



Rating Action: Moody's assigns Aa3 UND/Aaa ENH to Argyle ISD, TX's GOULT bonds

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New York, March 28, 2023 – Moody's Investors Service has assigned Aa3 underlying and Aaa enhanced ratings to Argyle Independent School District, TX's \$94.9 million Unlimited Tax School Building Bonds, Series 2023. Concurrently, Moody's has affirmed the district's Aa3 issuer and outstanding general obligation unlimited tax (GOULT) ratings. Including the current offering, the district will have approximately \$419.8 million of GOULT bonds outstanding.

RATINGS RATIONALE

The Aa3 issuer rating reflects the district's rapid enrollment growth, which is driving outsized long-term liabilities and fixed costs given growing capital needs. The rating also incorporates the district's proximity to Fort Worth (Aa3 stable), which is driving significant residential development and full value growth, and contributing to the robust enrollment trend. The rating further incorporates the trend of positive financial operations with growing operating reserves and liquidity, and strong resident income and full value per capita.

The Aa3 assigned to the district's general obligation unlimited tax bonds is the same as the district's issuer rating, based on its unlimited property tax pledge dedicated to pay debt service.

The Aaa enhanced rating is based on the rating of the Texas Permanent School Fund (PSF) and the structure and legal protections of the transaction which provide for timely payment by the PSF if necessary. Moody's currently rates the Texas Permanent School Fund Aaa.

RATING OUTLOOK

Moody's does not usually assign outlooks to local governments with this amount of debt.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Significant moderation of long-term liabilities

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Lower than expected or reduced enrollment, tax base, or operating revenue growth that reduces affordability of debt load
- Inability to maintain reserves as a percentage of revenue that is on par with peers

LEGAL SECURITY

The district's GOULT bonds are payable from a dedicated ad valorem tax levied by the district on all taxable property without limitation as to rate or amount and secured by statute. The GOULT

pledge is further secured by statute.

The Series 2023 bonds along with certain series of outstanding bonds are also payable from the Texas Permanent School Fund's commitment to pay debt service if necessary.

USE OF PROCEEDS

The Series 2023 bonds will be used to construct and equip a new middle school and the purchase of school buses.

PROFILE

Argyle Independent School District encompasses 48 square miles in Denton County (Aaa stable) and includes the town of Argyle, parts of the towns of Flower Mound (Aa1), Northlake, Bartonville, Copper Canyon and unincorporated areas within the county. The district serves a population of approximately 15,000 residents and 4,922 students.

METHODOLOGY

The principal methodology used in the underlying ratings was US K-12 Public School Districts Methodology published in January 2021 and available at <https://ratings.moodys.com/api/rmc-documents/70054>. The principal methodology used in the enhanced rating was Guarantees, Letters of Credit and Other Forms of Credit Substitution Methodology published in July 2022 and available at <https://ratings.moodys.com/api/rmc-documents/386295>. Alternatively, please see the Rating Methodologies page on <https://ratings.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 on <https://ratings.moodys.com/rating-definitions>.

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