

Research Update:

Flour Bluff Independent School District, TX Series 2025 Bonds Assigned 'AA-' Rating; Outlook Is Stable

June 26, 2025

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating, (based on credit enhancement), and 'AA-' underlying rating to [Flour Bluff Independent School District](#) (ISD), Texas' approximately \$193 million series 2025 unlimited-tax school building bonds.
- At the same time, S&P Global Ratings affirmed its 'AA-' underlying rating on the district's existing general obligation (GO) debt.
- The outlook is stable.
- The ratings are based on the application of our "[Methodology For Rating U.S. Governments](#)," Sept. 9, 2024.

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Rationale

Security

Revenue from an ad valorem tax, levied without legal limitation as to rate or amount on all taxable property within the district, secures the bonds.

Bond proceeds will be used for districtwide renovations, stadium improvements, bus purchases, and construction projects including a new career and technical education space.

The 'AAA' rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund (PSF) bond guarantee program. For more information on the program rating, see "[Texas Permanent School Fund](#)," July 3, 2024.

Credit highlights

The rating reflects the district's role as an affluent residential community within the Corpus Christi metro area, which has largely supported tax base and enrollment growth that have contributed to a robust reserve position. The rating also reflects the incorporation of the

current debt issuance, which will result in a material increase in the district's debt and liabilities burden.

Located in southeastern Texas along the Gulf Coast, the district benefits from its participation in the Corpus Christi economy, which is largely focused on energy, education, and service sectors. District officials report several developments are expected to add to assessed valuation and enrollment growth, including a large resort along the oceanfront and several residential projects. However, CPS Energy recently acquired a power plant within the district's boundaries, which will result in the loss of almost \$100 million in taxable values, although district officials report that they are currently in negotiations for payment in lieu of taxes payments to compensate for revenue losses.

Although the district reported a decrease in fund balance in fiscal 2024, due largely to planned maintenance and capital expenses, it has a long history of generally positive operating performance. The fiscal 2025 budget reflects an anticipated deficit of almost \$1.5 million, but management expects to end the year better than budgeted. The district has adopted a reimbursement resolution for capital expenses incurred prior to the issuance of the series 2025 bonds, which is expected to add to fund balance by year-end. While the fiscal 2026 budget has not yet been adopted, officials expect \$4.2 million in additional state aid as a result of new funding adopted by the state legislature. Given this, we expect the district will maintain its positive financial performance over the next two years.

With this issuance, the district will fully exhaust its authorization approved by voters in May 2025. The issuance is resulting in a sharp increase in the district's debt and liabilities burden, with increased current costs that we anticipate will remain manageable. The district privately placed its series 2021 maintenance tax notes; however, there are no acceleration rights or other nonstandard provisions that we believe would create a contingent liquidity risk.

Credit fundamentals supporting the 'AA-' rating include our view of the following factors:

- The local economy is strong, including local incomes that exceed those of the county, with ongoing growth and development that we expect will further contribute to economic growth. Despite the loss of the top taxpayer from the tax rolls, preliminary valuations are expected to largely remain flat given growth in other areas.
- The district's financial position is stable, with a history of positive operating performance that has supported a robust reserve position. Enrollment has largely remained stable, with modest variability year to year. Officials anticipate that the new career and technical education facility, which will feature an aviation repair program in partnership with nearby military installations, could spur enrollment growth.
- Financial policies and practices include monthly budget-to-actual reporting to council, use of historical trends and demographic projections for budget assumptions, and budget amendments that can be made as needed. The district maintains a formal investment policy, a capital plan, and targets to maintain general fund reserves of at least three months of operations. In addition, the district is taking measures to mitigate cyber risk.
- The debt burden is increasing, but we expect it will remain manageable considering there are no future debt plans. This is also inclusive of the district's modest pension liability, through the Texas Teachers' Retirement System, which is supported in part by the state through annual contributions, resulting in low pressure from pension and other postemployment benefits liabilities.

- 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

We assessed the district's social and governance factors relative to its economy, management, finances, and debt and liability profile and determined that they are neutral in our analysis. We view the district's acute physical risks as somewhat elevated given its location along the Gulf Coast, which makes it susceptible to significant weather events, such as hurricanes. However, the district has historically maintained sizable reserves that provide additional support to address unexpected expenditures or revenue declines.

Outlook

The stable outlook reflects our opinion that the district will maintain a strong financial position supported by a growing local economy and manageable debt.

Downside scenario

We could consider a negative rating action if the district's financial performance deteriorates markedly, resulting in sustained draws on fund balance to levels no longer consistent with those of peers.

Upside scenario

We could consider a positive rating action if the district were to strengthen its long-term financial planning and formalize fiscal policies, combined with a moderating debt burden.

Flour Bluff Independent School District, Texas--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	2.25
Economy	2.0
Financial performance	2
Reserves and liquidity	1
Management	3.00
Debt and liabilities	3.25

Flour Bluff 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)	4,959,174	4,705,033	4,278,342	3,791,384
Market value per capita (\$)	150,863	143,132	130,152	108,229
Top 10 taxpayers % of taxable value	5.8	6.1	6.4	8.0
County unemployment rate (%)	4.2	4.2	4.2	4.7
Local median household EBI % of U.S.	113	--	113	110

Flour Bluff Independent School District, Texas--key credit metrics

	Most recent	2024	2023	2022
Economy				
Local per capita EBI % of U.S.	110	--	110	113
Local population	32,872	--	32,872	35,031
Financial performance				
Operating fund revenues (\$000s)	--	53,775	55,813	52,023
Operating fund expenditures (\$000s)	--	55,888	51,680	47,685
Net transfers and other adjustments (\$000s)	--	(910)	--	(2,730)
Operating result (\$000s)	--	(3,023)	4,133	1,608
Operating result % of revenues	--	(5.6)	7.4	3.1
Operating result three-year average %	--	1.6	3.7	1.3
Enrollment	--	5,665	5,732	5,546
Reserves and liquidity				
Available reserves % of operating revenues	--	37.1	41.1	37.4
Available reserves (\$000s)	--	19,940	22,957	19,433
Debt and liabilities				
Debt service cost % of revenues	--	7.3	4.8	4.9
Net direct debt per capita (\$)	6,380	1,283	1,528	1,510
Net direct debt (\$000s)	209,731	42,165	50,242	52,902
Direct debt 10-year amortization (%)	21	61	--	--
Pension and OPEB cost % of revenues	--	3.0	2.0	2.0
NPLs per capita (\$)	--	446	502	399
Combined NPLs (\$000s)	--	14,674	16,501	13,961

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\$193.34 mil unlt'd tax sch bldg bnds ser 2025 dtd 08/05/2025 due 08/15/2055

Long Term Rating AAA/Stable

Underlying Rating for Credit Program AA-/Stable

Ratings Affirmed

Local Government

Flour Bluff Indpt Sch Dist, TX Unlimited Tax General Obligation AA-/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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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 <https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria> for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourcelid/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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