

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aa1 UND/Aaa ENH to McKinney ISD's, TX GOULT Bonds, Series 2018; stable outlook**

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23 Jul 2018

New York, July 23, 2018 -- Moody's Investors Service has assigned Aa1 underlying and Aaa enhanced ratings to McKinney Independent School District's, TX \$45.5 million Unlimited Tax School Building Bonds, Series 2018. The Aaa enhanced reflects the guarantee of the Texas Permanent School Fund (PSF). Moody's maintains the district's Aa1 rating on outstanding general obligation unlimited tax debt. The outlook remains stable.

#### RATINGS RATIONALE

The Aa1 rating reflects the district's large and diverse tax base located in the Dallas-Fort Worth metro area, favorable wealth and income indices, as well as a stable financial position with structurally balanced operations driven by strong management and conservative budgeting. The rating also considers the district's above average debt burden and manageable pension burden.

The Aaa enhanced rating is based on the rating of the Texas Permanent School Fund and the structure and legal protections of the transaction which provide for timely payment by the PSF if necessary. Moody's currently rates the Permanent School Fund Aaa. For additional information on the PSF program, please see Moody's Credit Opinion on the Texas Permanent School Fund dated March 5, 2018.

#### RATING OUTLOOK

The stable outlook reflects the expectation that the district's financial position will remain healthy over the next several years given structurally balanced operations, healthy reserve levels, and strong proactive management. In addition, continued growth is expected in the district's tax base given new development, an affluent population, and its location within a growing metropolitan area.

#### FACTORS THAT COULD LEAD TO AN UPGRADE

- Substantial decrease in debt burden
- Continued tax base growth

#### FACTORS THAT COULD LEAD TO A DOWNGRADE

- Additional debt absent tax base growth
- Contraction of the tax base or increased tax base concentration
- Significant deterioration of operating reserves

#### LEGAL SECURITY

The bonds are secured by a direct and continuing annual ad valorem tax, levied on all taxable property, without legal limitation as to rate or amount.

#### USE OF PROCEEDS

Proceeds from the sale will fund various capital needs including campus expansions, facility renovations, and various district wide upgrades associated with the 2016 bond program.

#### PROFILE

McKinney Independent School District is located in Collin County (Aaa stable), 30 miles north of the City of Dallas (A1 stable) and serves the City of McKinney (Aaa stable). The district provides comprehensive education for students from pre-kindergarten through 12th grade. Fiscal 2018 enrollment was 24,940 students.

## METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in December 2016. The principal methodology used in the enhanced rating was Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts published in May 2017. Please see the Rating Methodologies page on [www.moodys.com](http://www.moodys.com) for a copy of these methodologies.

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