

New Issue: Yuba Community College District, CA

MOODY'S ASSIGNS A1 RATING TO YUBA CCD 2007 GO BONDS

Primary & Secondary Education
CA

Moody's Rating

ISSUE	RATING
General Obligation Bonds Election of 2006, Series A & B	A1
Sale Amount	\$95,000,000
Expected Sale Date	05/17/07
Rating Description	GO BONDS, UNLIMITED TAX

Opinion

NEW YORK, May 16, 2007 -- Moody's Investors Service has assigned an A1 rating to Yuba Community College District's 2007 Series A and B General Obligation bonds. The proceeds will be used for renovation projects, new construction, and to prepay prior district borrowings. The bonds are secured by the district's unlimited property tax pledge. The assignment reflects substantial growth in this North Central Valley District's moderately sized tax base, continued low debt burdens, and stable finances. Also reflected are the average socioeconomic profile and income levels of district residents relative to state and national averages.

**STRONG ASSESSED VALUE AND POPULATION GROWTH PATTERN IN RESIDENTIAL TAX BASE;
AVERAGE SOCIOECONOMIC PROFILE**

The Yuba CCD provides post-secondary educational services to the Counties of Colusa, Sutter, and Yuba, as well as portions of Butte, Glenn, Lake, Placer, and Yolo Counties. Sutter County composes the largest percentage of the tax base at 32.2% of assessed valuation. Assessed Value (AV) growth within the District is very strong with 5-year average annual growth of 10.6%, which includes year-over-year growth of 18.0% in FY 2006-07. The District's relative affordability to the coastal areas of California is the key driver of this growth, which largely reflects new residential development as opposed to property turnover, accommodating the expected high population growth of the region going forward. The District's property tax base is not concentrated, with top ten taxpayers accounting for 2.8% of total AV in 2007, and is primarily residential by land use at 81.8% of total parcels.

Socioeconomic indicators are slightly below state and national averages. District-wide income data is not available, though Colusa, Sutter, and Yuba Counties, which are completely within the District, and portions of Butte, Glenn, Lake, Placer, and Yolo Counties, all display income levels that are relatively below the State average. Moody's notes that the socioeconomic profile has relatively increased to the state average in the more recent 2005 American Community Survey data (Census bureau), and that further change is likely given the region's affordability to other areas in California. Employment is slightly more reliant on construction and agriculture, but is generally not concentrated given its large geographical size.

STABLE FINANCIAL PROFILE; SUBSTANTIAL LONG-TERM GROWTH IN ENROLLMENT EXPECTED

The District has maintained consistent and sizable general fund reserves, and is expected do so going forward given its conservative fiscal practices and steady growth in enrollment. An example of the district's conservative fiscal practices is its board-reserve policy of 6% of expenditures, which the district has been able to comply with except in FY 2006, when the fund balance did slightly decline below this level to fund start-up operating costs for the District's new Woodland Learning Center campus. The General Fund balance in FY 2006 was \$2.6 million (5.6% of GF revenues) and past fund balances have been above this level (10.7% in FY 2005 and 11.3% in FY 2004). Enrollment has been rather volatile due to the variety of programs that attract students such as summer programs, online classes, and part-time programs, though full-time equivalent (FTE) units is somewhat steadier. From FY 2001 to FY 2006, average enrollment has been 16,970 students and average FTEs at 7,569.

For the current fiscal year (2007), the District projects an operating surplus of \$1.1 million on General Fund revenues of \$50.8 million and expenditures of \$49.7 million. Due to the recent passage of California Senate Bill 361, the District will receive approximately \$2.4 million in additional State equalization funding in FY 2007

and projecting receiving \$2.0 million post-FY 2007. Before the equalization funding formula was changed for community college districts, Yuba had only received \$177,000 from this funding source in FY 2006. The District utilizes a five-year fiscal plan to strategically plan for the long-term, which Moody's views favorably. Going forward, the District has forecasted a slightly increasing ending fund balance of \$3.2 million and \$3.3 million in FY 2008 and 2009, respectively. Conservative assumptions have been used, such as a 2% long-term growth rate in FTEs, and the District expects to maintain a level reserve of 7% through FY 2012. Also of importance to the District's long-term fiscal plan is the accreditation of the Woodland Educational Learning Center, expected in FY 2008, which will provide the District with an additional \$2.0 million in funds.

The District paid \$1.4 million in other post-employment benefits for its retirees on a pay-as-you-go basis in FY 2006. The District has conducted an actuarial study for its Post-Employment Benefits (OPEB) and reports an actuarial liability of \$50.0 million. Management has set aside \$1.6 million to pre-fund the liability and projects a \$2.7 million annual required contribution.

RELATIVELY LOW DIRECT DEBT BURDEN POST-ISSUANCE; CAPITAL PLAN CONSISTS OF NEW CONSTRUCTION AND RENOVATIONS

The current offering is the first issuance of a 2006 voter-approved \$190.0 million GO bond authorization, and will have a 30 year maturity period. Approximately \$8.3 million of these proceeds will be used to prepay the District's remaining capital lease obligation and COP issuance. The District has identified approximately \$181 million in capital projects (new construction and renovations) and has flexibility to reduce renovation projects should project costs be more than expected. The Series A and B issuances will pay off a very small portion of the principal in the first ten years though future issuances under this authorization will likely pay a significant portion of principal in their early years, yielding a level overall debt structure. The District will also utilize State capital funds of \$26.5 million. Finally, the direct debt burden of the District post-issuance will be very low at 0.4%, and the overall debt burden will be 2.1%. The District has no plans to seek new voter approved debt.

KEY STATISTICS

Assessed value, FY 2007: \$24.3 billion

Average annual growth, assessed value, 2002-07: 10.6%

General Fund balance, FY 2006: \$2.6 million (5.6% of revenues)

Unaudited General Fund Balance FY 2007: \$3.7 million (7.3% of revenues)

Sutter County Median family income, 2000 census: \$44,330 (83.6% of State)

Sutter County Per capita income, 2000 census: \$17,428 (76.7% of State)

Full-time equivalent students, FY 2006: 7,012

Direct debt burden: 0.4%

Overall debt burden: 2.1%

Ten-year principal payout: 1.9%

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