FitchRatings

RATING ACTION COMMENTARY

Fitch Rates Pearland ISD, TX's ULT School Building and Refunding Bonds 'AAA' TX PSF

Tue 07 Oct, 2025 - 3:49 PM ET

Fitch Ratings - Austin - 07 Oct 2025: Fitch Ratings has assigned Pearland Independent School District (ISD), TX's $138.425 million unlimited tax (ULT) school building and refunding bonds, series 2025 a 'AAA' rating based on the Texas Permanent School Fund (PSF) guaranty and a 'AA+' underlying rating.

The obligations are scheduled to sell on or around Oct 21, 2025. Proceeds of the bonds will be used for the construction and renovation of school facilities in the district, to refund certain outstanding bonds of the district, and to pay the costs of issuance.

Fitch has also affirmed the following district ratings at 'AA+':

--The district's Issuer Default Rating (IDR);

--All outstanding Fitch-rated unlimited tax (ULT) school building bonds.

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT	RATING		PRIOR
Pearland Independent School District (TX)	LT IDR Affirmed	AA+ Rating Outlook Stable	AA+ Rating Outlook Stable

Pearland Independent School District (TX) /General Obligation - Unlimited Tax/1 LT	LT	AA+ Rating Outlook Stable	Affirmed	AA+ Rating Outlook Stable

VIEW ADDITIONAL RATING DETAILS

The 'AA+' rating incorporates the district's financial resilience assessment of 'aaa' based on a 'Low-Midrange' level of budgetary flexibility and Fitch's expectation that the district will maintain unrestricted general fund reserves of at least 20% of spending, which is well below a historical average of approximately 32%. The rating also incorporates the district's overall 'Strong' demographic and economic level metrics, but 'Weak' long-term liability composite, which includes the district's series 2024 issuance, the current series 2025 issuance and the anticipated series 2026 issuance of $25 million.

The 'AAA' enhanced rating on the ULT bonds reflects the credit enhancement provided by the Texas permanent school fund bond guarantee program (PSF BGP). A change in Fitch's assessment of the Texas PSF BGP would automatically result in a change to the enhanced rating of Pearland Independent School District's ULT bonds but would not affect the underlying rating.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A decline in available general fund reserve levels below 20% of spending, which would lower Fitch's assessment of financial resilience below 'aaa';

--A sustained increase in long-term liabilities and carrying costs absent a commensurate increase in personal income or governmental resources could cause negative pressure on the rating;

--Weakened underlying demographic and economic performance including but not limited to higher unemployment relative to the U.S. rate, a declining or stagnant population trend, and/or materially weaker enrolment trend which could result in weak revenue performance.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--An approximate 5% decline in long-term liabilities assuming current levels of personal income and governmental resources and spending;

--Improved underlying demographic and economic performance including but not limited to a decrease in the unemployment rate as a percentage of the national rate and growth in population trends.

SECURITY

The bonds are payable from an unlimited ad valorem tax levied against all taxable property within the district and are further backed by the Texas PSF BGP, rated 'AAA' by Fitch.

Local school district bonds approved under the PSF's BGP are guaranteed by the assets of the PSF. By law, if a Texas school district is unable to pay its debt service, it must notify the Commissioner of Education at least five days prior to the payment date. Funds would then be transferred from the appropriate PSF account of the state treasury to the paying agent in an amount sufficient to cover any potential shortfall.

For more information on the Texas Permanent School Fund see "Fitch Affirms Texas PSF Rating at 'AAA'; Outlook Stable," dated Dec. 4, 2024.

FITCH'S LOCAL GOVERNMENT RATING MODEL

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the IDR except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale that ranges from 10.0 or higher (AAA), 9.0 (AA+),8.0 (AA), and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

RATINGS HEADROOM & POSITIONING

Pearland Independent School District Model Implied Rating: 'AA+' (Numerical Value: 9.92)

-- Metric Profile: 'AA+' (Numerical Value: 9.92)

-- Net Additional Analytical Factor Notching: 0.0

Pearland Independent School District's Model Implied Rating is 'AA+'. The associated numerical value of 9.92 is at the upper end of the 9.0 to 10.0 range for a 'AA+' rating.

KEY RATING DRIVERS

FINANCIAL PROFILE

Financial Resilience - 'aaa'

Pearland Independent School District's financial resilience is driven by the combination of its 'Low' revenue control assessment and 'High' expenditure control assessment, culminating in a 'Low Midrange' budgetary flexibility assessment.

-- Revenue control assessment: Low

-- Expenditure control assessment: High

-- Budgetary flexibility assessment: Low Midrange

-- Minimum fund balance for current financial resilience assessment: >=20.0%

-- Current year fund balance to expenditure ratio: 33.9% (2024)

-- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2024: 33.6% (2020)

Revenue Volatility - 'Strong'

Pearland Independent School District's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

-- Lowest three-year revenue performance (based on revenues dating back to 2005): 0.6% increase for the three-year period ending fiscal 2022

-- Median issuer decline: -4.3% (2024)

DEMOGRAPHIC AND ECONOMIC STRENGTH

Population Trend - 'Strongest'

Based on the median of 10-year annual percentage change in population, Pearland Independent School District's population trend is assessed as 'Strongest'.

Population trend: 1.9% Analyst Input (83rd percentile) (vs. 2.2% 2023 median of 10-year annual percentage change in population)

Unemployment, Educational Attainment and MHI Level - 'Strong'

The overall strength of Pearland Independent School District's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strong' on a composite basis, performing at the 71st percentile of Fitch's local government rating portfolio. This is due to relatively high education attainment levels, very high median-issuer indexed adjusted MHI, and midrange unemployment rate.

-- Unemployment rate as a percentage of national rate: 97.5% Analyst Input (50th percentile) (vs. 130.0% 2024), relative to the national rate of 4.0%

-- Percent of population with a bachelor's degree or higher: 43.0% (2023) (79th percentile)

-- MHI as a percent of the portfolio median: 139.7% (2023) (83rd percentile)

Economic Concentration and Population Size - 'Strongest'

Pearland Independent School District's population in 2023 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with a small population and economic concentration. Downward effects of the metric on the Metric Profile are most

pronounced for the least economically diverse issuers (in the 5th percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

-- Population size: 110,802 (2023) (above the 15th percentile)

-- Economic concentration: 48.0% Analyst Input (above the 15th percentile) (vs. 33.7% 2024 Actual)

An input of 1.9% was used for the district's population trend to incorporate a forward look of the district's expected 1% decline in population annually for the next few years.

An input of 48% was used to reflect Fitch's belief that the district has minimal economic concentration, considering the lack of economic concentration in the MSA. Additionally, an input of 97.5% was used for the unemployment rate, which was determined by using the city of Pearland, TX's 2024 unemployment rate of 3.9% given inconsistencies in the data available for the school district.

LONG-TERM LIABILITY BURDEN

Long-Term Liability Burden - 'Weak'

Pearland Independent School District's carrying costs to governmental expenditures and liabilities to personal income remain weak while liabilities to governmental revenue remain midrange. The long-term liability composite metric in 2024 is at the 36th percentile, indicating a somewhat elevated liability burden relative to the Fitch's local government rating portfolio.

-- Liabilities to personal income: 6.7% Analyst Input (39th percentile) (vs. 5.7% 2024 Actual)

-- Liabilities to governmental revenue: 181.6% Analyst Input (48th percentile) (vs. 155.9% 2024 Actual)

-- Carrying costs to governmental expenditures: 18.4% Analyst Input (26th percentile) (vs. 19.0% 2024 Actual)

Direct debt was updated to include the 2024 issuance of $52.04 million, principal amortized in fiscal 2025, the current series 2025 issuance, and the district's 2026

anticipated issuance of $25 million. Additionally, debt service and governmental expenditures were updated with pro-forma fiscal 2027 debt service according to the district's series 2025 preliminary official statement, along with estimated debt service associated with the expected 2026 issuance and the district's scheduled fiscal 2027 lease debt service.

PROFILE

Pearland ISD is a PK-12 school district located in Brazoria County, and serves most of the city of Pearland (Fitch 'AA+' IDR), along with the city of Brookside Village, and unincorporated areas in the County. The district's current ADA is 19,779 students and has a total of 23 campuses. Additionally, the district's taxable assessed value was approximately $10 billion in 2024, an 8% increase from 2023.

Sources of Information

In addition to sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from DIVER by Solve.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

FITCH RATINGS ANALYSTS

Jordan Kirby
Senior Analyst
Primary Rating Analyst
+1 512 813 5716
jordan.kirby@fitchratings.com

Fitch Ratings, Inc.
2600 Via Fortuna, Suite 330 Austin, TX 78746

Jose Acosta
Senior Director
Secondary Rating Analyst
+1 512 215 3726
jose.acosta@fitchratings.com

Kevin Dolan
Director
Committee Chairperson
+1 212 908 0538
kevin.dolan@fitchratings.com

MEDIA CONTACTS

Cristina Bermudez
New York
+1 212 612 7892
cristina.bermudez@thefitchgroup.com

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

U.S. Public Finance Local Government Rating Criteria (pub. 02 Apr 2024) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

U.S. Local Government Rating Model, v1.2.0 (1)

ADDITIONAL DISCLOSURES

Dodd-Frank Rating Information Disclosure Form

Solicitation Status

Endorsement Policy

ENDORSEMENT STATUS

Pearland Independent School District (TX)	EU Endorsed, UK Endorsed

DISCLAIMER & DISCLOSURES

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers. Please read these limitations and disclaimers by following this link: https://www.fitchratings.com/understandingcreditratings. In addition, the following https://www.fitchratings.com/rating-definitions-document details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at https://www.fitchratings.com/site/regulatory. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given

jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third- party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see Best- and Worst-Case Measures under the Rating Performance page on Fitch’s website.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on

established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US$1,000 to US$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US$10,000 to US$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001.Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the “NRSRO”). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see https://www.fitchratings.com/site/regulatory), other credit rating subsidiaries are not listed on Form NRSRO (the “non-NRSROs”) and therefore credit ratings issued by those

subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

READ LESS

SOLICITATION STATUS

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at www.fitchratings.com/ethics.

ENDORSEMENT POLICY

Fitch’s international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be. Fitch’s approach to endorsement in the EU and the UK can be found on Fitch’s Regulatory Affairs page on Fitch’s website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.