



Rating Action: Moody's Ratings assigns Aa3 UND/Aaa ENH to Seguin ISD TX's GOs; outlook stable

11 Jun 2025

New York, June 11, 2025 -- Moody's Ratings (Moody's) has assigned Aa3 underlying and Aaa enhanced ratings to Seguin Independent School District, TX's Unlimited Tax Refunding Bonds, Series 2025B in the anticipated par amount of approximately \$32.5 million. We maintain the district's Aa3 issuer and general obligation unlimited tax (GOULT) ratings. Post issuance, the district will have roughly \$263 million of GOULT debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa3 issuer rating reflects the district's steady tax base and enrollment growth in recent years supported by ongoing residential development throughout the district. The rating also incorporates resident income and full value per capita that fall below median of the rating category. The district's financial position remains strong with a fund balance of 52% of operating revenue despite a modest spend down of reserves in fiscal 2024. Reserves are expected to remain solid and in line with similarly rated peers despite an additional planned spend down of reserves in support of operations in fiscal 2025. Leverage is high as a result of ongoing capital needs to accommodate enrollment growth, reaching approximately 341% of fiscal 2024 revenue post issuance of the Series 2025B bonds. The district recently completed a defeasance and has no authorized unissued debt remaining which will help keep debt levels manageable as revenues continue to grow.

The Aa3 rating assigned to the district's GOULT bonds is the same level as the issuer rating, based on its unlimited tax property tax pledge that is dedicated to pay debt service.

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. We currently rates the Texas Permanent School Fund Aaa stable.

RATING OUTLOOK

The stable outlook for the underlying ratings reflects the expectation that revenue growth will keep the district's leverage position manageable. The stable outlook also reflects the expectation that the district will maintain solid financial reserves as a result of conservative budgeting. An inability to return to balanced operations leading to an erosion of reserves, especially if coupled with increases in leverage, could negatively pressure the rating.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Maintenance of long-term liabilities below 250% of revenue
- Material improvement in resident income and wealth to levels more comparable to national medians
- Not applicable (enhanced)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Trend of deficit operations leading to erosion of reserves approaching 25% of operating revenue
- Lower than expected enrollment, tax base, or operating revenue growth that reduces affordability of debt load
- Rating downgrade of the Texas Permanent School Fund (enhanced)

PROFILE

Seguin Independent School District is in Guadalupe County in south central Texas, approximately 35 miles east of San Antonio. The district's current enrollment is approximately 7,140.

METHODOLOGY

The principal methodology used in the underlying rating was US K-12 Public School Districts published in July 2024 and available at <https://ratings.moodys.com/rmc-documents/425431>. The principal methodology used in the enhanced rating was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moodys.com/rmc-documents/386295>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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