

**CREDIT OPINION**

11 September 2017

New Issue

Rate this Research &gt;&gt;

**Contacts**

Steven Goodman-Leibof 415-274-1723  
 Associate Analyst  
 steven.goodman-leibof@moody.com

Leonard Jones 212-553-3806  
 MD-Public Finance  
 leonard.jones@moody.com

William Oh 415-274-1739  
 AVP-Analyst  
 william.oh@moody.com

**CLIENT SERVICES**

Americas 1-212-553-1653

Asia Pacific 852-3551-3077

Japan 81-3-5408-4100

EMEA 44-20-7772-5454

## Chabot-Las Positas Community College District, CA

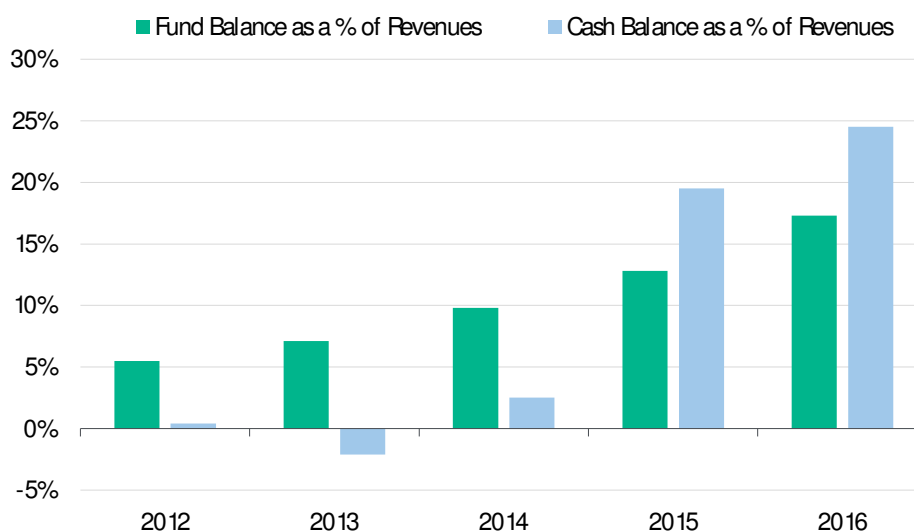
New Issue – Moody's assigns Aa2 to Chabot-Las Positas CCD CA's Election of 2016 General Obligation Bonds Series A

**Summary Rating Rationale**

Moody's Investors Service has assigned an Aa2 rating to Chabot-Las Positas Community College District's (CA) \$160.0 million Election of 2016 General Obligation Bonds Series A. Moody's maintains Aa2 ratings on the district's outstanding general obligation bonds totaling \$536.5 million. The outlook is stable.

The Aa2 rating reflects the district's large and expanding tax base in the San Francisco Bay Area; above average socioeconomic profile of district residents; recently strengthened financial position with healthy reserves and liquidity; moderate debt and pension burdens; and strong management. The rating also considers the security of an unlimited property tax pledge of all taxable property within the district boundaries. Alameda and Contra Costa Counties, rather than the district, will levy, collect, and disburse the district's property taxes, including the portion constitutionally restricted to pay debt service on GO bonds, enhancing bondholder security.

Exhibit 1

**Operating Cash and Reserves have Strengthened in Recent Years**


Source: Moody's investors Service

## Credit Strengths

- » Strengthening financial position
- » Very large and growing San Francisco Bay Area tax base
- » Strong funding environment for California CCDs

## Credit Challenges

- » Increasing debt burden
- » Fluctuations in enrollment

## Rating Outlook

The stable outlook reflects our expectation that the district's tax base and local economy will remain strong, and continue to expand, over the next two years. Additionally, we anticipate that the district will maintain its recently strengthened financial profile.

## Factors that Could Lead to an Upgrade

- » Sustained trend of improvement to the district's financial position
- » Continued robust tax base growth

## Factors that Could Lead to a Downgrade

- » Significant deterioration of financial metrics, including reserves and liquidity
- » Material loss of enrollment

## Key Indicators

Exhibit 2

<b>Chabot-Las Positas CCD</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Economy/Tax Base</b>					
Total Full Value (\$000)	\$ 83,883,385	\$ 86,053,542	\$ 91,466,394	\$ 97,004,663	\$ 103,921,609
Full Value Per Capita	\$ 139,805.00	\$ 143,423.00	\$ 152,444.00	\$ 161,674.00	\$ 173,203.00
Median Family Income (% of US Median)	135.0%	135.0%	135.0%	135.0%	144.7%
<b>Finances</b>					
Operating Revenue (\$000)	\$ 107,828	\$ 106,292	\$ 112,470	\$ 127,436	\$ 152,448
Fund Balance as a % of Revenues	5.5%	7.1%	9.8%	12.8%	17.3%
Cash Balance as a % of Revenues	0.4%	-2.1%	2.5%	19.5%	24.5%
<b>Debt/Pensions</b>					
Net Direct Debt (\$000)	\$ 445,919	\$ 598,923	\$ 492,904	\$ 486,793	\$ 574,462
Net Direct Debt / Operating Revenues (x)	4.1x	5.6x	4.4x	3.8x	3.8x
Net Direct Debt / Full Value (%)	0.5%	0.7%	0.5%	0.5%	0.6%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	1.1x	1.6x	1.8x	1.7x	1.6x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	0.2%	0.2%	0.2%	0.2%	0.2%

Source: Chabot-Las Positas Community College District and Moody's Investors Service

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](http://www.moody's.com) for the most updated credit rating action information and rating history.

## Detailed Rating Considerations

### Economy and Tax Base: Very Large, Growing Tax Base in the San Francisco Bay Area

Chabot-Las Positas Community College District (CCD) spans 559.4 square miles in southeastern Alameda County (Aaa Issuer Rating/Stable) and a small portion of Contra Costa County (Aa2 stable). The district serves approximately 17,230 full-time equivalent students (FTEs) at its two colleges, Chabot in Hayward (Aa2), and Las Positas in Livermore. The district's service area has an estimated population of 600,000, and also includes the cities of Pleasanton, San Leandro (Aa2 stable), Union City and Dublin.

The district has a very large and diverse tax base that underwent strong growth of 6.0% in 2017 and another 6.3% in 2018 bringing the district's tax base up to \$117.1 billion. The tax base has steadily appreciated over the last five years with an approximately 6% five-year average annual growth rate, comparing favorably to other Aa2-rated community colleges in California and nationally. The tax base remains well positioned for long term health, given the continued expansion and vibrancy of the San Francisco Bay Area economy. New commercial and residential development projects underway in Pleasanton, Livermore, Hayward and other areas, will help drive additional assessed valuation growth in the near term. We therefore anticipate that the district's assessed value will remain strong and well-sized for the rating category.

The tax base is diverse with the top twenty tax payers representing only 3.83% of the total valuation and no single payer accounting for more than .54% of the district's total assessed value. The taxpayer diversity is mirrored by the area's multi-faceted economy which is driven by a strong federal government presence, technology and healthcare sectors. Wealth indicators of district residents are also above average, with median family income in Alameda County of 144.7% of the U.S. median.

### Financial Operations and Reserves: Financial Profile Continues to Strengthen with Healthy Reserves and Liquidity

The district's financial position has significantly strengthened and was a key driver for the rating upgrade in April 2016. During the recession, the district's financial profile was significantly pressured by declining state education funding and revenue deferrals. The district spent down available (unrestricted) General Fund reserves to a very narrow 5.5% of revenues in fiscal 2012, while liquidity remained weak through fiscal 2014, with a notable negative net cash position of -\$2.2 million in fiscal 2013. The district implemented a variety of measures to restore fiscal balance, including furloughs, freezing pay, laying off staff and reduced its long term liabilities by closing its OPEB program to new employees. The district also developed a budget allocation model and implemented fiscal reforms to improve budget outcomes, which are evidenced by four consecutive years of general fund surpluses in fiscal 2013 - 2016. In fiscal 2016, the district posted a \$10.5 million General Fund surplus, increasing available reserves to a healthy 17.3% of revenues.

The district has benefitted from modest enrollment growth over the last three years, a notable strength given sector-wide pressure on enrollment which are countercyclical to periods of economic expansion. Despite recent growth, the district's overall enrollment remains approximately 7.5% below its peak in fiscal 2010; district enrollment grew modestly by 170 FTEs in 2017 bringing the number up to 17,400. The district has allocated considerable funding to advertising and recruiting strategies to restore enrollment levels and projects enrollment to continue to trend upward.

The district projects a General Fund surplus of approximately \$1.9 million in fiscal 2017 resulting from repayment of mandated cost reimbursements from the state, improved ongoing state funding and prudent budgeting. The surplus will increase General Fund reserves, including both restricted and unrestricted components, to approximately \$29.4 million or 17.9% of fiscal 2017 revenues, exceeding the district's policy of maintaining a minimum reserve of 8%, and above the national Aa2 sector median of 16.4%. The district's reserves further benefit from \$19.9 million in its Debt Service Fund, which yields an overall available reserve balance estimated at 26.4% of operating revenues at fiscal year end 2017. We expect the district to maintain healthy levels of reserves going forward, based on its commitment to balanced financial operations and preparation for a future downturn. The district's ability to continue to strengthen and maintain its recently improved financial position will remain a key consideration in future rating reviews.

### LIQUIDITY

The district's general fund liquidity rebounded in fiscal 2015, reflecting the retirement of state revenue deferrals, to \$24.8 million or 19.5% of revenues. The district's liquidity position further strengthened in 2016 with an ending balance of \$37.3 million or 24.5%, which is consistent with national Aa2 medians, but above average for California. The district's liquidity is further strengthened by \$13.9 million in balances held outside of the General Fund, among its Retiree and Capital Outlay Funds, which may be borrowed by the general fund for cash flow purposes.

### Debt and Pensions: Slightly Elevated Debt Burden; Manageable Pensions and Elevated OPEB Liability

Post issuance the district will have average debt levels, with net direct debt of 0.6% of AV which is the median for California CCD's, and overall net debt, including overlapping obligations on the district's tax base, of 3.2%. This level of debt is consistent with both state and national medians for Aa2-rated community college districts. The ten-year payout rate is also a slow 22.9%, compared to the state sector median of 36.9%. We anticipate debt levels to rise in the near term as the district plans to continue its large capital improvement plan and it accesses the remaining \$790 million from the \$950 million bond authorized in June 2016.

#### DEBT STRUCTURE

The district's post-issuance debt profile will comprise \$695 million of current interest bonds maturing through 2047.

#### DEBT-RELATED DERIVATIVES

The district has no debt-related derivatives.

#### PENSIONS AND OPEB

The district provides employees with defined benefit pension plans through the California State Teachers' Retirement System (CalSTRS) and the California State Public Employees Retirement System (CalPERS). Steadily increasing contribution rates are a growing burden on the district's finances, but should remain manageable given the district's stable financial position. Moody's combined adjusted net pension liability (ANPL) for the district, under our methodology for adjusting reported pension data, was \$261 million in fiscal 2016, or 1.60 times operating fund revenues on a three-year average basis, which is comparable to other California community college districts. Moody's ANPL reflects certain adjustments made to improve comparability of reported pension liabilities. The adjustments are not intended to replace the district's reported liability information, but to improve comparability with other rated entities. We determined the district's share of liability for the state-run systems in proportion with its contributions to the plan.

The district has implemented recent reforms to address a sizeable OPEB liability, which as of April 2016, the reported actuarially accrued liability stood at \$138.1 million. The district's fiscal 2016 annual required contribution (ARC) was \$13.05 million and the district contributed \$5.2 million or 40.6% of its ARC on a pay-go basis. As of the April 1, 2015 measurement date the district had a UAAL of \$138.1 million or a very high 314% of covered payroll. Notably, the district closed the benefit to new employees hired after January 1, 2013, and has contributed to a Retiree Health Benefits fund to address the liability, which held \$4.6 million as of June 2016. Further, the district's recently completed actuarial study shows a decrease in the district's UAAL of \$13 million to approximately \$125.3 million which will be reflected in the 2017 fiscal year audit. We view this as a positive step and continued reduction of future liabilities will positively impact the district's credit profile.

### Management and Governance

California community college districts have an institutional framework score of A or moderate. California community college districts have a low level of revenue raising ability. For most districts, revenues are primarily set by the state with revenue raising ability limited to fundraising or approval of a parcel tax requiring a two-thirds majority vote. State law sets a minimum annual funding level for community college districts that is designed to provide districts with a guaranteed funding source that grows each year with the economy and the number of students enrolled. However, revenue predictability has proven somewhat unstable, given that the state can easily make unexpected revenue reductions based on the volatility of the state's general fund revenues per capita. Expenditures for community college districts are highly predictable, and CCDs have significant expenditure flexibility with respect to staffing and course offerings.

### Legal Security

The bonds are secured by the levy of ad valorem taxes, unlimited as to rate or amount, upon all taxable property within the district. The portion of the levy restricted for debt service is collected, held and transferred directly to the paying agent by Alameda and Contra Costa Counties on behalf of the district.

### Use of Proceeds

Bond proceeds will fund various district facility improvements under the Measure A Bond Program approved in 2016.

## Obligor Profile

Chabot-Las Positas Community College District (CCD) spans 559.4 square miles in southeastern Alameda County (Aaa stable) and a small portion of Contra Costa County (Aa2 stable). The district serves approximately 17,230 full-time equivalent students (FTEs) at its two colleges, Chabot in Hayward (Aa2 Issuer Rating/No Outlook), and Las Positas in Livermore. The district's service area has an estimated population of 600,000, and also includes the cities of Pleasanton, San Leandro (Aa2 stable), Union City and Dublin.

## Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on [www.moody.com](http://www.moody.com) for a copy of this methodology.

## Ratings

Exhibit 3

### Chabot-Las Positas Comm. Coll. Dist., CA

Issue	Rating
Election of 2016 General Obligation Bonds, Series A	Aa2
Rating Type	Underlying LT
Sale Amount	\$160,000,000
Expected Sale Date	09/26/2017
Rating Description	General Obligation

Source: Moody's Investors Service

© 2017 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit 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 or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at [www.moody.com](http://www.moody.com) under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

REPORT NUMBER 1089838

## Contacts

Steven Goodman-Leibof  
*Associate Analyst*  
steven.goodman-leibof@moodys.com

415-274-1723

William Oh  
*AVP-Analyst*  
william.oh@moodys.com

415-274-1739

## CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454