

## Riverside Community College District, CA

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**Credit Profile**

US\$110. mil GO bnds ser 2007C due 08/01/2032

<b>Long Term Rating</b>	AA-/Stable	New
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Riverside Comnty Coll Dist certs of part (2001 Rfdg Proj) (AMBAC)

<b>Unenhanced Rating</b>	NR(SPUR)
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**Rationale**

Standard & Poor's Ratings Services assigned its 'AA-' rating, and stable outlook, to Riverside Community College District, Calif.'s series 2007C GO bonds.

At the same time, Standard & Poor's affirmed its 'AA-' rating and underlying rating (SPUR), with a stable outlook, on the district's existing GO bonds.

The 'AA-' rating reflects the district's:

- Location in one of the fastest-growing counties in California, with its own diverse economy as well as proximity to the Los Angeles and Orange County economies;
- Average income and wealth indicators, although these indicators have been improving relative to the state and national averages;
- Strong financial operations and liquidity position;
- High overall net debt, at 5.0% of market value, although direct debt is a low 0.1% of market value, as most of the district's overall net debt is overlapping debt; and
- Inherent ability, like other California community colleges, to cut class offerings and costs as needed.

The series 2007C bonds are part of a \$350-million program authorized by voters in March 2004. After this issuance, the district has \$175 million of the authorization remaining. The bonds are a general obligation of the district, secured by a continuing direct ad valorem tax levied on all taxable property in the district.

**RatingsDirect  
Publication Date**

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Located in western Riverside County, the district enjoys close proximity to Los Angeles and Orange counties, enabling residents and business to participate in these economies as well. The district encompasses roughly 440 square miles and serves an estimated population of 1.04 million.

Riverside County continues to be one of California's fastest-growing counties, driven by the high cost of land and housing in the greater Los Angeles region and in San Diego and Orange counties. Riverside County's population has grown 26.4% over the past 6 years to 1.95 million and is projected to continue to grow to 2.60 million residents by 2020. The county's local economy is large, diverse, and growing; its primary industries consist of services (33%); trade, transportation, and utilities (19.5%); government (17.5%); construction (13.3%); and manufacturing (8.8%). Top employers in the county include the county of Riverside (18,291 employees), March Air Reserve Base (8,750), University of California at Riverside (6,657), Stater Bros. Markets (6,657), and Riverside Unified School District (5,099). County assessed valuation (AV) has grown at an average annual growth rate of 12.45%, to \$72.5 billion in 2007 from \$28.6 billion in 1999 (an overall increase of 153%). The district's tax base is extremely diverse, with the 10 leading taxpayers representing just 1.60% of total AV, with no single taxpayer representing more than 0.24% of total AV. District AV per capita is an average \$69,740. Median household effective buying income has increased in the county to 102% of the national level in 2005 from 97% in 2001. Since 2001, Riverside County's employment base has increased by more than 25% to 842,000. Median home sale prices range from \$370,000 in Moreno Valley to \$622,500 in Norco. County unemployment, at 5% in 2006, has consistently been lower than state averages and has typically been in line with the national average.

### ***Outlook***

The stable outlook reflects the expectation that the district's financial reserves and financial flexibility will enable it to withstand growth or funding pressures.

### ***Finances***

Recently passed legislation, SB 361, established a new community college funding formula. Each district receives an annual allocation, based on its number of colleges and comprehensive centers, plus funding received based on its number of credit and noncredit full-time equivalent (FTE) students. SB 361 specifies that, commencing with the fiscal 2006-2007, the minimum funding will be not less than \$4,367 per credit FTE student, at a uniform rate of \$2,626 per noncredit FTE student, and set at \$3,092 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's base revenue per credit unit of FTEs for fiscals 2003-2004, 2004-2005, and 2005-2006 were approximately \$3,601, \$3,955, and \$4,123, respectively. Base revenue per noncredit unit of FTEs for the same years was, excluding maintenance and operations appropriations, on average, approximately \$1,834, \$2,379, and \$2,479, respectively. District officials expect that the district's base revenue per unit of FTEs for fiscal 2006-2007 will be approximately \$4,367, and that the base revenue per noncredit unit of FTEs will be approximately \$2,626 before the cost of living adjustment and enhanced noncredit funding are applied to the base.

Historically, financial operations have been good, and the district has a practice of maintaining reserve levels above 5%. The district ended fiscal 2004-2005 with an unrestricted general fund balance of \$12.7 million, an increase of \$5.8 million. The increase was largely due to increases in state

apportionment revenue due to the receipt of equalization revenue and overcap and supplemental growth funding, all of which increased the district's base revenue. In fiscal 2005-2006, general fund operations produced a \$721,527 surplus and contributed \$623,752 to the total ending fund balance of \$16.9 million (12.3% of total general fund expenditures). Unrestricted fund balances decreased slightly to \$12.6 million (9% of total general fund expenditures). District officials expect to end fiscal 2007 with a \$1.0 million-\$1.5 million general fund surplus.

Riverside 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. Management maintains a five-year capital improvement and repair plan that it submits annually to the state; it has recently updated a detailed five-year educational facility master plan that it intends to fund primarily with bond proceeds. The district adopts a multiyear outlook in terms of the annual budget development process, with long-term growth planning aligned with revenue sources. The district invests in the county's investment pool but shares investment results with the board on a monthly basis. Management does not do formal five-year financial forecasts, but some forecasts and expectations are part of its educational facility master plan, which matches programs, facilities, and expected headcount. The district's written board policy is to maintain an ending general fund balance of at least 5% of the sum of beginning fund balance plus total revenue. The district does not have a formal debt management policy.

### ***Debt***

Overall net debt is an above-average \$2,852 per capita, and high as a percent of market value, at 5%. Direct debt is low, however, at 0.1% of market value, as most of the district's overall net debt is overlapping debt.

The series 2007C bonds are part of a \$350 million program authorized by voters in March 2004. The district issued \$65 million in series A and B bonds in 2004. The district has completed \$28.6 million in projects thus far, and has \$80.9 million in progress or in the initial planning phases. Projects funded by this issue range from utility improvements and compliance with the Americans with Disabilities Act to new buildings, such as an industrial technology building, a physical education building, and a nursing/sciences building. This bond series will be overlaid to create a level tax rate at or below the \$18 per \$100,000 of AV promised during the election. Under Proposition 39, the district must certify that it expects the tax rate to be no more than \$25 per \$100,000 of AV, but during the election the district promised a more conservative \$18. The \$25 figure does not restrict the district's ability to raise taxes to whatever amount is necessary to pay debt service on issued bonds. District officials expect to issue the remainder of the authorized debt (\$175 million) in \$40 million-\$45 million increments, spaced out over a 12-year period.

### ***The District***

The district has campuses located in some of the county's faster-growing areas, namely Riverside (comprehensive undergraduate program), Moreno Valley (known for its health sciences and public service programs), and Norco (engineering and technology programs). The district also has an early college and college preparatory program. In addition, Riverside Community College's Ben Clark Public Safety Training Center trains all police, fire, and emergency medical personnel for the county. The

campuses served approximately 25,088 FTE students in 2004-2005, and approximately 26,789 FTE students in 2005-2006. Estimated enrollment for 2006-2007 is 23,265, or 24,091 FTE students. The district attributes the decrease in enrollment to a strong economy and some growth pains as the district expanded to a three-college system. The district expects FTE enrollment to increase by 13.7% in 2007-2008 due to population growth in the area and the colleges' accreditations. The district retains considerable financial flexibility, as a substantial percent of the total faculty is part-time and the school retains the ability to add or delete courses as needed.

The district is evolving from a multicampus college to a multicollege district. Following years of investment on both campuses and pending accreditation visits scheduled for October 2007, Moreno Valley and Norco education centers should receive formal college status in the first half of 2008. Each campus has sufficient breadth and depth of programs, services, and resources to be accredited as a college. Achieving college status for these two campuses will add about \$2.5 million to the district's operating revenues under the new appropriation formula.

<b>Ratings Detail (As Of 01-Jun-2007)</b>		
Riverside Comnty Coll Dist GO tax-exempt & taxable bnds ser 2004 A&B		
<b>Long Term Rating</b>	AA-/Stable	Affirmed
Riverside Comnty Coll Dist GO (FSA)		
<b>Unenhanced Rating</b>	AA-(SPUR)/Stable	Affirmed
Riverside Comnty Coll Dist (93 fincng proj) certs of part		
<b>Long Term Rating</b>	NR	
Many issues are enhanced by bond insurance.		

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