

Rating Action: Moody's upgrades Silsbee ISD, TX GO to Aa3 and assigns Aa3 issuer rating

30 Mar 2021

New York, March 30, 2021 -- Moody's Investors Service has assigned an Aa3 issuer rating to Silsbee Independent School District, Texas. The issuer rating represents the district's ability to repay debt and debt-like obligations without consideration of any pledge, security, or structural features. Concurrently, Moody's has upgraded the underlying rating on the district's general obligation unlimited tax (GOULT) and general obligation limited tax (GOLT) bonds to Aa3 from A1. This action concludes a review for possible upgrade initiated on January 26, 2021 in conjunction with release of the US K-12 Public School Districts Methodology. The district has \$28.7 million GOULT debt and \$1.4 million GOLT debt outstanding.

RATINGS RATIONALE

The Aa3 issuer rating incorporates the district's recently improving financial trends and very manageable leverage burden and associated fixed costs, which are expected to remain so given no future debt plans. The rating also reflects the district's stable but concentrated economic base, with weaker income indices and limited prospects for future growth.

The district's general obligation bonds were upgraded one notch to Aa3 because it is equivalent to the issuer rating based on a pledge of the district's dedicated, unlimited property tax levy to pay debt service on the bonds. The Aa3 GOLT rating was upgraded one notch and is equivalent to the issuer rating, despite the limited tax pledge, due to the ample taxing headroom for GOLT debt service.

RATING OUTLOOK

Outlooks are typically not assigned to local governments with similar amounts of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Strengthening of the full value per capita and/or resident income levels
- Diversification of the economic base

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Decline in fund balance or cash
- Increase in long-term liabilities, fixed costs or erosion of capital assets

LEGAL SECURITY

The bonds are payable from a dedicated ad valorem tax levied by the district on all taxable property without limitation as to rate or amount. All of the district's GOULT bonds are further secured by the Texas Permanent School Fund's commitment to pay debt service if necessary. The maintenance tax notes are backed by a dedicated, limited property tax levy, with a current levy of \$10.53 per \$1,000 of assessed valuation.

PROFILE

Silsbee Independent School District is located in Hardin County (Aa3) in southeastern Texas (Aaa stable), approximately 20 miles north of Beaumont (Aa2 stable). The district provides pre-K through 12th grade education services. Enrollment in fiscal 2020 was 2,909 students.

METHODOLOGY

The principal methodology used in these ratings was US K-12 Public School Districts Methodology published in January 2021 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1202421. Alternatively, please see the Rating Methodologies page on www.moody.com for a

copy of this methodology.

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.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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