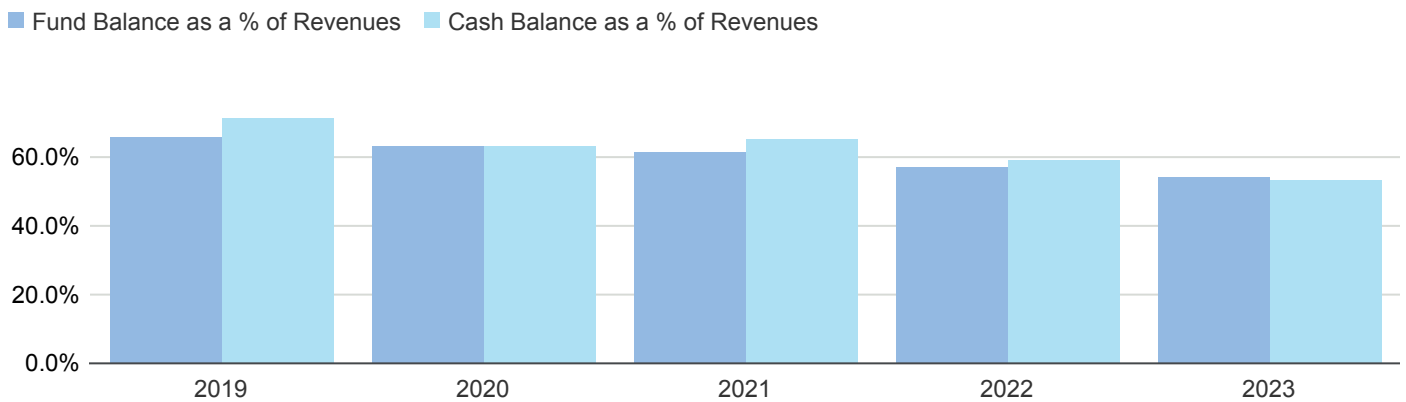
Enrollment has increased modestly over the past several years



Source: Moody's Ratings

Exhibit 3

The district's fund balance and cash balance remain strong as a percent of revenue, despite some recent declines



Source: Columbus ISD, TX's audited financial statements & Moody's Ratings

ESG considerations

Environmental

The local government sector generally has low exposure to environmental risks. The district's exposure to environmental risks is elevated compared to peer school districts nationwide, with exposure to water stress, heat, extreme rainfall, and hurricane risks. Favorably, federal and state governments help mitigate these exposures. The US government continues to provide substantial assistance via its Federal Emergency Management Agency (FEMA) in the wake of large storms. The State of Texas has taken action to help mitigate water stress risk within its borders by issuing general obligation debt through the Texas Water Development Board (TWDB) since the 1950s to finance a variety of water conservation and supply projects.

Social

Social considerations are material to all school district ratings, with factors such as demographics, labor force, income and education influencing the district's economy, financial and leverage trends. Resident income is in line with the national median, when adjusting for regional price parity.

Governance

The district is governed by a seven-member board of trustees. Policymaking and supervisory functions are the responsibility of, and are vested in, the board. The board delegates administrative responsibilities to the superintendent of schools who is the chief administrative officer of the district.

Texas school districts have an Institutional Framework score¹ of Aa. The state controls school district revenue through an equalized funding formula consisting of a combination of local property taxes and state aid. Property tax revenue growth is capped at 2.5% annually, but school districts can approach voters for mill levy overrides that can generate meaningful additional locally determined operating revenue.

Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits. The difference between the assigned Aa3 issuer and underlying GOULT ratings and Aa1 scorecard indicated outcome reflects uncertainty around state revenue as a result of the failed property value study.

Exhibit 4

Columbus Independent School District, TX

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	100.3%	10.0%	Aa
Full value per capita (full valuation of the tax base / population)	174,782	10.0%	Aa
Enrollment trend (three-year CAGR in enrollment)	1.4%	10.0%	Aa
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	54.3%	20.0%	Aaa
Net cash ratio (net cash / operating revenue)	53.2%	10.0%	Aaa
Institutional framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	158.0%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	5.0%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa1
Assigned Rating			Aa3

The complete list of outstanding ratings assigned to the Columbus Independent School District, Tx is available on their [issuer page](#). Details on the current ESG scores assigned to the Columbus Independent School District, Tx are available on their [ESGView page](#).

Sources: US Census Bureau, Columbus Independent School District, Tx's financial statements and Moody's Ratings

Appendix

Exhibit 5

Key Indicators Glossary

	Definition	Typical Source*
Economy		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Investors Service
Financial performance		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
Leverage		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Investors Service
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Investors Service
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Investors Service
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Investors Service
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

Endnotes

- The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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