

CREDIT OPINION

1 July 2024



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Beeville Independent School District, TX

New issuer

Summary

The credit profile of [Beeville Independent School District, TX](#) (A1) benefits from prudent financial management with a history of solid financial reserves. The district has been able to cash fund numerous capital projects while maintaining solid reserves with the district's fund balance and cash reserves reaching 37% and 40% of operating revenue, respectively in fiscal 2023. The district's long-term liabilities ratio is manageable at 251% of fiscal 2023 revenue, inclusive of the Series 2024 bonds, and is expected to remain below similarly rated peers after the issuance of the remaining authorized issuance in fiscal 2025. The credit profile is constrained by the district's trend of declining enrollment as well as resident incomes and full value per capita that lag peers.

On July 1, we assigned an initial A1 issuer rating to the district and an initial A1 general obligation unlimited tax rating to the Series 2024 bonds.

Credit strengths

- » Prudent fiscal management and solid financial reserves
- » Manageable leverage below similarly rated peers

Credit challenges

- » Trend of declining enrollment
- » Below average resident income levels

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

- » Trend of increasing enrollment
- » Improved resident income and property wealth levels comparable to Aa3 rated peers
- » Sustained moderation of long-term liabilities below 200%

Factors that could lead to a downgrade

- » Operating deficits leading to declines in financial reserves below 30% of operating revenue
- » Increase in long-term liabilities ratio exceeding 400% of operating revenue

Key indicators

Exhibit 1

Beeville Independent School District, TX

	2020	2021	2022	2023	A Medians
Economy					
Resident income	78.4%	79.5%	75.6%	N/A	94.2%
Full value (\$000)	\$854,067	\$834,302	\$885,987	\$1,027,756	\$1,256,674
Population	27,288	26,392	26,144	N/A	14,009
Full value per capita	\$31,298	\$31,612	\$33,889	N/A	\$89,557
Enrollment	3,253	3,157	3,010	3,097	1,854
Enrollment trend	-1.1%	-1.6%	-3.3%	-1.6%	-1.6
Financial performance					
Operating revenue (\$000)	\$33,233	\$33,945	\$35,885	\$35,984	\$28,951
Available fund balance (\$000)	\$14,149	\$15,699	\$15,239	\$13,419	\$7,086
Net cash (\$000)	\$15,852	\$17,763	\$13,140	\$14,291	\$8,074
Available fund balance ratio	42.6%	46.2%	42.5%	37.3%	24.8%
Net cash ratio	47.7%	52.3%	36.6%	39.7%	28.3%
Leverage					
Debt (\$000)	\$13,919	\$19,134	\$17,509	\$15,812	\$22,102
ANPL (\$000)	\$36,629	\$45,257	\$36,561	\$30,055	\$60,828
OPEB (\$000)	\$10,745	\$9,196	\$8,278	\$5,482	\$3,836
Long-term liabilities ratio	184.4%	216.8%	173.7%	142.7%	374.3%
Implied debt service (\$000)	\$1,116	\$997	\$1,342	\$1,223	\$1,553
Pension tread water (\$000)	\$1,023	\$1,167	\$671	\$1,226	\$1,533
OPEB contributions (\$000)	\$198	\$197	\$207	\$230	\$143
Fixed-costs ratio	7.0%	7.0%	6.2%	7.4%	12.9%

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, Beeville Independent School District, Tx's financial statements and Moody's Ratings

Profile

Beeville Independent School District is located in Bee County, Texas, approximately 90 miles southeast of [San Antonio](#) (Aaa stable). The district provides public K-12 education and has a current enrollment of approximately 3,100.

Detailed credit considerations

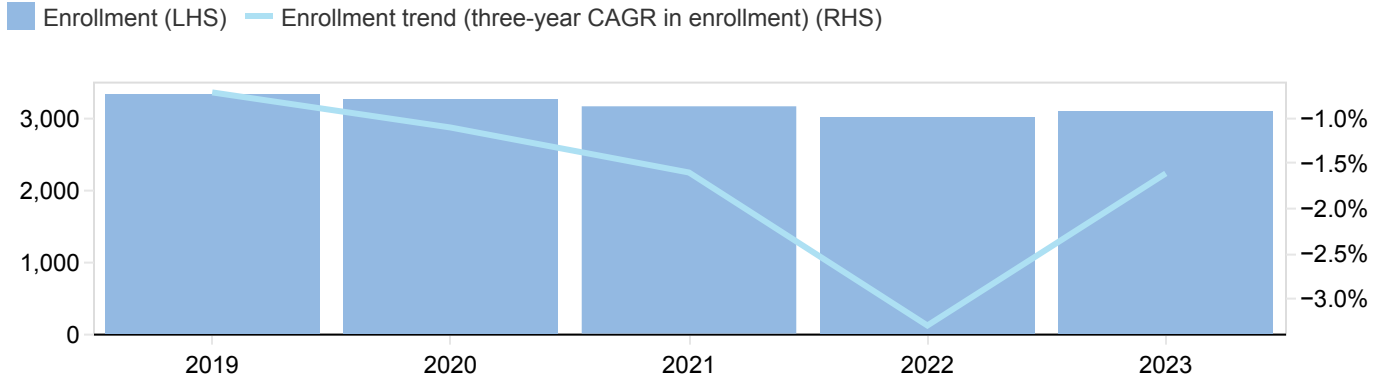
Beeville Independent School District is located near the Texas Gulf Coast, approximately 90 miles southeast of San Antonio and 50 miles northwest of [Corpus Christi](#) (Aa2 stable). The district's economy is somewhat limited though the tax base has seen growth over the past few years, reaching an assessed valuation (AV) of \$1.1 billion in fiscal 2024. The district's tax base is not concentrated, though the top ten taxpayers include a wind farm as well as oil and gas companies which have caused modest fluctuations in the district's AV over the past 10 years. While district enrollment declined with the onset of the pandemic, the district has seen modest gains in enrollment in the past two years. The district is projecting that enrollment will remain relatively flat over the next few years.

The district's financial profile is solid (see Exhibit 3) even as the district continues to cash fund capital projects from reserves. The district ended fiscal 2023 with fund balance and cash reserves at 37% and 39% of revenue, respectively, and officials are projecting to end the current fiscal year with a general fund surplus exceeding \$800,000. The district is also considering debt defeasance in the current year using available debt service reserves though this is not expected to have a material impact on operating reserve levels. The district's leverage is very manageable and will remain lower than that of similarly rated peers post issuance with long-term liabilities equivalent to 251% of fiscal 2023 revenue, inclusive of the Series 2024 bonds. The district has remaining authorization of approximately \$22.4 million, which it plans to issue in fiscal 2025. The district is also considering defeasance of the Series 2015A bonds, with final maturity in 2027, resulting in an estimated debt service savings of \$94,000.

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.

Economy

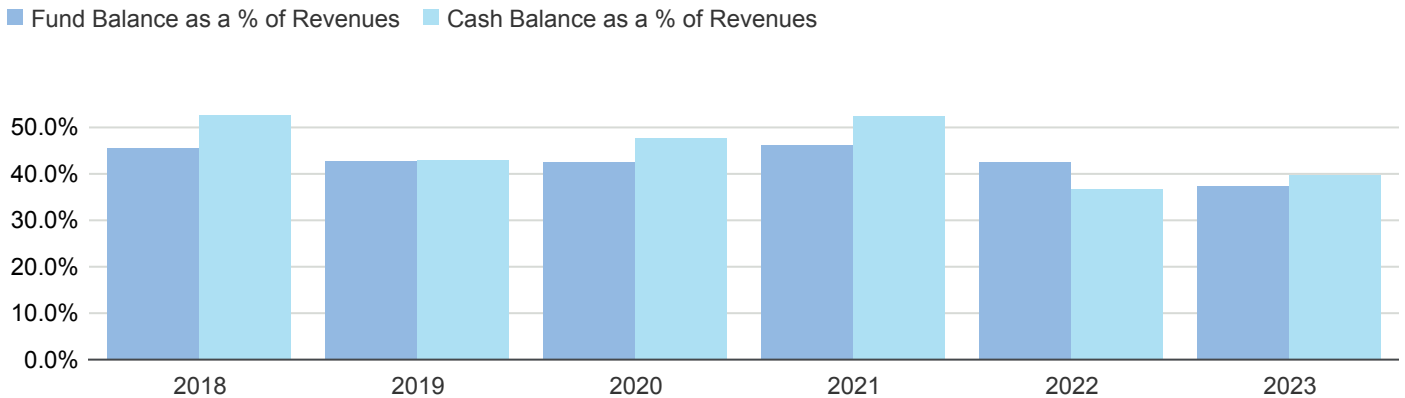
Exhibit 2
Enrollment



Source: Moody's Ratings

Financial operations

Exhibit 3
Financial Trends



Source: Moody's Ratings

ESG considerations

Environmental

The local government sector generally has low exposure to environmental risks. According to data from Moody's Climate on Demand, the district has high exposure to water stress, medium exposure to hurricanes, wildfires, and heat stress, and low exposure to floods.

Social

The district's resident income adjusted for regional price parity is below the national median at 75.6%. The unemployment rate for Bee County was 4.4% as of April 2024 which is higher than the unemployment rates for the state (3.5%) and nation (3.5%) for the same period.

Governance

The district is governed by a seven-member board of trustees. Members serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are responsibility of the board. The board delegates administrative responsibilities to the superintendent who is the chief administrative officer of the District. Texas school districts have an Institutional

Framework score 1 of Aa. The state controls school district revenue through an equalized funding formula consisting of a combination of local property taxes and state aid. The state allows for regular and predictable increases to total funding for school districts. 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.

Exhibit 4

Beeville Independent School District, TX

	Measure	Weight	Score
Economy			
Resident Income (MHI Adjusted for RPP / US MHI)	75.6%	10.0%	Baa
Full value per capita (full valuation of the tax base / population)	40,737	10.0%	Baa
Enrollment trend (three-year CAGR in enrollment)	-1.6%	10.0%	A
Financial performance			
Available fund balance ratio (available fund balance / operating revenue)	37.3%	20.0%	Aaa
Net cash ratio (net cash / operating revenue)	39.7%	10.0%	Aaa
Institutional framework			
Institutional Framework	Aa	10.0%	Aa
Leverage			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	250.8%	20.0%	A
Fixed-costs ratio (adjusted fixed costs / operating revenue)	7.4%	10.0%	Aaa
Notching factors			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
Assigned Rating			A1

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

Sources: US Census Bureau, Beeville 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

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