

New Issue: Mendocino-Lake Community College District, CA

MOODY'S ASSIGNS A1 RATING TO MENDOCINO-LAKE COMMUNITY COLLEGE DISTRICT [CA] GO ISSUE

Current Issue, District's First Debt, Totals \$30 Million

Primary & Secondary Education
CA

Moody's Rating

ISSUE	RATING
Election of 2006 General Obligation Bonds, Series A	A1
Sale Amount	\$30,000,000
Expected Sale Date	03/07/07
Rating Description	General Obligation Bond

Moody's Outlook No Outlook

Opinion

NEW YORK, Mar 2, 2007 -- Moody's Investors Service has assigned an A1 rating to the Mendocino-Lake Community College District's \$30.0 million offering of Election of 2006 General Obligation Bonds, Series A. The bonds are secured by an unlimited property tax pledge. Key considerations for the A1 rating include the district's small, growing tax base; comparatively low income of district residents; the district's strong, steady financial position, and the district's low direct and overlapping debt burden. Proceeds from the sale will finance construction and modernizing of district facilities.

DISTRICT SERVES PORTIONS OF MENDOCINO AND LAKE COUNTIES; SMALL TAX BASE AND BELOW AVERAGE WEALTH INDICATORS

The district includes major portions of the counties of Mendocino and Lake, approximately 100 miles north of San Francisco. The economy of Mendocino County, which accounts for approximately 2/3 of the district's assessed value (AV), is largely agricultural although it includes a significant tourism component. Among the county's most notable characteristics are its rich agricultural lands, its vineyards and wineries, and its extensive commercial and public forests. While Mendocino County reaches the coast, the district does not include the coastal portion of the county. Lake County's economy is similarly based upon agriculture and tourism, the latter focusing on Clear Lake, the largest natural fresh water lake within the state. The district's AV has been growing at an accelerating rate, reaching 10.3% in 2007 and averaging 8.4% over the past four years. Nonetheless, it remains very small for a rated California community college district with an \$8.2 billion AV as of 2007.

The district serves a population of about 105,000. Income statistics are not available specifically for the district, but are presumed to be consistent with the counties served. Since the last census incomes in Mendocino have shown a comparative decline, while those in Lake County have increased somewhat. Nonetheless, income levels in both counties served by the district remain lower than the state level. As of the 2000 census per capita income in Mendocino was 86% of state and 90% of national levels; the more current figures from the US Bureau of Economic Analysis show 2004 per capita income at 77% of the state and 82% of the nation. Lake County's per capita income was 74% of the state and 78% of the nation as of the last census, while the more recent figures show a comparative rise to 76% of state and 81% of nation.

DISTRICT SHOWS STRONG, STABLE FINANCIAL RESULTS

The district has generated sound financial results, as a result of both stable enrollment and conservative management. In fiscal 2006 the district had an enrollment of full-time equivalents (FTEs) totaling 2,654, and estimates for the current year show an FTEs count of approximately 2,982. These figures are the culmination of a slow but steady increase since at least 1999, and FTE is expected to at least remain stable if not continue to increase in coming years. The district's financial position is sound, with total fund balances in the general fund ranging from 9.5% to 13% of general fund revenues over the past five years. In addition,

operating results have been strong enough to allow the district to fund both a capital projects fund and a special reserve fund which, when added to the total fund balance in the general fund, yields a total available fund balance representing an extremely healthy 20% or more of general fund revenues. The special reserve fund, which in fiscal 2006 totaled \$1.13 million, includes a reserve set aside to fund the district's retiree health care (OPEB) liability which has been estimated at approximately \$3.6 million. Moody's notes that the district is well ahead of many others in that it is both adjusting benefits and setting aside funds to address its liability, which in any case appears manageable.

LOW DEBT BURDEN, SLOW PAYOUT OF DEBT

The current offering is the first debt incurred by the district, and the first issuance of a total \$67.5 million approved by voters in November 2006. Proceeds from this offering will be used to finance construction and modernization projects at district facilities. The district's direct debt is very low, even after the current issue, at 0.4% of AV. Overall debt burden is also moderate at 2.1% of AV. The district's very slow principal repayment of 12% over ten years is a credit negative, though not sufficient to result in a rating distinction; this structure is being explained by conservative AV growth assumptions (4% annually) together with the district's desire to keep tax rates below \$25.00.

KEY STATISTICS

Mendocino County:

Median family income, 2000 census: \$42,168 (79.5% of the State)

Per capita income, 2000 census: \$19,443 (85.6% of the State)

Per capita income, 2004: \$26,956 (76.5% of the State)

Lake County:

Median family income, 2000 census: \$35,818 (67.5% of the State)

Per capita income, 2000 census: \$16,825 (74.1% of the State)

Per capita income, 2004: \$26,687 (75.8% of the State)

District Population, est.: 105,000

District assessed value, FY2007: \$8.2 billion

District Average annual growth, A.V., 2003-2007: 8.4%

Total fund balance, FY2006: \$2.1 million (9.5% of general fund revenues)

Available fund balance, FY2006: \$3.9 million (19.6% of general fund revenues)

Full-Time Equivalent Students, FY2006: 2,654

Overall debt burden: 2.1%

Direct debt burden: 0.4%

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