Moody's Investors Service

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New Issue
12 JUL 2004
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New Issue: Riverside Community College District, CA

MOODY'S ASSIGNS Aa3 RATING TO RIVERSIDE CCD'S GO BONDS

APPROXIMATELY $60 IN GENERAL OBLIGATION DEBT AFFECTED

Primary & Secondary Education
CA

Moody's Rating

ISSUE		RATING
Tax-Exempt General Obligation Bonds, Series 2004A		Aa3
Sale Amount	$50,000,000	
Expected Sale Date	07/16/04	
Rating Description	General Obligation	
Taxable General Obligation Bonds, Series 2004B		Aa3
Sale Amount	$10,000,000	
Expected Sale Date	07/16/04	
Rating Description	General Obligation	

Opinion

NEW YORK, Jul 12, 2004 -- Moody's has assigned an underlying Aa3 rating to Riverside Community College District's Election of 2004 General Obligation Bonds, Series of 2004A and Series 2004B. The rating reflects the District's very large, diverse and growing tax base, sound financial operations despite narrowing General Fund reserves, and a favorable debt position.

The bonds are secured by the District's general obligation unlimited ad valorem tax pledge. The bonds are expected to be insured by an insurer rated in Moody's highest category. Subject to Moody's review of the insurance policy and other relevant documentation, the bonds are expected to carry the insurer's financial strength rating of Aaa.

RAPIDLY GROWING COMMUNITY WITH A LARGE AND GROWING TAX BASE; SOCIOECONOMIC INDICATORS ARE SLIGHTLY BELOW STATE AVERAGES

Riverside Community College District is located in western Riverside County, one of the fastest growing counties in California, and serves six unified school districts with a combined population of more that 800,000. Riverside County has benefited from its proximity to the diverse and dynamic economies of Los Angeles and Orange counties, which had slowed during state and national recessions but have shown significant signs of recovery in recent months. Riverside County's own job growth remained robust throughout the recession. Most recently, total jobs increased 4.0% between May 3003 and May 2004. County's unemployment rate of 5.1% is lower than the statewide and nationwide rates of 5.8% and 5.3% respectively.

Home sales continue to be strong. Average annual tax base growth in the District was a strong 9.1% from 2000-2004; current assessed value is a very large $44.2 billion and comparable to other Aa3 rated California community college districts. Socioeconomic indicators of the District are below state averages. Moody's estimates of per capita and median family incomes were 78% and 98% of the state, respectively.

HEALTHY FINANCES FROM SOUND RESERVES AND STRONG LOCAL SUPPORT

Moody's believes the district's financial position remains strong despite planned reductions of reserves, primarily due to one-time capital expenditures. In fiscal 2001, the district's General Fund balance was a very strong $20.9 million or 20.5% or revenues. In 2002 the District transferred approximately $12 million to its self-funded Capital Projects fund for various projects, some of which are reimbursable from General Obligation Bond proceeds. Despite the drawdown, year-end fund balance remained at 8.3% of GF revenues, well above the targeted reserve level of 5%, which we believe is adequate for the community college district of this size and the inherent operating flexibility of California community college districts. In 2003, as the district was adjusting to statewide funding decreases with significant budget reductions, GF balance decreased by another $1.1 million but remained at 6.9% of revenues. Fiscal 2004 operations are projected to reflect lower Full Time Equivalents, as the District uses its flexibility to contract its budget. Due to the smaller 2004 budget, the District's ending General Fund Balance is estimated at 7.4% of revenues. For Fiscal 2005 the District estimates a balanced budget that reflects the District's continued budget cuts and reasonable assumptions for increased funding for COLA, and FTE growth.

LOW DEBT BURDEN; CONSERVATIVE FUNDING ASSUMPTIONS FOR LARGE CAPITAL IMPROVEMENT PLAN

The current offering is the first series of a large $350 million authorization and represents the district's only G.O. debt. With the current offering, the District's direct debt burdens remains very low 0.1%. The overall debt burden at 3.8% is relatively high and reflects the relatively high debt levels of overlapping entities, particularly those of Community Facilities districts and the County of Riverside. The district plans to issue the remaining portion of the authorization in six more series through 2021. The ten-year payout rate is relatively slow for California community college districts at 19.6%.

Assessed value, FY2004: $44.2 billion

Median family income (estimate), 2000 census: $52, (98% of state)

Per capita income (estimate), 2000 census: $17,700 (78% of state)

Average annual growth, assessed value, 2000-2004: 9.1%

General Fund balance, FY2003: $7.7 million (6.9% of revenues)

Full-time equivalent students, FY2004: 21,910

Overall debt burden: 3.8%

Direct debt burden: 0.1%

Payout of principal (10 years): 19.6%

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