

RatingsDirect®

Summary:

Crandall Independent School District, Texas; General Obligation; School State Program

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Credit Profile

US\$27.645 mil unlted tax sch bldg bnnds ser 2023 due 08/15/2053

<i>Long Term Rating</i>	AAA/Stable	New
<i>Underlying Rating for Credit Program</i>	A+/Stable	New
Crandall Indpt Sch Dist PSF		
<i>Long Term Rating</i>	AAA/Stable	Current
<i>Underlying Rating for Credit Program</i>	A+/Stable	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term (program) rating and 'A+' underlying rating to Crandall Independent School District (ISD), Texas' proposed \$27.6 million series 2023 unlimited tax school building bonds.
- At the same time, S&P Global Ratings affirmed its 'A+' underlying rating on the district's general obligation (GO) debt outstanding.
- The outlook is stable.

Security

Revenue from unlimited ad valorem taxes on all property within the district secures the bonds. Proceeds from the bonds will be used to create classroom additions at the high school in order to provide additional capacity due to enrollment growth.

The 'AAA' rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund (PSF) bond guarantee program.

Credit overview

Approximately 25 miles southeast of downtown Dallas, Crandall ISD has been experiencing strong residential growth, given the availability and affordability of land for development. This growth has led to an average annual increase in assessed valuation (AV) of 28.5% over the past three years with no projected material slowdown. In addition, with more than 10,000 new home lots in various stages of development, the district is forecasting that enrollment will also continue to rise, with expectations of nearly 1,000 new students annually for the next three years. However, this growth has also dictated significant facility demands and an elevated debt burden. Although annual carrying charges are, what we consider, moderate, other debt ratios remain well above those of peers. Furthermore, the district has \$275 million in remaining authorized-but-unissued debt, with plans to issue the remaining amounts as tax base growth allows given that the district is constrained by the debt service tax rate at 50 cents per \$100 of AV.

Following a long history of operating surpluses, fueled by the growing tax and enrollment base, the district spent down

some of its built-up general fund reserves in 2022 for one-time uses. While we don't view the capital spending as a credit weakness, the spenddown led to a reserve position below the district's informal target. However, with an expected modest surplus in fiscal 2023 and a proposed budget showing balanced operations for 2024, we don't believe that reserves will continue to deteriorate over our outlook horizon. However, we do note that, given the district's growing budget, surpluses will be required to restore balances back to informal minimums (three months of operating expenditures).

The underlying rating further reflects our assessment of the district's:

- Access to and participation in the Dallas-Fort Worth metropolitan statistical area and its deep and diverse economy, lending to a rapidly growing community;
- Very strong reserve position, despite one-time spending in 2022 that has reduced levels below the district's informal target;
- Standard financial management policies and practices, highlighted by regular budgetary reporting to the governing body and an informal reserve target equal to three months of operations, which is currently not being met; and
- Elevated yet manageable debt burden, supported by affordable pension and other post-employment benefits liabilities (see our analysis, "Pension Spotlight: Texas", published April 4, 2023, on RatingsDirect)

Environmental, social, and governance

We assessed the district's environmental, social, and governance (ESG) factors relative to its economy, management, financial measures, and debt and liability profile and consider them neutral in our credit analysis.

Outlook

The stable outlook reflects our view that local economic metrics will continue to improve, which should lead to an at least stable, if not improving, fiscal position. The outlook further reflects our opinion that the debt burden will remain elevated and a constraint on the rating.

Downside scenario

We could consider a negative rating action if the district's reserve position continues to deteriorate, either due to a continued spenddown for capital purposes or budgetary imbalance, particularly if driven by a growing debt burden that pressures operations.

Upside scenario

Although unlikely within our outlook horizon, we could consider a higher rating if the district's reserve position increases materially, combined with a significant reduction in the district's overall debt burden, assuming all other credit factors remain at least stable.

Texas Permanent School Fund

The 'AAA' long-term rating reflects our view of the district's eligibility for, and participation in, the Texas Permanent School Fund bond-guarantee program, which provides the security for a permanent fund of assets the district can use to meet debt service on the bonds that are guaranteed by the program. (For more information on the program rating,

see "Texas Permanent School Fund," published Nov. 23, 2022, on RatingsDirect.)

Crandall Independent School District, Texas--Key credit metrics					
	Characterization	Most recent	Historical information		
			2022	2021	2020
Economic indicators					
Population				18,564	17,613
Median household EBI % of U.S.	Strong			115.0	118.0
Per capita EBI % of U.S.	Adequate			85.0	88.0
Market value (\$000)		2,869,931	1,667,187	1,355,327	1,141,716
Market value per capita (\$)	Extremely strong	120,722	89,808	73,008	64,822
Top 10 taxpayers % of taxable value	Very diverse	5.8	3.6	3.8	4.3
Financial indicators					
Total available reserves (\$000)			10,080	10,868	9,342
Available reserves % of operating expenditures	Very strong		17.6	23.1	23.0
Total government cash % of governmental fund expenditures			93.2	82.7	136.0
Operating fund result % of expenditures			-9.0	2.5	3.6
Financial Management Assessment	Good				
Enrollment		6,135	5,453	5,287	4,649
Debt and long-term liabilities					
Overall net debt % of market value	High	13.4	18.6	14.8	15.7
Overall net debt per capita (\$)	High	20,756	16,745	10,818	10,151
Debt service % of governmental fund noncapital expenditures	Moderate		12.9	14.8	14.8
Direct debt 10-year amortization (%)	Slow	19.0	20.0	25.0	25.0
Required pension contribution % of governmental fund expenditures			1.0	1.2	1.4
OPEB actual contribution % of governmental fund expenditures			0.3	0.3	0.4
Minimum funding progress, largest pension plan (%)			81.4	86.8	68.7

EBI--Effective buying income. OPEB--Other postemployment benefits.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of August 3, 2023)		
Crandall Indpt Sch Dist unlt'd tax sch bldg bnds		
Long Term Rating	AAA/Stable	Current
Underlying Rating for Credit Program	A+/Stable	Affirmed
Crandall Indpt Sch Dist GO		
Long Term Rating	A+/Stable	Affirmed

Summary: Crandall Independent School District, Texas; General Obligation; School State Program

Ratings Detail (As Of August 3, 2023) (cont.)		
<i>Underlying Rating for Credit Program</i>	NR	Current
Crandall Indpt Sch Dist GO (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Crandall Indpt Sch Dist GO (AGM)		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

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