

# MOODY'S

## INVESTORS SERVICE

### **Rating Action: Moody's assigns Aa1 UND/Aaa ENH to McKinney ISD, TX's GOULT, Ser. 2021; stable outlook**

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21 Jul 2021

New York, July 21, 2021 -- Moody's Investors Service has assigned Aa1 underlying and Aaa enhanced ratings to McKinney Independent School District, TX's \$131.5 million Unlimited Tax School Building and Refunding Bonds, Series 2021. Moody's maintains the district's Aa1 issuer rating and the Aa1 underlying general obligation unlimited tax (GOULT) rating. The issuer rating reflects the district's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. The district's total GOULT debt outstanding will be \$571.3 million post-sale. The outlook is stable.

#### RATINGS RATIONALE

The Aa1 issuer rating incorporates the growing economy with above average income and wealth levels, and a recent trend of modestly declining enrollment. The rating also incorporates strong financial performance and manageable leverage metrics that are on par with state and national peers.

The Aa1 underlying rating assigned to the GOULT bonds is equivalent to the Aa1 issuer rating based on its pledge of an unlimited property tax that is dedicated for debt service and levied upon all taxable property within the district.

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. The Texas Permanent School Fund is rated Aaa and has a stable outlook.

#### RATING OUTLOOK

The stable outlook reflects the expectation that management will continue to budget conservatively and maintain strong reserves. In addition, modest tax base growth should continue over the next few years from new development, which will provide additional revenue to finance future debt plans.

#### FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Improved enrollment trend
- Strengthening of the full value per capita
- Significant decrease in leverage
- Not applicable (enhanced)

#### FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Sustained weakening of enrollment trend
- Erosion of economic indicators
- Material decline in fund balance or cash
- Material increase in long-term liabilities or fixed costs ratios
- Rating downgrade of the Texas Permanent School Fund (enhanced)

#### LEGAL SECURITY

The GOULT bonds are secured by a dedicated ad valorem tax levied by the district on all taxable property without limitation as to rate or amount. The GOULT bonds are further payable by the Texas Permanent School Fund's commitment to pay debt service if necessary.

## USE OF PROCEEDS

The Series 2021 bonds are the first issuance under a \$275 million authorization approved by voters in May that will finance a variety of district-wide improvements, including a new elementary school, an expansion to one high school, renovations to existing schools and technology improvements. A portion of the Series 2021 proceeds will fully refund the outstanding Unlimited Tax Refunding Bonds, Series 2011 and the outstanding School Building Unlimited Tax Bonds, Series 2011 for net present value savings with no extension of final maturity.

## PROFILE

McKinney Independent School District is 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 public K-12 education to approximately 24,500 students.

## METHODOLOGY

The principal methodology used in the underlying rating was US K-12 Public School Districts Methodology published in January 2021 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM\\_1202421](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1202421). 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 and available at [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_1068154](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1068154). Alternatively, please see the Rating Methodologies page on [www.moodys.com](http://www.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 at: [https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC\\_79004](https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004).

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