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Summary:

Mount San Antonio Community College District, California; General Obligation

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Summary:

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Credit Profile

US\$19.465 mil GO bnds (Election Of 2008) ser 2015C due 06/01/2033

Long Term Rating

AA/Stable

New

US\$12.37 mil GO rfdg bnds ser 2015 due 08/01/2022

Long Term Rating

AA/Stable

New

Mount San Antonio Comnty Coll Dist ICR

Long Term Rating

AA/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA' rating to Mount San Antonio Community College District, Calif.'s series 2015C general obligation (GO) bonds and 2015 GO refunding bonds. At the same time, Standard & Poor's affirmed its 'AA' long-term rating and underlying rating (SPUR) on the district's GO bonds outstanding as well as its 'AA' issuer credit rating (ICR) on the district. The outlook is stable.

The 'AA' ratings reflect our view of the district's:

- Participation in the broad and diverse Los Angeles metropolitan statistical areas, supported by good income indicators;
- Very strong reserves and a strong 10% reserve policy; and
- Moderate debt burden and proactive funding of the other postretirement employee benefits (OPEB) liability.

Unlimited ad valorem taxes levied on taxable property (except certain personal property, which is taxable at limited rates) within the district secure the GO bonds.

The district is located in Los Angeles County and has an estimated population of 740,374. The 180-square-mile district includes the cities of Baldwin Park, City of Industry, Covina, Diamond Bar, Glendora, Irwindale, La Puente, La Verne, Pomona, San Dimas, Walnut, and West Covina, as well as the unincorporated communities of Bassett, Charter Oak, Hacienda Heights, Rowland Heights, and Valinda. Median household effective buying income (EBI) and per capita EBI are 103% and 93% of the national levels, respectively.

Total assessed value (AV) in the district had increased significantly leading up to fiscal 2009, when it peaked at \$68.7 billion. AV declined by an aggregate 3.1% during the next two years, but then began to rebound in fiscal 2012 and exceeded the prerecession peak by fiscal 2014. Fiscal 2015 AV grew 5.4% to \$75 billion, or \$98,533 per capita, which we view as very strong. We consider the tax base diverse, with the top 10 taxpayers accounting for only 2% of total AV in fiscal 2015.

The district operates Mt. San Antonio College, fully accredited, on a 420-acre campus about 25 miles east of the city of

Los Angeles. In response to a reduction in state-funded enrollment, the district began reducing its full-time-equivalent students (FTES) in fiscal 2010. With the restoration of FTES growth funding by the state, the district's projections include positive FTES trends of 5.4% for fiscal 2015 and fiscal 2016.

The district's financial position is very strong, in our opinion, with a combined assigned and unassigned general fund balance of 19% for fiscal 2014. Management estimates positive general fund results of \$1.4 million (about 1% of expenditures) for fiscal 2015, significantly better than the originally budgeted \$15 million general fund deficit included in the adopted budget. Better-than-budgeted results are a product of a 3% increase in revenues and a 6% decrease in expenditures. The fiscal 2016 tentative budget includes a \$14 million general fund deficit; however, the district's actual results have consistently performed better than budgeted, due to underspending and conservative revenue assumptions. Among the fiscal 2016 general fund tentative budget assumptions are 3.4% growth in state-funded FTES, expenditure growth, and a 5.4% increase in FTES. The budget also assumes a 5.02% wage increase based on tentative agreements with faculty.

We consider the district's management practices to be "good" under Standard & Poor's financial management assessment (FMA) methodology. An FMA of "good" indicates our view that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Key strengths include a policy of maintaining a minimum unrestricted general fund balance equal to 10% of unrestricted general fund expenditures and frequent review of budget performance. The district also has an investment policy and regularly reports its holdings by the board. Currently absent is a debt management policy and a comprehensive multiyear forecast for operations.

The district participates in the State of California Teachers' Retirement System and the State of California Public Employees' Retirement System, and fully funded the annual required contributions of \$5.5 million and \$4.4 million, respectively, or a combined 6% of general fund expenditures in fiscal 2014. The district also contributed \$286,484 for a defined contribution plan for employees not covered by the other plans. In addition, the district provides OPEBs to its employees. The district funds it on a pay-as-you-go basis. However, the district informed us that interest earnings from the irrevocable trust are currently used to fund the contributions. As of March 1, 2014, the \$107.4 million actuarial accrued liability was 67.2% funded.

In our view, the district's overall debt burden is moderate, at about \$3,700 per capita and 3.6% of market value. We understand that the district has about \$136 million of bond authorization remaining under the Election of 2008 Bond Measure RR. The district anticipates the next issue would likely occur in 2021, depending on AV growth, although it may issue bond anticipation notes in the interim. In addition, the district may seek voter approval of an additional bond measure of \$400 million to \$600 million, also depending on AV growth.

Outlook

The stable outlook reflects our anticipation that the district will maintain very strong general fund reserves. We do not anticipate changing the ratings during the two-year outlook horizon. Significant reductions in reserves could pressure the ratings downward. Upward potential of the ratings is somewhat limited by the underlying economic indicators, in our view.

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Ratings Detail (As Of July 14, 2015)

Mount San Antonio Comnty Coll Dist elec of 2008 GO bnds federally taxable		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Mount San Antonio Comnty Coll Dist elec of 2008 GO bnds federally tax-ex		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Mount San Antonio Comnty Coll Dist GO bnds (Election Of 2001)		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Mount San Antonio Comnty Coll Dist GO rfdg bnds federally tax-ex ser A due 09/01/2030		
<i>Long Term Rating</i>	AA/Stable	Affirmed
Mount San Antonio Comnty Coll Dist GO 2001 Election		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed
Mount San Antonio Comnty Coll Dist GO		
<i>Unenhanced Rating</i>	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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