

Rating Action: Moody's assigns Aa1 to San Jose-Evergreen CCD's (CA) 2020 GO Refunding Bonds; outlook is stable

14 Oct 2020

New York, October 14, 2020 -- Moody's Investors Service has assigned a Aa1 rating to San Jose-Evergreen Community College District's (CA) 2020 General Obligation Refunding Bonds (Federally Taxable). The estimated par amount is \$190.7 million. We maintain a Aa1 rating on the district's outstanding general obligation unlimited tax (GOULT) debt, affecting approximately \$846.0 million. The outlook is stable.

RATINGS RATIONALE

The Aa1 rating reflects the district's robust and diverse tax base poised for additional healthy growth despite near-term slowing as a result of the coronavirus pandemic. The rating also reflects the district residents' strong wealth levels, stable financial position supported by healthy reserves and liquidity as well as its deep entrenchment into community funded status. The district's manageable debt and pension burdens as well as its fully funded OPEB liability are also incorporated into the rating. The rating further considers the above average legal strength of California community college districts' general obligation bonds.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating action, and we do not see any material immediate credit risks for San Jose-Evergreen Community College District. However, the situation surrounding coronavirus is rapidly evolving and the longer-term impact will depend on both the severity and duration of the crisis.

RATING OUTLOOK

The stable outlook reflects our expectation that the district's tax base will continue to experience healthy growth, and that the district will maintain a healthy financial position supported by management's prudent fiscal practices.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING

- Sustained growth in general fund reserves
- Sizeable decline in outstanding pension liability

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING

- Material decline of the tax base
- Significant erosion of the district's fiscal position

LEGAL SECURITY

The district's GOULT debt, including the current issuance, are secured by the district's voter-approved unlimited property tax pledge. Santa Clara County (Aa1 stable) will levy, collect, and disburse the district's property taxes, including the portion constitutionally restricted to debt service on general obligation bonds.

USE OF PROCEEDS

The current offering will refund certain maturities of the district's outstanding Election of 2004 GO Bonds, Series C, Election of 2010 GO Bonds, Series C, 2014 GO Refunding Bonds, Series A and 2015 GO Refunding Bonds for taxpayer savings. There is no extension in maturity.

PROFILE

San Jose - Evergreen Community College District is located in Santa Clara County, CA and encompasses approximately 303 square miles in the heart of Silicon Valley, including a portion of the City of San Jose (Aa1

stable) and all of the City of Milpitas. The district operates San Jose City College and Evergreen Valley College, each of which is fully accredited by the Accrediting Commission for Community and Junior Colleges. The district is governed by a seven-member Board of Trustees. The district's full-time equivalent students are projected at 11,750.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in July 2020 and available at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBM_1230443. Alternatively, please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moody.com/researchdocumentcontentpage.aspx?docid=PBC_1133569.

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