S&P Global
Ratings

RatingsDirect®

Summary:

Corpus Christi Independent School District, Texas; General Obligation; School State Program

Primary Credit Analyst:
Derrick Rayford, Chicago (1) 312-233-7147; derrick.rayford@spglobal.com

Secondary Contact:
Melissa Banuelos, Dallas + 1 (214) 871 1403; Melissa.Banuelos@spglobal.com

Table Of Contents

Summary:

Corpus Christi Independent School District, Texas; General Obligation; School State Program

Credit Profile		
US$90.305 mil unltd tax rfdg bnds ser 2025 dtd 05/20/2025 due 08/15/2040		
Long Term Rating	AAA/Stable	New
Underlying Rating for Credit Program	AA/Negative	New
Corpus Christi Independent School District		
Long Term Rating	AAA/Stable	Current
Underlying Rating for Credit Program	AA/Negative	Outlook Revised
Corpus Christi Indpt Sch Dist unltd tax sch bldg bnds ser 2021 dtd 08/01/2021 due 08/15/2051		
Long Term Rating	AAA/Stable	Current
Underlying Rating for Credit Program	AA/Negative	Outlook Revised
Corpus Christi Indpt Sch Dist GO		
Long Term Rating	AA/Negative	Outlook Revised
Corpus Christi Indpt Sch Dist PSF		
Long Term Rating	AAA/Stable	Current
Underlying Rating for Credit Program	AA/Negative	Outlook Revised

Credit Highlights

- S&P Global Ratings revised the outlook to negative from stable and affirmed its 'AA' underlying rating on Corpus Christi Independent School District (ISD) Texas' existing general obligation debt.
- At the same time, we assigned our 'AAA' long-term rating and 'AA' underlying rating to the district's anticipated $90.3 million unlimited-tax refunding bonds, series 2025.
- The negative outlook reflects at least a one-in-three chance we could lower the rating in the next two years if the district's financial position materially weakens over the outlook horizon, and if the district's framework of financial practices are unable provide better clarity on the long-term trajectory of the district's finances and debt burden. We view a long-term trend of declining enrollment, flat revenue growth, and potentially increasing debt as weighing negatively on the rating.
- The rating is based on the application of our methodology for rating U.S. governments, published Sept. 9, 2024.

Security

The bonds are payable from a continuing, direct ad valorem tax, levied annually without limit as to rate or amount on all taxable property in the district. Proceeds of the series 2025 issuance will be used to refund the district's 2015 unlimited-tax school building bonds and 2016 unlimited-tax refunding bonds.

The 'AAA' rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund

(PSF) bond guarantee program. See report, published July 3, 2024.

Credit overview

The rating reflects our view of the district's stable economic base, with slightly below-average incomes and sizable reserves. However, the negative outlook reflects our view of the district's financial challenges, including recent budget deficits that we expect will remain in fiscal 2025, leading to continued draws on reserves.

Corpus Christi ISD reported an operating deficits for fiscal 2024 mainly attributed to a discrepancy in assessed value, resulting in revenues coming in below budget. Projections for fiscal 2025 indicate further financial deterioration, with an anticipated deficit of $15 million or negative 4.5% of general fund revenue, leading to an approximate $33 million draw on reserves over a three-year period that began in fiscal 2023. Despite recent deficits and draws on fund balance, we view the district's sizable reserve position as a mitigating factor. For more information on our take surrounding the uncertainty Texas schools are facing amid rising costs and stagnant state funding, see "Texas Schools Face Uncertain Fiscal 2026 Budget Cycle Amid Rising Costs, Stagnant State Funding," published Feb. 10, 2025, on RatingsDirect.

In addition, the district has experienced a trend of declining enrollment in the past decade; however, officials project flat enrollment results over the next two fiscal years, which we believe could stabilize or the district could experience modest declines based on historical trends. Given the aging academic facilities and declining enrollment, Corpus Christi ISD plans to consolidate two elementary schools over the next two years, which we expect will result in facility, maintenance, and operational expenditure savings on its budget. Furthermore, if the district's 2026 bonds are passed, officials plan to consolidate four other schools in an effort to right-size operations in future years, further reducing operational expenses. Structural balance depends on state aid increases and future expenditure savings through attrition and building consolidation, given the declining enrollment trend, but we understand there is no specific timeline. Despite these financial challenges, we believe the district has sufficient reserves to absorb any near-term pressures; however, future reviews will focus on the district's capacity to restore balanced operations and sustain its above-average reserve levels that are in line with the district's informal fund balance policy, and that we view as prudent given the ISD's geographic positioning near the coast.

Given that the district's recent issuances in fiscal 2023 and fiscal 2024, we anticipate debt levels will remain elevated in the medium term.

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

- Growing local economy, with a diverse tax base and slightly below-average gross county product and per-capita personal income compared with those of county and national peers.
- Negative general fund results in two of the past three fiscal years, with an anticipated operating deficit of $15 million for fiscal 2025.
- Robust reserve levels, with fund balance levels above 40% of general fund revenue in the past three years, which is in compliance with the district's informal policy of maintaining three months or 90 days of operating expenditures.
- Management policies and practices that include the use of historical data, as well as the use of outside sources when creating revenue and expenditure assumptions. The district maintains an investment policy that follows state guidelines, and an informal reserve target. However, it does not perform long-term forecasting and does not have a debt management policy. In addition, management is taking measures to mitigate cyber risk.

- Elevated, albeit affordable, debt burden that we expect will remain elevated over the next few years given additional debt plans. However, there is limited pressure from pensions.
- For more information on our institutional framework assessment for Texas school districts, see "Institutional Framework Assessment: Texas Local Governments," published Sept. 9, 2024.

Environmental, social, and governance

We view Corpus Christi ISD as environmentally susceptible to acute physical risks in the form of hurricanes and flooding relative to its peer group given the district's proximity to the coast. We view the district's social and governance factors as neutral within our credit rating analysis.

Outlook

The negative outlook reflects a one-in-three chance that we could lower the rating in the next two years if operating deficits continue beyond what's expected for fiscal 2025, leading to significant and sustained draws on reserves that are no longer comparable with those of similarly rated peers.

Downside scenario

We could lower the rating if the district continues to experience financial deterioration resulting in a structural imbalance and depletion of reserves.

Upside scenario

We could revise the outlook to stable if Corpus Christi ISD is able to right-size operations resulting in at least balanced financial performance, or if we view the district as identifying and implementing what we view as sustainable adjustments to achieve structural balance.

Texas Permanent School Fund

The 'AAA' rating reflects our view of the district's eligibility for, and participation in, the Texas PSF bond guarantee program, which provides for the payment of debt service on bonds guaranteed by the program, secured by the assets of the PSF of the state of Texas. (For more information on the program rating, see our Texas PSF analysis, published July 3, 2024.) The stable outlook on the long-term program rating reflects our view of the Texas PSF's strength and liquidity.

Table 1

Corpus Christi Independent School District, Texas--credit summary	
Institutional framework (IF)	2
Individual credit profile (ICP)	2.60
Economy	3.0
Financial performance	3
Reserves and liquidity	1
Management	3.00
Debt and liabilities	3.00

Table 2

Corpus Christi Independent School District, Texas --key credit metrics				
	Most recent	**2024**	**2023**	**2022**
Economy				
Real GCP per capita % of U.S.	85	--	85	82
County PCPI % of U.S.	81	--	81	81
Market value ($000s)	21,362,451	24,424,984	20,688,963	18,546,552
Market value per capita ($)	87,865	100,462	85,095	73,811
Top 10 taxpayers % of taxable value	11.7	17.3	13.9	15.6
County unemployment rate (%)	4.3	4.3	4.3	4.7
Local median household EBI % of U.S.	82	--	82	83
Local per capita EBI % of U.S.	76	--	76	78
Local population	243,127	--	243,127	251,272
Financial performance				
Operating fund revenues ($000s)	--	322,065	315,077	310,131
Operating fund expenditures ($000s)	--	334,754	316,654	260,040
Net transfers and other adjustments ($000s)	--	(1)	527	(13,246)
Operating result ($000s)	--	(12,690)	(1,050)	36,845
Operating result % of revenues	--	(3.9)	(0.3)	11.9
Operating result three-year average %	--	2.5	3.9	5.6
Enrollment	--	33,053	33,387	33,176
Reserves and liquidity				
Available reserves % of operating revenues	--	45.0	50.6	52.8
Available reserves ($000s)	--	145,087	159,564	163,896
Debt and liabilities				
Debt service cost % of revenues	--	11.8	10.6	3.1
Net direct debt per capita ($)	3,323	3,024	3,139	2,875
Net direct debt ($000s)	807,851	735,188	763,296	722,515
Direct debt 10-year amortization (%)	37	44	--	--
Pension and OPEB cost % of revenues	--	3.0	3.0	2.0
NPLs per capita ($)	--	537	514	179
Combined NPLs ($000s)	--	130,544	125,015	44,971

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. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.