MOODY'S
INVESTORS SERVICE

Rating Update: Moody's affirms the San Joaquin Delta Community College District's (CA) long term general obligation rating at Aa2

Global Credit Research - 21 Jun 2012

Affirmation affects $143.5 million of outstanding rated debt

SAN JOAQUIN DELTA COMMUNITY COLLEGE DISTRICT, CA
Community College Districts (Tax-backed)
CA

Opinion

NEW YORK, June 21, 2012 --Moody's Investors Service has affirmed the Aa2 rating on San Joaquin Delta Community College District's (CA) long-term general obligation bonds on approximately $143.5 million in rated outstanding debt secured by the district's unlimited tax pledge.

RATINGS RATIONALE

The affirmation of the Aa2 reflects the district's very large and agricultural tax base, characterized by below average wealth indices, and the relatively low debt burden. The Aa2 rating also reflects the district's trend of satisfactory financial operations that will be challenged in upcoming years given state aid reductions and limitations to raise property taxes.

STRENGTHS

-Very large tax base

-Manageable debt profile

CHALLENGES

-Reserve levels pressured by state aid cuts

-Below average wealth and income levels

FINANCIAL POSITION EXPECTED TO BE CHALLENGED BY FUTURE STATE AID CUTS

Moody's expects the district's fiscal position will decline in future years due to state aid cuts in fiscal 2012 and 2013. The district ended fiscal 2011 with a General Fund balance of $13.2 million (15.7% of revenues) after a surplus of $2.5 million. It also has $3.2 million in its Redevelopment Agency Fund that can be used for operations. In fiscal 2012, the district anticipates ending with an operating deficit of $3.5 to $4 million bringing projected year ending fund balance to between $9.2 and $9.7 million (between 11.7% and 12.1% of revenues). This includes $2.8 million in expenditure reductions, a mid-year state aid cut of $1.7 million, and a budgeted $6.4 million in state aid reductions. The district will also rely on TRANs to meet its cash obligations throughout the fiscal year. In fiscal 2013 through fiscal 2015, the district has developed several scenarios depending on the November outcome of the state's proposed tax measure. Under the best case scenario, the district anticipates only $3.5 million potential expenditure reductions through vacant positions in fiscal 2013 and $8 million over the subsequent two years for a total of $11.5 million in expenditure cuts. Under the worst case scenario, the district may have to implement up to $15 million in expenditure cuts over the next three years. The cuts will be a combination of instructional program reductions/eliminations, operational and staff reductions along with overall labor concessions. Furlough days are expected to be a key component to meet those planned reduction targets.

LARGE SAN JOAQUIN VALLEY TAX BASE SIGNIFICANTLY IMPACTED BY THE HOUSING DOWNTURN

The district has a large San Joaquin Valley tax base that is still largely agricultural though recent growth has been fueled by residential construction. The district's largest cities include Stockton, Lodi, and Tracy which, have traditionally been major agricultural and food processing centers. As is typical of agricultural areas, district resident income and employment levels are somewhat low for the rating level. District residents earned per capita and median family incomes that are, respectively, only 76.4% and 88.4% of the state median. The district's unemployment levels also historically outpace that of the state reflecting the seasonal nature of many area jobs. However, the district's total assessed value of $58.9 billion is above the median for the rating level and is partly a function of the sheer size of the district. The district covers approximately 2,300 square miles thereby making it one of the larger districts in the state in terms of geographic area. The assessed value has grown at an average annual rate of only 1.6% over the last five years after a 15.1% decline in 2010 and a 3.9% decline in 2011. Full value per capita is moderate at $86,864.

MANAGEABLE DEBT BURDEN

Moody's anticipates that the district's low and manageable debt burden of 0.2% of full valuation will continue to decline given the absence of future debt plans and an average amortization of principle (52.8% retired within ten years). All of the district's debt is fixed rate and does not include any derivative agreements.

WHAT COULD MAKE THE RATING GO UP:

- Maintenance of current reserve levels

- Material growth of the district's assessed valuation and wealth levels

WHAT COULD DRIVE THE RATING DOWN:

- Significant reduction of state aid leading to further draws on reserves

- Significant deterioration of tax base

Key Statistics

2011 Full Valuation: $58.6 billion

2011 Full Value Per Capita: $86,864

Direct Debt Burden: 0.2%

Payout of Principal (10 years): 52.8%

FY 2011 General Fund Balance: $13.2 million (15.7% of revenues)

RATING METHODOLOGY

The principal methodology used in this rating was General Obligation Bonds Issued by U.S. Local Governments published in October 2009. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

The Global Scale Credit Ratings on this press release that are issued by one of Moody's affiliates outside the EU are endorsed by Moody's Investors Service Ltd., One Canada Square, Canary Wharf, London E 14 5FA, UK, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt 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 relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant 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.

Information sources used to prepare the rating are the following: parties involved in the ratings and public information.

Moody's considers the quality of information available on the rated entity, obligation or credit satisfactory for the purposes of issuing a rating.

Moody's adopts all necessary measures so that the information it uses in assigning a rating is of sufficient quality and from sources Moody's considers to be reliable including, when appropriate, independent third-party sources. However, Moody's is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

Please see the ratings disclosure page on www.moodys.com for general disclosure on potential conflicts of interests.

Please see the ratings disclosure page on www.moodys.com for information on (A) MCO's major shareholders (above 5%) and for (B) further information regarding certain affiliations that may exist between directors of MCO and rated entities as well as (C) the names of entities that hold ratings from MIS that have also publicly reported to the SEC an ownership interest in MCO of more than 5%. A member of the board of directors of this rated entity may also be a member of the board of directors of a shareholder of Moody's Corporation; however, Moody's has not independently verified this matter.

Please see Moody's Rating Symbols and Definitions on the Rating Process page on www.moodys.com for further information on the meaning of each rating category and the definition of default and recovery.

Please see ratings tab on the issuer/entity page on www.moodys.com for the last rating action and the rating history.

The date on which some ratings were first released goes back to a time before Moody's ratings were fully digitized and accurate data may not be available. Consequently, Moody's provides a date that it believes is the most reliable and accurate based on the information that is available to it. Please see the ratings disclosure page on our website www.moodys.com for further information.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Analysts

Matthew Wong
Lead Analyst
Public Finance Group
Moody's Investors Service

Kevork Khrimian
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA