

## CREDIT OPINION

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# Clint Independent School District, TX

## Update to credit analysis

### Summary

[Clint Independent School District, TX's](#) (A1) credit profile reflects weak full value per capita of \$40,000 and below average adjusted resident income of 77% of the US. The enrollment trend is negative, but appears to be stabilizing at around 10,000 students in 2025. Despite these weaker attributes, the district has strong reserves that are well above A1 national peers, with an available fund balance of 56% of revenue at the end of fiscal 2023. Although the district is drawing down general fund reserves in fiscal years 2024 and 2025, the available fund balance ratio will remain above peers at around 40% of fiscal 2025 budgeted revenue. The leverage profile is manageable with long-term liabilities and fixed costs of 220% and 14% of revenue, respectively.

### Credit strengths

- » Strong reserves compared to peers
- » Manageable leverage with no near term borrowing plans
- » Stabilizing enrollment
- » Increasing assessed value (AV)

### Credit challenges

- » Weak resident income and full value per capita levels compared to peers
- » Available fund balance to decrease in fiscal 2024 and 2025

### Rating outlook

We do not assign outlooks to local governments with this amount of debt outstanding.

### Factors that could lead to an upgrade

- » Materially strengthened adjusted resident income and full value per capita that approaches 100% of the US and \$100,000 respectively

### Factors that could lead to a downgrade

- » Fiscal 2024 or 2025 financial results that are materially lower than expected leading to a significant reduction of the available fund balance ratio below 25% of revenue
- » Weakened enrollment leading to a three-year enrollment trend that approaches -2%
- » Material increase in leverage and fixed costs

## Key indicators

Exhibit 1

### Clint Independent School District, TX

	2020	2021	2022	2023	A Medians
<b>Economy</b>					
Resident income	71.1%	72.2%	72.2%	N/A	94.2%
Full value (\$000)	\$1,490,415	\$1,549,546	\$1,802,689	\$2,020,902	\$1,256,674
Population	40,780	49,359	50,432	N/A	14,009
Full value per capita	\$36,548	\$31,393	\$35,745	N/A	\$89,557
Enrollment	11,222	10,663	10,494	10,365	1,854
Enrollment trend	-0.8%	-2.5%	-2.7%	-2.6%	-1.6%
<b>Financial performance</b>					
Operating revenue (\$000)	\$135,770	\$139,409	\$141,104	\$141,629	\$28,951
Available fund balance (\$000)	\$61,095	\$78,783	\$83,149	\$78,561	\$7,086
Net cash (\$000)	\$56,228	\$59,682	\$77,501	\$79,550	\$8,074
Available fund balance ratio	45.0%	56.5%	58.9%	55.5%	24.8%
Net cash ratio	41.4%	42.8%	54.9%	56.2%	28.3%
<b>Leverage</b>					
Debt (\$000)	\$178,033	\$181,452	\$173,881	\$165,580	\$22,102
ANPL (\$000)	\$128,863	\$133,937	\$117,705	\$146,314	\$60,828
OPEB (\$000)	\$38,087	\$30,204	\$26,872	\$25,628	\$3,836
Long-term liabilities ratio	254.1%	247.9%	225.7%	238.3%	374.3%
Implied debt service (\$000)	\$12,235	\$12,749	\$12,727	\$12,144	\$1,553
Pension tread water (\$000)	\$3,581	\$3,444	\$2,161	\$6,197	\$1,533
OPEB contributions (\$000)	\$644	\$803	\$808	\$802	\$143
Fixed-costs ratio	12.1%	12.2%	11.1%	13.5%	12.9%

For definitions of the metrics in the table above please refer to the [US K-12 Public School Districts Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [K12 Median Report](#).

Sources: US Census Bureau, Clint Independent School District, TX's financial statements and Moody's Ratings

## Profile

Clint Independent School District is located in El Paso County, TX along the US-Mexico border. The district encompasses approximately 380 square miles and approximately 50,500 residents. In fiscal 2024, the district provided pre-K through 12th grade education to 10,260 students.

## Detailed credit considerations

The district's tax base is expected to grow due to new single-family development. Assessed valuation (AV) has increased by an average of 6% annually over the last five years, reaching roughly \$2 billion in fiscal 2025. Despite this growth, full value per capita remains weak at around \$40,000. Site preparation of a 770-acre development is expected to begin next year, followed by construction of new homes on 900 lots the subsequent year. Adjusted resident income is below average at 77% of the US. Enrollment is stabilizing, with a three-year trend of -1.3%. Enrollment for the 2024-2025 school year is down about 1% due to charter school competition and increased home schooling.

The district's financial position remains strong, despite planned draws on the general fund balance for one-time capital outlay and ESSER fund spending in fiscal years 2024 and 2025. In 2024, the district used \$12 million for one-time capital and increased instructional expenses, reducing the available fund balance to \$63 million, or 44% of projected operating revenue. The 2025 budget reflects a \$22 million gap for one-time capital spending and ESSER initiatives, but actual expenditures are expected to be lower as not all budgeted projects will be completed within the year. Additionally, \$9 million of the shortfall will be spent over three years in \$3 million increments. Consequently, the operating fund balance is expected to decline by \$10 million to \$53 million, or 40% of budgeted operating revenue. If actual results in 2024 or 2025 are weaker than projected, leading to an available fund balance ratio of less than 25% of revenue, it will negatively impact the district's profile.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

The district's leverage is favorable compared to peers and is expected to remain so in the near term given no additional borrowing plans. The district has \$311 million of long-term liabilities, representing a manageable 220% of fiscal 2023 operating revenue. Long-term liabilities consist of \$139 million of debt (including unamortized bond premium), \$146 million of adjusted net pension liabilities (ANPL), and \$26 million of net adjusted other post-employment benefit liabilities. Fixed costs are manageable, representing 13.5% of operating revenue.

## ESG considerations

### Environmental

The local government sector generally has low exposure to environmental risks. The district's exposure to rising environmental risks is moderate compared to peer school districts nationwide. The district has high exposure to water stress and medium exposure to heat stress and wildfires. However, the district will benefit from longer term planning by the city of El Paso and surrounding communities for water supply issues.

### Social

Social considerations are material to most school district ratings, with factors such as demographics, labor force, income and education influencing the district's economy, demographic, financial and leverage trends. The district's income levels and property wealth are weak and weigh on the credit profile. The unemployment rate in El Paso County was 4.7% in August, which is slightly above the state (4.4%) and nation (4.4%) for the same period.

### Governance

Governance is an important consideration for all municipal credits. The district has been budgeting conservatively in the past and is evaluating capital needs on a long-term basis. Texas school districts have an Institutional Framework score <sup>1</sup> of Aa. The state controls school district revenue through an equalized funding formula consisting of a combination of local property taxes and state aid. The state allows for regular and predictable increases to total funding for school districts. Property tax revenue growth is capped at 2.5% annually, but school districts can approach voters for mill levy overrides that can generate meaningful additional locally determined operating revenue.

## Rating methodology and scorecard factors

The US K-12 Public School Districts Methodology includes a scorecard, a tool providing a composite score of a school district's credit profile based on the weighted factors we consider most important, universal and measurable, as well as possible notching factors dependent on individual credit strengths and weaknesses. Its purpose is not to determine the final rating, but rather to provide a standard platform from which to analyze and compare school district credits.

Exhibit 2

### Clint Independent School District, TX

	Measure	Weight	Score
<b>Economy</b>			
Resident Income (MHI Adjusted for RPP / US MHI)	72.2%	10.0%	Baa
Full value per capita (full valuation of the tax base / population)	38,936	10.0%	Ba
Enrollment trend (three-year CAGR in enrollment)	-1.3%	10.0%	A
<b>Financial performance</b>			
Available fund balance ratio (available fund balance / operating revenue)	55.5%	20.0%	Aaa
Net cash ratio (net cash / operating revenue)	56.2%	10.0%	Aaa
<b>Institutional framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio ((debt + ANPL + adjusted net OPEB) / operating revenue)	219.6%	20.0%	Aa
Fixed-costs ratio (adjusted fixed costs / operating revenue)	13.5%	10.0%	Aaa
<b>Notching factors</b>			
No notchings applied			
Scorecard-Indicated Outcome			Aa3
<b>Assigned Rating</b>			<b>A1</b>

The complete list of outstanding ratings assigned to the Clint Independent School District, TX is available on their [issuer page](#). Details on the current ESG scores assigned to the Clint Independent School District, TX are available on their [ESGView page](#).

Sources: US Census Bureau, Clint Independent School District, TX's financial statements and Moody's Ratings

## Appendix

Exhibit 3

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income	Median Household Income (MHI), adjusted for Regional Price Parity (RPP), as a % of the US	MHI: American Community Survey (US Census Bureau) RPP: US Bureau of Economic Analysis
Full value (\$000)	Estimated market value of taxable property accessible to the district	State repositories, district's audited financial reports, offering documents or continuing disclosure
Population	Population of school district	American Community Survey (US Census Bureau)
Full value per capita	Full value / population of school district	
Enrollment	Student enrollment of school district	State data publications
Enrollment trend	3-year Compound Annual Growth Rate (CAGR) of Enrollment	State data publications; Moody's Ratings
<b>Financial performance</b>		
Operating revenue (\$000)	Total annual operating revenue in what we consider to be the district's operating funds	Audited financial statements
Available fund balance (\$000)	Committed, assigned and unassigned fund balances in what we consider to be the district's operating funds	Audited financial statements
Net cash (\$000)	Net cash (cash and liquid investments minus short-term debt) in what we consider to be the district's operating funds	Audited financial statements
Available fund balance ratio	Available fund balance / Operating Revenue	Audited financial statements
Net cash ratio	Net Cash / Operating Revenue	Audited financial statements
<b>Leverage</b>		
Debt (\$000)	District's direct gross debt outstanding	Audited financial statements; official statements
ANPL (\$000)	District's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
OPEB (\$000)	District's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Long-term liabilities ratio	Debt, ANPL and OPEB liabilities as % of operating revenue	Audited financial statements, official statements; Moody's Ratings
Implied debt service (\$000)	Annual cost to amortize district's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water (\$000)	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contributions (\$000s)	District's actual contribution in a given period, typically the fiscal year	Audited financial statements; official statements
Fixed-costs ratio	Implied debt service, pension tread water and OPEB contributions as % of operating revenue	Audited financial statements, official statements, pension system financial statements

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US K-12 Public School Districts Methodology](#).

Source: Moody's Ratings

## Endnotes

- 1 The institutional framework score categorically assesses whether a district has the legal ability to raise the bulk of its operating revenue at the local level or if the state determines the bulk of its operating revenue. Beyond the local versus state categorization, the strength of the institutional framework score is a measure of the district's flexibility in raising additional locally determined operating revenue. See [US K-12 Public School Districts Methodology](#) for more details.

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