District Resource Allocation Model

The San Jose-Evergreen Community College District (SJECCD) has a well-established history of effective financial planning, resulting in long-term fiscal stability. The Board of Trustees’ budget principles and financial practices call for careful management of all District financial resources. The following is a description of the Board of Trustees’ principles and SJECCD’s budget allocation methodology. The overarching goal is to meet the commitments and requirements of the organization with the objective of maximizing the resources allocated to the colleges to achieve student success, and attainment of the Trustees, District, and college goals.

I. Board of Trustees Annual Study Session
   a. Overview
      Each year at a February Board of Trustees meeting, a Budget Study Session is conducted. At this Study Session, the Vice Chancellor of Administrative Services provides an overview of the District’s financial state of affairs. This overview typically includes the economic forecast, an outlook for the Colleges and District, and a look at current local property tax projections. Each January, the Governor proposes the budget outlook for the following fiscal year, which is also included in this Study Session. Additionally, other local economic factors are evaluated, including local budget trends and needs, employment demographics, status of full-time faculty obligation numbers and the District fund balance in relation to comparable district fund balances throughout the region and the State. A review of our status in relation to the 50% law standards, and other fiscal performance data is also provided. Based on the components of the Budget Study Session, the Chancellor and Vice Chancellor of Administrative Services will provide financial insight and guidance relative to fiscal analyses, trends, and budget issues or opportunities that may be forthcoming. Following this, the Board of Trustees’ current principles are discussed and reviewed. This discussion includes an interactive dialogue for consideration of updates, deletions, or additions to these guiding principles. The following principles are current and were approved by the Board of Trustees on February 24, 2015.

   b. Board of Trustees’ Principles
      1. Trustees to provide the Chancellor & staff with policy framework for managing an “appropriate” fund balance & structural balance.
      2. Validate a “student centered” approach to ensure student success and equity.
      3. Compliance with accreditation standards.
      4. Distinguish between on-going vs. one-time savings & needs.
      5. Manage all resource allocations or funding reductions systematically to maximize student equity and success.
      6. Seek efficiencies and revenue opportunities.
      7. Establish and maintain an employee salary and compensation structure that is competitive among the Bay 10 Community College Districts.
      8. Maintain a minimum 7% Unrestricted General Fund reserve.
      9. District Stabilization Fund
         • Board authority required to access.
II. Overview of Resources

a. Unrestricted Revenue to the District

Effective FY 12/13, SJECCD became the 5th community college district among the 72 California community college districts to be recognized as a “basic aid” district. As such, the college District is funded primarily by local property taxes and no longer receives State general apportionment revenue. The effects of becoming a basic aid district necessitate close monitoring and management of the property tax updates that are received throughout the fiscal year.

As noted in Board Principle #10, property tax projections will be based on 3.5% growth and will be adjusted each period based on County Tax Collector updates. The Tentative Budget is based on the 3.5% projection. The Adopted Budget is updated with the first property tax data point if received prior to the 1st Quarter Report deadline.

College districts that are funded via traditional State apportionment receive their primary statement of funding each July with modest adjustments throughout the year for changes such as the deficit factor. Basic aid districts receive new financial data points on an approximate quarterly basis. The result is an initial budget allocation with periodic updates as new information is reported.

b. Restricted Revenue to the Colleges

While SJECCD is a basic aid district for general apportionment funding purposes, it does participate fully in State categorical programs for which it is eligible. These resources are allocated directly to the Colleges and District as appropriate based on student eligibility and
specific criteria relative to each of the categorical requirements. The programs that SJECCD participates in are listed below, with a total categorical value of $9.2M in FY 15/16.

- Apprenticeship
- Basic Skills
- CalWORKs
- CARE
- BOG Fee Waiver Administration
- DSP&S
- EOP&S
- Equal Employment Opportunity
- Physical Plant & Instructional Support
- Scheduled Maintenance & Repairs
- Student Equity
- Student Financial Aid Administration
- Student Success & Support Programs
- TANF
- Telecom & Technology
- FT Student Success Grant
- FT Faculty Allocation
- Other Resources for the Colleges

Each year, the Colleges and District Office are reassigned eligible unspent operating dollars from the prior year for inclusion with their new year budget allocation. These are called discretionary budget carryovers. The Colleges are also assigned 75% of new international fee revenue that is generated over the base year (FY2013/14). The Colleges also participate in the energy management utility rebate program, whereby if they elect to participate in designated PG&E energy saving days, they receive a dollar-for-dollar benefit of any associated utility rebate. In addition to these funds, the colleges keep 100% of facilities use revenue that is generated throughout the year, net of actual costs. In each year, this can generate hundreds of thousands of dollars of program opportunity money.

III. Budget Allocation Model

There are five major funding groups within the General Fund, which are San Jose City College (SJCC), Evergreen Valley College (EVC), Workforce Institute (WI), District Office (DO), and Districtwide expenses (DW). Before determining resources available for allocation, or during an economic downturn, we first evaluate the DW expenditures based on historical trends and projected needs for the new year budget. Generally, the DW categories include, but are not limited to:

- Advertising
- Audit Expenses
- Bad Debt Allowance
- Bank Charges
- Benefit Broker Contracts
- Board Elections
- Contracts/Personal Services
- Electricity
- Enterprise Resource Planning
- External Collection Fees
- Fuel/Oil
- Garbage
- Gas
- Insurance
- Interpreters
- Lease Payments
- Legal Expenses
- License Renewals
- Maintenance
- Memberships
- OPEB Debt Service
- Parking Fund Backfill
- Postage
- Recruitment
- Rentals/Leases
- Reprographics
- Telephone
- TRAN Fees
- Vacation/Comp Time Payout
- Water/Sewer

The College and DO budgets are then rolled forward with adjustments made for personnel expenditures associated with the transition of staff and adjustments for retirements, employee transitions, step and column movement, and adjustments for changes in the cost of statutory benefits such as STRS, PERS, Social Security, Medicare, Unemployment Insurance, and Workers’ Compensation. Additionally, the College and DO budgets are adjusted for the premium changes relative to health and welfare benefits.

Throughout the year, collective bargaining is underway with the employee groups and, upon settlement, any costs or benefits are recognized as adjustments to the College and DO budgets.

Following the above processes, the budget is reassessed for additional available resources or necessary organizational reductions. Guidelines and direction for new resource allocation or budget reduction are coalesced with direction from the Chancellor with participation from the Chancellor’s Cabinet. Prior to a recommendation being made, this group assesses the overall financial conditions relative to one-time dollars and ongoing resources within the context of the Board of Trustee’s established Budget Principles. Following this, resource assessment criteria are applied based on the resource allocation principles. These include program reviews, College and District planning, Board Ends Policies and directional institutional priorities, goals, and objectives.

The Colleges and the District Office participate in a program review in part to determine effectiveness of programs and in part to determine areas of growth and/or needed improvement. The results of these program reviews become part of the criteria for determining where resources are needed at the local level. The executive work plans, which are linked to the district strategic priorities, are used in a similar way. The planning and program review cycle is timed to be consistent with the resource allocation timeline. The Cabinet uses this criteria to make the case for resources needed as a part of their conversation with the Chancellor.

The District Budget Committee (DBC) meets on a monthly basis throughout the academic year. The Committee consists of 21 members with the Vice Chancellor of Administrative Services as the Chair and includes the following constituent group members:

- 6 Classified Staff
- 6 Faculty
- 2 MSC
- 4 Business Officers: one from each location
2 students: one from each campus

The DBC reviews all of the above activity and all major financial information, including available resources and DW financial requirements, as well as the Chancellor’s Cabinet budget recommendations for the upcoming fiscal year. Throughout the year, the DBC receives updates of new information as it becomes available and comprehensively reviews budget details as represented in each quarterly budget report. Each quarterly report includes all resources and spending commitments for all funds, with the exception of long-term debt and memo funds of the District. This body is the major vetting group for evaluation and feedback to the Chancellor and the Chancellor’s Cabinet, relative to budget assumptions and recommendations for the upcoming fiscal year and as updated throughout the year.

IV. Board of Trustee Reporting
As previously described, the Board of Trustees conducts an annual Study Session each February to update Board’s Principles and set standards and goals for the upcoming fiscal year.

The Vice Chancellor of Administrative Services provides regular budgetary and financial updates to the Board of Trustees throughout the year. These updates include new information such as property tax changes or announcements from the State Chancellor’s Office and is presented via oral report to the Trustees.

The Board of Trustees formally approves the Tentative Budget for the new year at the June Board meeting and adopts the Final Budget at the September Board meeting. At an October or November Board meeting, the Trustees receive and review the CCFS-311 Annual Financial Report which is submitted to the State Chancellor’s Office. For each of the first three quarters, the Vice Chancellor of Administrative Services provides a budget update to the Trustees that includes a comprehensive formal budget report. The Tentative Budget is presented in the fourth period in lieu of a quarterly report. Prior to all of the aforementioned presentations and reports, the District Budget Committee provides input and feedback on the detail within these documents before they are submitted to the Trustees for review.

V. Standards and Best Practices
a. Sound Fiscal Management Self-Assessment Checklist (Attachment A)
Incorporated as part of the State Chancellor’s Office Budget Accounting Manual is a Financial Management Checklist. Each year the Vice Chancellor of Administrative Services reviews the District’s position relative to the 15 measures provided in this checklist. Each of these areas includes an evaluation of our status relative to the Statewide guidelines and principles such as deficit spending, fund balance, cash flow borrowing, collective bargaining agreements, stability of leadership, budget monitoring practices, internal control, etc. SJCECCD has a strong pattern of high performance in each of these standards.
b. **Budget Calendar (Attachment B)**
   Each year, the DBC reviews the District’s Budget Calendar. This calendar includes key dates, including anticipated receipt dates of new budget information and a timeline of reports to be prepared and presented to the DBC. Dates in which the Board of Trustees receive their quarterly reports, Tentative Budget, and the Adopted Budget are included as other key budget timelines for the year.

c. **Board of Trustees Audit Committee**
   Three members of the Board of Trustees meet twice annually as part of the standing Audit Committee process. This group functions as a Brown Act committee. The initial meeting is in the Spring before the Auditor arrives for interim field work and meets again in the Fall after the completion of all audit field work to review the draft Audit Reports.

   At the Spring meeting, the Trustees give guidance directly to the Auditor regarding specific areas of interest or a specific audit focus that they desire. This meeting is designed to outline the audit planning and approach for the year, giving the Trustees an opportunity to give specific direction to the Auditor. In the ensuing months, the audit work is completed and is typically finalized toward the end of November. At this time, the Board Audit Committee reconvenes and discusses the Auditor’s draft report and reviews any findings, recommendations, or concerns that the Auditor may have identified. Note that in recent years, there have been very few audit findings and in fact, in FY 13/14 the Auditor’s report to the Board did not contain a single recommendation relative to fiscal areas needing improvement. Following extensive review by the Audit Committee with the Auditors of the draft report and the audit findings, the Auditor finalizes their formal Audit Reports which are submitted to the full Board of Trustees for acceptance annually at either the December or January meeting.

d. **OPEB Plan**
   The Board of Trustees established an irrevocable trust in February 2008 to fully fund the District’s Other Post Retiree Benefits (OPEB). The trust is governed by the Retirement Board of Authority (RBOA) whose members are appointed by the Board of Trustees. Membership includes three administrators, three members of AFT6157, and three members of CSEA, Chapter 363. The RBOA meets twice a year with the meetings being subject to the Brown Act.

   In May 2009, the District sold bonds to fund the trust. As of June 30, 2015, the trust had market value assets of $48,049,215. According to the most recent actuarial valuation dated June 30, 2015, the actuarial liability is $41,005,934; the current service component (normal cost or current year accrual) is $78,426; and the future service component (not yet accrued liability) is $414,935. Accordingly, as of June 30, 2015, the trust has a surplus of $7,536,642 or is funded at a ratio of 119%.
In FY14/15, the District’s retiree medical benefit costs were $3,396,064 and are anticipated to be $3,615,148 in FY15/16. The debt service associated with the bonds is $2,478,541 annually. Accordingly, savings to the District’s Unrestricted General Fund were $917,523 in FY14/15 and are anticipated to be $1,136,607 in FY15/16.

e. Credit Rating
SJECCD is actively implementing local general obligation bond dollars through an extensive construction program. As part of this process, the District periodically finances new issuances of taxpayer-supported bonds as construction projects are completed. In addition, both in FY 2014 and FY 2015, through opportunities associated with reduced bond interest rates and a very strong credit rating, the college District took the initiative to refund higher interest rate bonds at lower rates thereby saving the local taxpayers a total of $30M in these two refundings.

In May 2015, Standard & Poor’s Rating Services assigned a rating of “AA” to SJECCD (Attachment C) and Moody’s Investor Service assigned a rating of “Aa1” (Attachment D).

VI. Summary
Each College and the District Office uses its local participatory processes to allocate its resources to best meet the goals and objectives as established by the Board of Trustees. The preparation of the annual district budget is a transparent, participatory process utilizing the principles established by the Board of Trustees, recommendations made by the Chancellor’s Cabinet, which includes the College Presidents and the Vice Chancellors, with review and feedback by the DBC, which includes broad-based representation from various constituent groups. We do have a strong feedback loop through the DBC whereas recommendations are made to the Chancellor for further consideration prior to presentation to the Trustees. These will result in updates to the documents or revisions to the formal presentation to the Trustees as directed by the Chancellor.
California Community Colleges

Sound Fiscal Management
Self-Assessment Checklist

1. **Deficit Spending** - Is this area acceptable? **Yes / No**
   - Is the district spending within their revenue budget in the current year?
   - Has the district controlled deficit spending over multiple years?
   - Is deficit spending addressed by fund balance, ongoing revenue increases, or expenditure reductions?
   - Are district revenue estimates based upon past history?
   - Does the district automatically build in growth revenue estimates?

2. **Fund Balance** – Is this area acceptable? **Yes / No**
   - Is the district’s fund balance stable or consistently increasing?
   - Is the fund balance increasing due to on-going revenue increases and/or expenditure reductions?

3. **Enrollment** - Is this area acceptable? **Yes / No**
   - Has the district’s enrollment been increasing or stable for multiple years?
   - Are the district’s enrollment projections updated at least semiannually?
   - Are staffing adjustments consistent with the enrollment trends?
   - Does the district analyze enrollment and full time equivalent students (FTES) data?
   - Does the district track historical data to establish future trends between P-1 and annual for projection purposes?
   - Has the district avoided stabilization funding?

4. **Unrestricted General Fund Balance** – Is this area acceptable? **Yes / No**
   - Is the district’s unrestricted general fund balance consistently maintained at or above the recommended minimum prudent level (5% of the total unrestricted general fund expenditures)?
   - Is the district’s unrestricted fund balance maintained throughout the year?

5. **Cash Flow Borrowing** - Is this area acceptable? **Yes / No**
   - Can the district manage its cash flow without interfund borrowing?
   - Is the district repaying TRANS and/or borrowed funds within the required statutory period?

6. **Bargaining Agreements** - Is this area acceptable? **Yes / No**
   - Has the district settled bargaining agreements within new revenue sources during the past three years?
   - Did the district conduct a pre-settlement analysis identifying an ongoing revenue source to support the agreement?
   - Did the district correctly identify the related costs?
   - Did the district address budget reductions necessary to sustain the total compensation increase?

7. **Unrestricted General Fund Staffing** - Is this area acceptable? **Yes / No**
   - Is the district ensuring it is not using one-time funds to pay for permanent staff or other ongoing expenses?
   - Is the percentage of district general fund budget allocated to salaries and benefits at or less than the statewide average (i.e. the statewide average for 2003-04 is 85%)?
8. **Internal Controls** - Is this area acceptable?  **Yes / No**
   - Does the district have adequate internal controls to insure the integrity of the general ledger?
   - Does the district have adequate internal controls to safeguard the district’s assets?

9. **Management Information Systems** - Is this area acceptable?  **Yes / No**
   - Is the district data accurate and timely?
   - Are the county and state reports filed in a timely manner?
   - Are key fiscal reports readily available and understandable?

10. **Position Control** – Is this area acceptable?  **Yes / No**
    - Is position control integrated with payroll?
    - Does the district control unauthorized hiring?
    - Does the district have controls over part-time academic staff hiring?

11. **Budget Monitoring** - Is this area acceptable?  **Yes / No**
    - Is there sufficient consideration to the budget, related to long-term bargaining agreements?
    - Are budget revisions completed in a timely manner?
    - Does the district openly discuss the impact of budget revisions at the board level?
    - Are budget revisions made or confirmed by the board in a timely manner after the collective bargaining agreements are ratified?
    - Has the district’s long-term debt decreased from the prior fiscal year?
    - Has the district identified the repayment sources for the long-term debt?
    - Does the district compile annualized revenue and expenditure projections throughout the year?

12. **Retiree Health Benefits** - Is this area acceptable?  **Yes / No**
    - Has the district completed an actuarial calculation to determine the unfunded liability?
    - Does the district have a plan for addressing the retiree benefits liabilities?

13. **Leadership/Stability** - Is this area acceptable?  **Yes / No**
    - Has the district experienced recent turnover in its management team (including the Chief Executive Officer, Chief Business Officer, and Board of Trustees)?

14. **District Liability** – Is this area acceptable?  **Yes / No**
    - Has the district performed the proper legal analysis regarding potential lawsuits that may require the district to maintain increased reserve levels?
    - Has the district set up contingent liabilities for anticipated settlements, legal fees, etc?

15. **Reporting** – Is this area acceptable?  **Yes / No**
    - Has the district filed the annual audit report with the System Office on a timely basis?
    - Has the district taken appropriate actions to address material findings cited in their annual audit report?
    - Has the district met the requirements of the 50 percent law?
    - Have the Quarterly Financial Status Reports (CCFS-311Q), Annual Financial and Budget Reports (CCFS-311), and Apportionment Attendance Reports (CCFS-320) been submitted to the System Office on or before the stated deadlines?
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2015</td>
<td>DO staff evaluates impact of Governor’s proposed budget (January 10) and estimates of District revenues</td>
</tr>
<tr>
<td>January 14, 2015</td>
<td>State Chancellor’s Budget Workshop</td>
</tr>
<tr>
<td>January 29, 2015</td>
<td>2nd Quarter Budget Report to District Budget Committee</td>
</tr>
<tr>
<td>February 2015</td>
<td>Validate position control and set preliminary salary and benefit assumptions</td>
</tr>
<tr>
<td>February 24, 2015</td>
<td>Board and Chancellor establish priorities</td>
</tr>
<tr>
<td>March 2015</td>
<td>DO staff allocates base budgets</td>
</tr>
<tr>
<td>March / April 2015</td>
<td>Campuses/DO evaluate base budgets and begin to submit budget change requests in support of strategic plans and Board/Chancellor priorities</td>
</tr>
<tr>
<td>April 30, 2015</td>
<td>3rd Quarter Budget Report to District Budget Committee</td>
</tr>
<tr>
<td>April 30, 2015</td>
<td>Budget data final review by campuses and last day to submit budget change requests to DO for Proposed Tentative Budget</td>
</tr>
<tr>
<td>May 2015</td>
<td>Receive updated Property Tax information from County</td>
</tr>
<tr>
<td>May 15, 2015</td>
<td>DO staff finalizes Proposed Tentative Budget</td>
</tr>
<tr>
<td>May 18, 2015</td>
<td>Proposed Tentative Budget (draft) printed for Budget Committee</td>
</tr>
<tr>
<td>May 21, 2015</td>
<td>Proposed Tentative Budget (draft) presented to Budget Committee</td>
</tr>
<tr>
<td>May 29, 2015</td>
<td>DO staff updates Proposed Tentative Budget to incorporate Budget Committee recommendations from May 21st accepted by Chancellor</td>
</tr>
<tr>
<td></td>
<td>Last day for DO staff to re-evaluate District revenues based upon Governor’s May Revise</td>
</tr>
<tr>
<td>June 5, 2015</td>
<td>Proposed Tentative Budget available for public inspection</td>
</tr>
<tr>
<td>June 9, 2015</td>
<td>Board of Trustees approves Tentative Budget</td>
</tr>
<tr>
<td>June / July 2015</td>
<td>Campuses / DO evaluate base budgets based upon Governor’s May revise, if necessary, and begin to submit budget change requests</td>
</tr>
<tr>
<td>Date</td>
<td>Event</td>
</tr>
<tr>
<td>--------------</td>
<td>----------------------------------------------------------------------</td>
</tr>
<tr>
<td>July 31, 2015</td>
<td>Budget data final review by campuses and last day to submit budget change requests to DO for Proposed Adopted Budget</td>
</tr>
<tr>
<td>August 2015</td>
<td>Receive updated Property Tax information from County</td>
</tr>
<tr>
<td>August 14, 2015</td>
<td>DO staff finalizes Proposed Adopted Budget (including testing to meet 50% law)</td>
</tr>
<tr>
<td></td>
<td>Advertisement sent to San Jose Mercury News to announce public hearing date</td>
</tr>
<tr>
<td>August 24, 2015</td>
<td>Proposed Adopted Budget (draft) printed for Budget Committee</td>
</tr>
<tr>
<td>August 27, 2015</td>
<td>Proposed Adopted Budget (draft) presented to Budget Committee</td>
</tr>
<tr>
<td>August 28, 2015</td>
<td>DO staff to update Proposed Adopted Budget to incorporate Budget Committee recommendations from August 27th accepted by Chancellor</td>
</tr>
<tr>
<td>September 3, 2015</td>
<td>Proposed Adopted Budget sent to Board of Trustees</td>
</tr>
<tr>
<td></td>
<td>Proposed Adopted Budget available for public inspection</td>
</tr>
<tr>
<td></td>
<td>Proposed Adopted Budget document sent to printer</td>
</tr>
<tr>
<td>September 8, 2015</td>
<td>Board of Trustees conducts public hearing and approves Adopted Budget</td>
</tr>
<tr>
<td>October 2015</td>
<td>Adopted Budget forwarded to State Chancellor’s Office</td>
</tr>
<tr>
<td></td>
<td>Adopted Budget uploaded to Colleague</td>
</tr>
<tr>
<td>November 2015</td>
<td>Receive updated Property Tax information from County</td>
</tr>
</tbody>
</table>
May 27, 2015

San Jose-Evergreen Community College District
40 S. Market St.
San José, CA 95113
Attention: Ms. Rita Cepeda, Chancellor

Re: US$79,900,000 San Jose-Evergreen Community College District, California, General Obligation Refunding Bonds, Series 2015, dated: Date of delivery, due: September 01, 2029

Dear Ms. Cepeda:

Pursuant to your request for a Standard & Poor’s Ratings Services (“Ratings Services”) rating on the above-referenced obligations, Ratings Services has assigned a rating of "AA". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes Ratings Services’ permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor’s must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E.C. Rule 15c2-12. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:
Standard & Poor’s Ratings Services
Public Finance Department
55 Water Street
The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

Standard & Poor's Ratings Services

lk
enclosures
cc:   Mr. Chet Wang  
       Mr. Doug Smith  
       Ms. Ivory Li  
       Mr. Peter Fitzsimmons
Terms and Conditions Applicable To Public Finance Credit Ratings

General. The credit ratings and other views of Standard & Poor’s Ratings Services (“Ratings Services”) are statements of opinion and not statements of fact. Credit ratings and other views of Ratings Services are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services’ opinions should not be relied upon in making any investment decision. Ratings Services does not act as a “fiduciary” or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice. Unless otherwise indicated, the term “issuer” means both the issuer and the obligor if the obligor is not the issuer.

All Credit Rating Actions in Ratings Services’ Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook, at any time, in Ratings Services’ sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private credit rating or a withdrawal of a credit rating, or termination of a credit rating engagement. Ratings Services will not convert a public credit rating to a confidential or private credit rating, or a private credit rating to a confidential credit rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate a credit rating and any related analytical reports, including the rationale for the credit rating, unless the issuer specifically requests in connection with the initial credit rating that the credit rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private credit rating or the existence of a confidential or private credit rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the credit rating as a public credit rating, including, without limitation, publishing the credit rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of the issuer or at the issuer’s request. Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public credit ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services’ credit ratings criteria from time to time and Ratings Services may modify or refine its credit ratings criteria at any time as Ratings Services deems appropriate.

Reliance on Information. Ratings Services relies on issuers and their agents and advisors for the accuracy and completeness of the information submitted in connection with credit ratings and the surveillance of credit ratings including, without limitation, information on material changes to information previously provided by issuers, their agents or advisors. Credit ratings, and the maintenance of credit ratings, may be affected by Ratings Services’ opinion of the information received from issuers, their agents or advisors.
Confidential Information. Ratings Services has established policies and procedures to maintain the confidentiality of certain non-public information received from issuers, their agents or advisors. For these purposes, “Confidential Information” shall mean verbal or written information that the issuer or its agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is “Confidential.”

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an “expert” or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Rating Services has not performed and will not perform the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with a credit rating engagement.

Disclaimer of Liability. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to any person for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to a credit rating or the related analytic services even if advised of the possibility of such damages or other amounts.

No Third Party Beneficiaries. Nothing in any credit rating engagement, or a credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of a credit rating. No person is intended as a third party beneficiary of any credit rating engagement or of a credit rating when issued.
Summary:
San Jose-Evergreen Community College District, California; General Obligation

Primary Credit Analyst:
Chris Morgan, San Francisco (1) 415-371-5032; chris.morgan@standardandpoors.com

Secondary Contact:
Misty L. Newland, San Francisco (1) 415-371-5073; misty.newland@standardandpoors.com

Table Of Contents
Rationale
Outlook
Related Criteria And Research
Summary:
San Jose-Evergreen Community College District, California; General Obligation

Credit Profile

<table>
<thead>
<tr>
<th>Bond Description</th>
<th>Rating</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$79.9 mil GO refunding bonds, ser 2015 due 09/01/2029</td>
<td>AA/ Stable</td>
<td>New</td>
</tr>
<tr>
<td>San Jose-Evergreen Comnty Coll Dist GO bonds</td>
<td>AA/ Stable</td>
<td>Affirmed</td>
</tr>
<tr>
<td>San Jose-Evergreen Comnty Coll Dist GO bonds (Election of 2004) ser A dd 05/26/2005 due 09/01/2006-2007 2025 2027 &amp; cap apprc bonds due 09/01/2021-202</td>
<td>AA(SPUR)/ Stable</td>
<td>Affirmed</td>
</tr>
</tbody>
</table>

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to San Jose-Evergreen Community College District, Calif.'s series 2015 general obligation (GO) refunding bonds. In addition, Standard & Poor's affirmed its 'AA' long-term rating and underlying rating (SPUR) on the district's GO bonds outstanding. The outlook is stable.

Unlimited ad valorem taxes levied on taxable property within the district secure the GO bonds. The Santa Clara County Board of Supervisors has the power and obligation to levy these taxes at the district's request for the bonds' repayment.

The ratings reflect our opinion of the district's:

- Location in the heart of Silicon Valley with a very strong to extremely strong wealth income profile;
- Revenue structure that is largely insulated from state funding decisions, as the district receives revenues in excess of what its property tax base would receive under the state funding formula;
- Record of maintaining strong reserves for the past four fiscal years, which we expect will continue; and
- The inherent operational flexibility of community colleges given their ability to control class sections and curriculum offerings, an operational feature not shared by K-12 districts.

Partly offsetting these strengths is the district's high debt burden relative to its population size.

The district serves the eastern portion of Silicon Valley, including downtown San Jose and Milpitas. We estimate its median household effective buying income (EBI), to be 152% of the national level, which we consider very strong. Assessed valuation rebounded strongly in fiscal 2014, from a 6.5% peak-to-trough loss during fiscal years 2010 through 2012, to surpass the pre-recession peak. After an 8.2% increase in 2014, the district saw a nearly equally robust 7.0% increase to $116.7 billion for fiscal 2015. Market value per capita, a measure of wealth, is about $133,500, which we consider extremely strong.

Management anticipates that the district's full-time equivalent (FTE) student population, which the district's official
projection places at 12,170 for fiscal 2015 (down 20% from a peak in fiscal 2011), will rise in fiscal 2016 and 2017 due to revisions to course offerings.

We believe that the district has consolidated gains in reserves that it made early in the decade as state funding was receding with cuts to course offerings, bringing its expenditures in line with revenues. Its available general fund balance reached 12.3% at the end of fiscal 2012, after falling to a low of 6.5% at the end of 2010, and grew further to 14.6% of expenditures ($13.8 million), which we consider strong, at the end of fiscal 2014. Management's current estimates for fiscal 2015 suggest a retreat to 12.4% of expenditures, but management anticipates that the decline in reserves will moderate if likely revenues not incorporated into its assumptions are realized.

Supporting the district's revenue structure is its participation in the Silicon Valley economy, which has seen robust growth in housing, commercial, and industrial values in recent years. The district reports that, in fiscal 2013, it reached "basic-aid" status, a term that refers to the ability to realize revenues above the state funding formula based on FTE student enrollment. The district reports its fiscal 2015 operating revenues above what it would receive under the state funding formula at what we calculate is the equivalent of 20% of expenditures, or $1,700 per student. Also likely to be finalized in 2015, according to management, is a proposed ground lease that would likely generate at least the equivalent of 1.5% of expenditures according to pro forma estimates.

We consider the district's financial management practices "good" under our Financial Management Assessment (FMA) methodology, indicating our view that the finance department maintains adequate policies in some, but not all, key areas. Highlights include a robust analytical process to consider internally measured trends and county estimates of property taxes to build budget assumptions; quarterly budget-to-actuals updates to the board; an internal investment policy with quarterly reporting to the board; and a minimum reserve policy to maintain 7% of expenditures. The district does not have a comprehensive debt management policy.

The district's overall net debt burden is moderate-to-high, in our opinion, at about 4.3% of market value and $5,700 per capita. Included in the district's debt portfolio is alternative financing in the form of $47.5 million in bonds to fund the district's other postemployment benefit (OPEB) liability. The district entered into a swap agreement to effectively fix its payments on these variable-rate obligations. As of March 31, 2015, the swap had a negative termination value of $16.1 million. We consider the contingent liability risk associated with this liability to be manageable at the current rating level.

The district makes its full annually required contributions to the state's defined-benefit pension systems. These costs represented 5% of total expenditures. The district also provides OPEB benefits, the actuarial liability for which is more than offset by a dedicated asset, with the funded ratio at 118%.

Outlook

The stable outlook reflects our view of the district's strong financial position and strong momentum in tax base growth, which should translate into continuing operating revenue growth. We could raise the rating during the next two years if such revenue growth translates into sustainable and significant strengthening in reserves, particularly if reinforced by enhancements to the district's formal policies and reporting practices. We do not anticipate lowering the rating unless
the district experiences a material weakening in financial performance such as could occur if a reversal in economic performance causes revenues to significantly weaken.

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

Related Research
Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014

<table>
<thead>
<tr>
<th>Ratings Detal (As Of May 27, 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Jose-Evergreen Comnty Coll Dist GO bnds (Election of 1998)</td>
</tr>
<tr>
<td>Long Term Rating</td>
</tr>
<tr>
<td>San Jose-Evergreen Comnty Coll Dist GO (AGM)</td>
</tr>
<tr>
<td>Unenhanced Rating</td>
</tr>
<tr>
<td>San Jose-Evergreen Comnty Coll Dist GO</td>
</tr>
<tr>
<td>Unenhanced Rating</td>
</tr>
</tbody>
</table>

Many issues are enhanced by bond insurance.

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.
New Issue: Moody's assigns Aa1 to San Jose-Evergreen CCD's (CA) G.O. bonds

Global Credit Research - 22 May 2015

$79.9M refunding debt affected; outstanding ratings affirmed

SAN JOSE - EVERGREEN COMMUNITY COLLEGE DISTRICT, CA
Community College Districts (Tax-backed) CA

Moody's Rating

<table>
<thead>
<tr>
<th>ISSUE</th>
<th>RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 General Obligation Refunding Bonds</td>
<td>Aa1</td>
</tr>
<tr>
<td>Sale Amount</td>
<td>$79,900,000</td>
</tr>
<tr>
<td>Expected Sale Date</td>
<td>06/04/15</td>
</tr>
<tr>
<td>Rating Description</td>
<td>General Obligation</td>
</tr>
</tbody>
</table>

Moody's Outlook  NOO

NEW YORK, May 22, 2015 --Moody's Investors Service has assigned an Aa1 rating to San Jose-Evergreen Community College District's (CA) 2015 General Obligation Refunding bonds totaling approximately $79.9 million. We have also affirmed the Aa1 rating on the district's outstanding general obligation bonds totaling approximately $417.5 million.

SUMMARY RATING RATIONALE

The Aa1 general obligation bond rating reflects the district's immense and stable assessed valuation that will likely continue to increase in value and strong county resident socioeconomic profile. The rating also incorporates the district's below-average reserve levels that should remain stable, and the positive credit consideration we give for the district's Basic Aid designation. The rating incorporates the district's slightly improved general fund liquidity since the last review. The district's very low debt burden as a percentage of assessed value, as well as average pension burden, have been incorporated into the rating. We have also factored the district's variable-rate OPEB bonds and outstanding swap agreement in the current review.

OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

WHAT COULD MAKE THE RATING GO UP

- Significant and sustained increase in general fund reserve levels
- Sizeable increase in assessed value and resident wealth levels

WHAT COULD MAKE THE RATING GO DOWN

- Any deterioration in the district's financial and/or liquidity position
- Increased debt burden
- Loss of Basic Aid designation

STRENGTHS

- Stable and large assessed value
- Diverse local economy
- Basic Aid designation since fiscal 2013

CHALLENGES
- Below-average general fund reserve levels
- Variable-rate OPEB bonds outstanding
- Swap agreement outstanding

RECENT DEVELOPMENTS
Recent developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE: DIVERSE ECONOMY POISED FOR CONTINUED GROWTH

The district has a diverse and stable tax base that should continue to increase in value in the near-term. The local economy is supported by high-tech, professional services, retail, and governmental industries. Local economic activity is reflected in the district's large assessed value (AV) that increased by 7.0% to $116.7 billion in fiscal 2015, the district's highest AV yet attained. Continued AV growth should continue in the near-term with the ongoing strength of the local tech economy and the increase in local housing values. AV per capita of $119,095 in fiscal 2015 remains healthy relative to other community college districts.

The district's tax base is diverse with the ten largest taxpayers comprising 3.2% of the total 2015 AV. The largest taxpayers are mixed high-tech, industrial, retail, and real estate property owners. The largest taxpayer accounts for 0.6% of the total 2015 AV.

The district's growth is reflected in its stable socioeconomic indicators and increasing median home sale prices of the county. County wealth measures are comfortably above national averages with per capita income at $39,091 (145.1% of US) and median family income at $100,149 (161.2% of US) as of the 2010 census. The county unemployment rate has been consistently below the state and national averages and fell to 4.1% in March 2015, lower than the state (6.5%) and national (5.6%) rates for the same period. Median home sale prices for the county reported year-over-year improvement in 2014 from 2013.

FINANCIAL OPERATIONS AND RESERVES: BELOW-AVERAGE RESERVE LEVELS; STABILITY EXPECTED

The district has fund balances that are below-average for the rating category, though reserves should remain stable in the near-term given the district's Basic Aid designation and the financial policies implemented by district management. As a Basic Aid district, the district currently receives $20.8 million more funding from local sources than it would otherwise receive from the state, and is, therefore, mostly isolated from the volatile state funding environment for California community colleges and dependent on its local revenue sources for funding. Continued AV growth should improve local revenues to the district. The district conservatively estimates future AV growth, the basis for the district's local property tax revenues, will be 3.5% per year, but historical growth rates have been significantly higher. Management builds into its annual budget various board initiatives that will be funded with local property tax revenues that are higher than estimated, which will likely result in reserves that are stable in the near-term versus reserves that will grow. District management honors its 7% minimum reserve policy and created a reserve stabilization fund in fiscal 2015 that will be used as a rainy day fund in years of economic downturn to maintain services. We note that the district received a new management team in fiscal 2011, which is when reserve levels for the district began to improve.

For fiscal 2014, the district had an unrestricted fund balance of $13.8 million (12.1% of revenues), which is reflective of future reserve levels under the new management team. The district will likely have an ending fund balance of $13.1 million (12.3% of revenues) at the end of fiscal 2015. We expect improved reserves for fiscal 2016, given the growth in local property tax revenues, but no significant increases in reserves. The district provided an approximate 5.0% salary increase in fiscal 2015 to most employee groups and future expenditures will likely be focused on improving academic offerings.

The district's full-time equivalent students (FTES) is declining somewhat in the near-term, because students are
finding employment in the improving local economy. The district had actual FTES of 13,052 in fiscal 2014 and should have close to 12,170 FTES in fiscal 2015. Moderate FTES declines are anticipated in the near-term. District management feels that 14,000 FTES is an economically feasible upper limit for the district.

Liquidity

The district’s general fund liquidity position has improved slightly since the last review. The district still maintains low overall general fund liquidity and below-average liquidity ratios. We expect that the district will have stable liquidity moving forward given the district’s isolation from volatile state funding and its reliance on its own strong property tax revenues under its Basic Aid designation. The district has access to $3.65 million outside of the general fund for temporary borrowing. The district issued a $3.0 million short-term cash flow note in fiscal 2015 and has no plans to issue any notes in fiscal 2016.

DEBT AND OTHER LIABILITIES

The district has a low debt burden that consists mainly of general obligation bonds and one OPEB obligation that poses a burden on the district’s general fund. The amount of general obligation bonds outstanding is a very low 0.4% of AV as of fiscal 2014. We feel this level of debt outstanding is manageable for district residents. The district received authorization to issue up to $268.0 million under another Measure G in the 2010 election. The district has $58.0 million of election 2010 authorization outstanding that will likely be issued in the next few years and should not significantly alter the district’s debt profile.

Debt Structure

The district’s general obligation bonds are fixed-rate.

The district has $47.5 million of OPEB taxable bonds outstanding issued in 2012, which were used to refund a portion of the district’s outstanding 2009 OPEB Taxable Bonds, Series A on a current basis. The 2012 OPEB bonds will mature on July 1, 2043 and bear a variable interest rate with an initial LIBOR index rate period ending on April 30, 2027, after which the district can elect various rate methods with a maximum rate of 12%. The 2012 OPEB bonds were purchased by First Republic Bank in a direct purchase and are subject to a mandatory tender on May 1, 2027. Remarketing risk of the 2012 OPEB bonds is a credit weakness, but not a looming threat. Starting on May 1, 2012, the variable interest rate and forward-starting floating-to-fixed rate swap commenced with an interest rate of 4.239%. Interest rate risk after May 1, 2027 is an additional credit weakness. These bonds pose a burden on the district’s general fund, though annual debt service on the bonds of nearly $2.5 million (2.5% of revenues) is below the $3.6 million annual OPEB liability.

Amortization of the district’s outstanding debt is slow at 34.2% in ten years.

Debt-Related Derivatives

The district’s variable rate 2012 OPEB bonds are swapped to fixed-rate through a swap agreement with Deutsche Bank Trust Company Americas that will expire on July 1, 2043. The rating termination triggers for the swap are a function of the district’s and the swap provider’s ratings, with the district’s option to terminate if the counterparty’s rating falls below Baa1 and the counterparty’s option to terminate if the district’s rating falls below Baa2. The most recent mark to market valuation was -$16.1 million as of March 31, 2015, which is somewhat burdensome if immediate repayment were required given the district’s available cash of $21.7 million in fiscal 2014. Under the swap, the district pays the counterparty a fixed payment of 4.239% and receives a variable payment based on the LIBOR index rate.

Pensions and OPEB

Pension-driven budgetary pressures for the district are stable, though future pension rate increases could prove to be a budgetary burden. The district’s current contribution to the state’s retirement system is reasonable relative to the district’s overall expenditures.

Moody’s adjusted net pension liability (ANPL) for the district, under our methodology for adjusting reported pension data, is $216.8 million, or an average 1.84 times operating revenues. Moody’s ANPL reflects certain adjustments we make 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.

The district has no OPEB liability, because of its issued OPEB bonds, and has a current funded ratio of 118%.
MANAGEMENT AND GOVERNANCE

The district is fully accredited. On July 3, 2014, the district received non-compliance for the process by which faculty members' effectiveness was evaluated and received a "probation" status, which is the second level of sanction after "warning." The district submitted a follow-up report on March 15, 2015. In June 2015, the accreditation committee will review the reports and visit with the district. Management is confident that they have met the compliance requirements necessary to remove the probation status.

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 school 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 K-14 schools that is designed to provide schools 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 K-14 schools can be projected, but the ability to reduce expenditures is low due to pressures from collective bargaining and state rules that limit when and how staff reductions can be made.

KEY STATISTICS

- Assessed Value, Fiscal 2015: $116.7 billion
- Assessed Value Per Capita, Fiscal 2015: $119,095
- Median Family Income as % of US Median: 161.2%
- Fund Balance as % of Revenues, Fiscal 2014: 14.2%
- 5-Year Dollar Change in Fund Balance as % of Revenues: 6.36%
- Cash Balance as % of Revenues, Fiscal 2014: 8.2%
- 5-Year dollar Change in Cash Balance as % of Revenues: 8.20%
- Institutional Framework: A
- 5-Year Average Operating Revenues/Operating Expenditures: 1.02x
- Net Direct Debt as % of Assessed Value: 0.4%
- Net Direct Debt / Operating Revenues: 4.74x
- 3-Year Average ANPL as % of Assessed Value: 0.15%
- 3-Year Average ANPL / Operating Revenues: 1.84x

OBLIGOR PROFILE

San Jose-Evergreen Community College is located in Santa Clara County and serves an area that includes the City of Milpitas and portions of the cities of San Jose and Santa Clara. The district's boundaries encompass approximately 303 square miles in central Silicon Valley.

LEGAL SECURITY

The general obligation offering is secured by an unlimited property tax pledge of all taxable property within the district boundaries. Debt service on the rated debt is secured by the district's voter-approved unlimited property tax pledge. The county rather than the district will levy, collect, and disburse the district's property taxes, including the portion constitutionally restricted to pay debt service on general obligation bonds.

USE OF PROCEEDS

Proceeds from the 2015 refunding bonds will be used to refund the district's General Obligation Bonds, Election of 2004, Series A and the General Obligation Bonds, Election of 2004, Series B for estimated debt service savings of $9.9 million.
PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

Analysts

Christian Ward
Lead Analyst
Public Finance Group
Moody's Investors Service

Kenneth Kurtz
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA
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.moodys.com under the heading “Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy.”

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 clients. It would be dangerous for “retail clients” to make any investment decision based on MOODY’S credit rating. If in doubt you should contact your financial or other professional adviser.

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.