

Yuba Community College District, California

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Credit Profile

US\$95. mil GO bnds ser A & B due 08/01/2046

Long Term Rating	A/Stable	New
Yuba Cmnty Coll Dist 1999 certs of part (1999 Cap Projs) dtd 06/01/1999 due 06/01/2001-2019		

Unenhanced Rating NR(SPUR)

Rationale

Standard & Poor's Ratings Services assigned its 'A' rating, and stable outlook, to Yuba Community College District, Calif.'s series A and B GO bonds.

The rating reflects the district's general credit characteristics, including:

A sizable \$24 billion property tax base;

- Low debt levels;
- Adequate historical financial performance, with ending general fund balances typically exceeding the district's policy to maintain at least a 6% reserve relative to general fund expenditures; and
- Operational flexibility as a community college, provided by the ability to reduce class sections and curriculum if required, an operational feature not shared by K-12 districts.

These strengths are tempered by the district's:

Recent decline in full-time-equivalent students, which are the basis of state appropriations as well as the district's primary revenue source;

- A \$1.7 million drawdown fund balance in fiscal 2006; and
- Below-average income levels and high unemployment.

The bonds are secured by an unlimited ad valorem property tax pledge.

Yuba Community College District is one of the largest districts geographically in California, spanning 4,192 miles. It is experiencing some of the fastest growth in the state, with immigration from the San Francisco Bay Area and other coastal and southern regions of the

state. With its main campus in Marysville, about 45 miles north of Sacramento, Calif., Yuba Community College serves a population of roughly 250,000 in Colusa, Sutter, and Yuba counties, as well as portions of Butte, Glenn, Lake, Placer, and Yolo counties. The district's population is expected to nearly double by 2030. Assessed value (AV) has grown to \$24.3 billion in fiscal 2007, an average annual growth rate of 8.8% since 1999. In the past three years, the average annual growth rate has been 14.3%, underscoring both increased values and population growth. The district expects to be able to accommodate future growth; the authorized bonds will add 50 to 60 classrooms to the district's current number of 160.

While Yuba Community College serves all or parts of eight counties, three of them—Sutter (\$7.8 billion), Yolo (\$6.2 billion), and Yuba (4.9 billion)—account for 78% of the district's total property tax base (\$24.3 billion). Each of the counties has unique characteristics and economic influences. Agriculture is the leading sector of the Yuba and Sutter economies. The region grows 30% of California's rice crop and is the leading producer of cling peaches and prunes in the nation. Yolo County is also known for agriculture, while Lake County is home to Clear Lake and is a tourist/recreation destination. Yuba County's median household effective buying income indicators were a below-average 78% of national levels in 2005; Sutter County and Yolo County's median household effective buying income indicators, which together account for 58% of the district's AV, were closer to an average 93% and 99%, respectively, of national levels. Sutter County and Yuba County's 2005 unemployment rates were a high 9.3% and 8.8%, respectively; this was an improvement from typical unemployment rates over the past 15 years of between 13% and 19%. Overall, the district's tax base is very diverse, with the 10 leading taxpayers representing just 3% of total AV.

In fiscal 2005, Yuba Community College District, aided by 490 students in deferred summer enrollment, generated enough full-time-equivalent (FTE) students to reach its base target of 7,769. In fiscal 2006, however, college district officials reported a 9.7% decline in FTE students to 7,012 due to higher tuition rates and an improving regional economy. Management had originally budgeted for a 3% increase in fiscal 2006 FTE students. Officials are currently estimating a 12% increase in FTE students to 7,877 for fiscal 2007, based on their efforts to market courses and lower state-set tuition rates for the spring semester.

Recently passed legislation, SB 361, established a new community college funding formula. Each district receives an annual allocation, based on the number of colleges and comprehensive centers in the district, plus funding received based on the number of credit and noncredit FTE students in each district. SB 361 specifies that, commencing with the 2006-2007 fiscal year, the minimum funding per FTE student will be not less than \$4367 per credit FTE student, at a uniform rate of \$2626 per noncredit FTE student, and set at \$3092 per FTE student for a new category of career development and college preparation. In subsequent years, all of these funding levels will be adjusted for changes in the cost of living, as provided in the budget act. The district base revenue per unit of FTE students for 2003-2004, 2004-2005, and 2005-2006 were \$4,278, \$3,976, and \$4,833, respectively. District management expects that its respective base revenue per unit of FTE students for 2006-2007 will be \$5,008.

Yuba Community College District's fiscal 2005 total general fund balance was \$4.8 million, or 10.7% of expenditures. Based on the statement of net assets, unrestricted assets totaled \$7.0 million at fiscal year-end 2005, down from \$7.5 million in fiscal 2004. In fiscal 2006, general fund operations

generated a \$1.7 million operating deficit and resulted in a general fund balance of \$2.5 million, or 5.4% of expenditures, due to lower-than-budgeted FTE students and investments in technology infrastructure for fiscal 2006. The fiscal 2007 general fund budget reflects stable operations, assuming 12% growth (rebounding to 7,877) in FTE students, for a \$3.7 million ending general fund balance, or 7.5% of budgeted expenditures. The district fully expects to meet or exceed the 2007 budget.

Yuba Community College District's management practices are considered good under Standard & Poor's Financial Management Assessment (FMA) methodology, indicating that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials.

With this issuance, overall net debt burden remains low, at 2% of market value and an average \$2,011 per capita. The district currently has roughly \$8 million of existing certificates of participation and lease debt, but no GO debt. In November 2006, the electorate approved a \$190 million bond authorization to refund appropriation debt; to construct various facilities, including classroom buildings, a performing arts center, a gymnasium and outreach facilities; and to make renovations to existing district facilities. The authorization passed with a 56.6% approval rate. Management plans to issue the \$95 million in remaining authorization sometime in 2010. Even if all of the authorized debt was issued immediately, the district's overall net debt would remain a manageable 2.5% of market value. District management expects that the tax rate will remain at or below \$16 per \$100,000 of AV.

Outlook

The stable outlook reflects Standard & Poor's expectation that the district will return to balanced operations and rebuild reserve levels. The stable outlook also reflects the expectation that the district's property tax base will remain stable and that overall debt will remain manageable, despite the additional \$190 million in total authorization.

The District

The district's offices and main campus are located in Marysville, Calif., approximately 45 miles north of Sacramento and 125 miles northeast of San Francisco. The district currently operates one college, two education centers, and an outreach operation at Beale Air Force Base. One center, the Woodland Center, is moving to full college status in 2008. Under the new state appropriation funding formula, the move to full college status will mean an additional \$2 million for the college.

It is also expected that the Woodland campus will qualify for \$500,000 in federal funds for hispanic students once it achieves full college status. District management is planning to add outreach centers in Sutter and Colusa counties in the next three years.

Financial Management Assessment: 'Good'

Yuba Community College District's management practices are considered good under Standard & Poor's FMA methodology, indicating that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Management maintains a five-year capital improvement and repair plan that it submits annually to the state, and it has recently updated a detailed five-year facility master plan that it intends to fund primarily with bond proceeds. When budgeting, district management projects FTE students using the state's funded growth rate and incorporates salary increases according to a current multiyear contract with certificated and classified staff. The district invests funds with the county treasurer and shares the county's quarterly investment

reports with the board. Management does five-year financial forecasts which are shared with the board; these forecasts include projected FTE students, state revenues, and expected salary and benefit costs. The district does not have a formal debt management policy.

Ratings Detail (As Of 04-May-2007)

Yuba Comnty Coll Dist GO bnds ser A & B due 08/01/2046

Long Term Rating

A/Stable

New Rating

Many issues are enhanced by bond insurance.

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