

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's assigns Aa2 UND/Aaa ENH to Spring ISD, TX's GOULT bonds; outlook stable

11 May 2020

New York, May 11, 2020 -- Moody's Investors Service has assigned a Aa2 underlying and Aaa enhanced rating on Spring Independent School District, TX's \$29.5 million Unlimited Tax Refunding Bonds, Series 2020. Moody's maintains the Aa2 rating on the district's outstanding general obligation unlimited tax (GOULT) debt. Post-sale, the district will have approximately \$705 million in GOULT debt outstanding. The outlook is stable.

RATINGS RATIONALE

The Aa2 rating reflects the district's large tax base located directly north of the City of Houston that has had a history of strong growth and economic development. The rating further reflects a long trend of operating surpluses that have improved reserves to healthy levels. Lastly, the rating reflects an elevated debt burden with no plans for additional debt, as well as a moderate pension liability.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. We do not see any material immediate credit risks for Spring Independent School District, TX. However, the situation surrounding coronavirus is rapidly evolving and the longer-term effect will depend on both the severity and duration of the crisis. If our view of the credit quality of the district changes, we will update our opinion at that time.

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. Moody's currently rates the Texas Permanent School Fund Aaa with a stable outlook.

RATING OUTLOOK

The stable outlook reflects the expectation that the district's sound financial management practices will remain governed by conservative fiscal practices.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Significant reduction in debt burden
- Significant tax base expansion and improved wealth and income indices
- Not applicable (enhanced)

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Material tax base contraction
- Significant deterioration of reserves or fund balance
- Further debt issuance without corresponding tax base growth
- Rating downgrade of the Texas Permanent School Fund (enhanced)

LEGAL SECURITY

The bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the district, unlimited as to rate or amount. The bonds are further secured by the Texas Permanent School Fund's commitment to pay debt service if necessary.

USE OF PROCEEDS

Proceeds from the sale of the bonds will be used to refund a portion of the district's outstanding Series 2011 debt.

PROFILE

Spring ISD is located in the northern portion of Harris County (Aaa stable), 20 miles north of downtown Houston (Aa3 stable). IH-45 traverses the district north to south and FM 1960 bisects the district east to west. Current student enrollment is approximately 35,168. The district includes 26 elementary schools, seven middle schools, a school of choice middle school, three high schools, a high school career academy and an early college high school.

METHODOLOGY

The principal methodology used in the underlying rating was US Local Government General Obligation Debt published in September 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1191097. 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. Alternatively, please see the Rating Methodologies page on 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.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

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