

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns Aa2 underlying/Aaa enhanced to Socorro ISD's (TX)
\$52.86M Unlimited Tax Refunding Bonds, Series 2014A

Global Credit Research - 23 May 2014

Aaa based on Texas PSF

SOCORRO INDEPENDENT SCHOOL DISTRICT, TX
Public K-12 School Districts
TX

Moody's Rating

ISSUE RATING

Unlimited Tax Refunding Bonds, Series 2014A Aa2

Sale Amount \$52,860,000

Expected Sale Date 06/01/14

Rating Description General Obligation

Unlimited Tax Refunding Bonds, Series 2014A Aaa

Sale Amount \$52,860,000

Expected Sale Date 06/01/14

Rating Description General Obligation

Moody's Outlook STA

Opinion

NEW YORK, May 23, 2014 - Moody's Investors Service has assigned a Aa2 underlying rating to Socorro Independent School District's, TX \$52.86 million Unlimited Tax Refunding Bonds, Series 2014A. At the same time, we have assigned the Aaa enhanced rating provided by a guarantee of the Texas Permanent School Fund (PSF) program. Moody's also affirms the Aa2 rating on the district's outstanding parity debt affecting \$553.7 million in previously issued debt. Proceeds from the sale of the bonds will be used to refund certain maturities of the district's Series 2006A for an estimated net present value savings of 8%, and no extension of final maturity.

SUMMARY RATINGS RATIONALE - UNDERLYING

The bonds are payable from a continuing and direct annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the district. The rating reflects continued growth in the district's large tax base, solid financial operations that are largely supported by state revenues, healthy reserve levels, and an elevated but manageable debt burden. The stable outlook reflects the district's strong financial operations amidst steady enrollment growth.

SUMMARY RATINGS RATIONALE - ENHANCED

The Aaa enhanced rating reflects Moody's assessment of the Texas Permanent School Fund's (PSF) substantial available assets relative to current and permissible levels of guarantee commitments, the strong credit quality and security features of Texas school district G.O. obligations guaranteed by the fund, and state constitutional limits on distributions from the fund for non-guarantee purposes. The rating also reflects the fund's large investment allocation in potentially volatile equity securities, satisfactory timing provisions for guarantee payments, and strong legal mechanics for timely reimbursement to the PSF should guarantee payments occur. For additional information on the PSF program, please see Moody's Ratings Update Report on the Texas Permanent School Fund dated February 28, 2014.