STANDARD & POOR'S
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Summary: San Joaquin Delta Community College District, California
Election of 2004

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Credit Profile
US$90. mil GO Bonds, Series 2005A due 02/01/2029
A+
Sale date: 08-FEB-2005

AFFIRMED
$4.370 mil. GO Bonds, Series 2003
AAA / A (SPUR)

OUTLOOK:
STABLE

Rationale

Standard & Poor's Ratings Services assigned its 'A+' standard long-term rating, and stable outlook, to San Joaquin Delta Community College District, Calif.'s series 2005A GO bonds based on the district's general creditworthiness.

Standard & Poor's also affirmed its 'A' Standard & Poor's underlying rating (SPUR) on the district's lease-revenue debt outstanding based on the district's covenant to budget and appropriate for lease-rental payments and its general credit characteristics.

The district's general credit characteristics include its:

- Large and growing property tax base;
- Steady enrollment growth, which drives state funding levels; and
- Consistent adequate reserve levels.

These strengths are mitigated by the district's:

- High unemployment levels,
- Below-average per capita income levels, and
- State-appropriation-dependent funding.

An unlimited ad valorem pledge secures the bonds.

San Joaquin Delta Community College District encompasses most of San Joaquin County and small portions of Alameda, Calaveras, Sacramento, and Solano counties. The district serves residents in Stockton, Calif.; Lodi, Calif.; Galt, Calif.; Manteca, Calif.; and Tracy, Calif.

The district's sizable property tax base has experienced strong growth; the tax base grew an average of 10% annually to $47 billion in fiscal 2005 due to residential growth spurred by relatively affordable home prices attracting residents from the San Francisco Bay Area. Median home values range from $298,000 in Stockton to $492,000 in Tracy. Calaveras County's 2003 median household effective buying income levels were a below-average 88% of the state's level but were on par with the nation's level. In 2003, county per capita effective buying income indicators were lower at 78% and 79% of state and national levels, respectively. County unemployment levels were a very high 10.0% in 2003 and 9.9% for the first nine months of 2004, which reflected the county's agricultural component and the recent tightening of public sector payrolls.

San Joaquin Delta Community College District's main campus is in Stockton; and it served roughly 15,300 full-time-equivalent students in fiscal 2004. Management has budgeted for a 3% increase in full-time-equivalent students

in fiscal 2005; but it estimates actual full-time-equivalent students will increase by 5.00% to nearly 16,000, or slightly above the 4.22% state-funded growth level. The district has historically maintained a solid financial operation and position, and state sources accounted for about 45% of its fiscal 2004 revenues and local sources generated the bulk of the remaining operating funds. In fiscal 2003, the $4.9 million unreserved general fund balance accounted for 7% of general fund expenditures. Unaudited fiscal 2004 results indicate a $1.85 million operating deficit, causing the unreserved general fund balance to decline to $3.50 million, or 4.8% of expenditures. Despite management's implementation of $3 million of operating expenditure cuts in fiscal 2004, state funding reductions were the primary cause of the planned fund balance decline. Management is forecasting a $4 million ending general fund balance, or 5% of expenditures, for fiscal 2005, which is in-line with the board's minimum targeted reserve level.

Outlook

The stable outlook reflects the expectation that positive enrollment trends and conservative financial management will continue, allowing the district to maintain reserves at designated targets while successfully managing its large capital facilities plan.

Debt

This issuance represents the first portion of a $250 million GO authorization that was passed by 55.4% of the electorate in March 2004 to finance the construction of new facilities and the modernization of the existing campus. After this issuance, the overall net debt burden will be a moderate 3% of market value and roughly $2,000 per capita. In fiscal 2007, the district's pro forma annual debt service carrying charge is estimated to increase to a moderate 12.5% of current budgeted general fund expenditures. In addition to high carrying charges, pro forma amortization is below average with 32% of principal outstanding being retired over 10 years. District officials will use bond proceeds to finance the first phase of construction on a new campus near Tracy and refund $9 million of certificates of participation outstanding. Management plans to issue the next series of bonds in 2007.

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Subject: San Joaquin Delta Community College District, CA

MOODY'S ASSIGNS Aa3 RATING TO SAN JOAQUIN DELTA CCD (CA) GENERAL OBLIGATION
BONDS, SERIES 2005A

APPROXIMATELY $90.0 MILLION IN DEBT AFFECTED, INCLUDING CURRENT OFFERING

San Joaquin Delta Community College District, CA
Primary & Secondary Education
California

Moody's Rating

Issue	Rating
General Obligation Bonds, Series 2005	Aa3
Sale Amount $90,000,000	
Expected Sale Date 01/25/05	
Rating Description General Obligation Bonds	

NEW YORK, January 21, 2005 -- Moody's Investors Service has assigned an Aa3 rating to Delta Community College District's $90 million offering of General Obligation Bonds, Election of 2004 Series 2005A. The bonds are secured by an unlimited property tax pledge. Proceeds from the sale will fund modernization, refurbishing, and new construction and expansion projects at existing college campuses. In addition, approximately $9.2 million of the current offering will be used to advance refund outstanding Certificates of Participation Series 2000. Key considerations for the rating include the district's very large tax base, below average income levels, moderate debt burdens, enrollment growth, satisfactory financial position and conservative approach to budgeting which enables the district to address ongoing state revenue stress.

VERY LARGE AND GROWING PRIMARILY RESIDENTIAL TAXBASE ATTRACTS RESIDENTS WITH
PROXIMITY TO EMPLOYMENT CENTERS AND LOW COST OF HOUSING

The district is approximately 2,300 square miles and serves a large growing service area of San Joaquin County (Aa3 Issuer Equivalent GO Rating) and portions of five surrounding counties. The district's service area includes the cities of Stockton, Tracy, Lodi and Manteca. Population and assessed valuation growth has continued in the district over the last few years. Officials report the district's proximity to Sacramento and the San Francisco Bay Area as well as the lower cost of housing, has led to significant residential development and new commercial development. In 2005 AV was a substantial $46.9 billion up from $37.7 billion (or 12.4%) in the previous

year. Continued residential development is expected to drive AV growth going forward, albeit at a more moderate level than the 10.5% average annual increases experienced between 2000and 2005. County unemployment levels are high and consistently above the state and national levels. Median family and per capita income levels are below average. Income growth since the 1990 census paralleled growth for the state as a whole, while other nearby Bay Area communities experienced strong gains relative to the state.

CONSERVATIVE APPROACH TO BUDGETING AND ENROLLMENT GROWTH PROVIDE FOR STABLE
FISCAL OPERATIONS

Given the district's stable demand, prudent budgeting practices and satisfactory reserve levels, Moody's believes the district will ably manage through the current budget pressures from state funding shortfalls and increasing healthcare costs. In FY2003 the district's general fund balance totaled $5.5 million or 7.4% of revenues. This is amount is slightly greater than the $5.1 million general fund balance achieved in FY2002. In FY2004 the district's general fund balance totaled a satisfactory $3.7 million (5.1% of revenues). In response to state funding reductions in fiscal year 2003-2004, district management implemented a series of expenditure reductions totaling $3.1 million to mitigate revenue shortfalls from the state. In FY2004, the district maintained approximately $4.9 million (or 6.8% of revenues) in reserves outside the general fund, making for a total available balance of $8.0 million (or 11.1% of revenues). Moody's believes that this level of reserve provides adequate financial flexibility should state revenue pressures persist in the current funding cycle. Additionally, the district's FTE growth has averaged 3.4% annually between 1999 and 2004, reaching 15,318 FTEs in 2004. Although the state has projected FTE growth of approximately 4.2% to 16,084 in FY 2005, district management has conservatively developed the district's budget on much lower FTE growth assumption of 3.0%. Moody's believes that this conservative approach increases the likelihood that the district will maintain staffing at appropriate levels.

MODERATE DEBT BURDEN DESPITE SIGNIFICANT AUTHORIZATION AND FUTURE ISSUANCE
PLANS

Due to a capital improvement program funded on a pay-as-you-go basis, the district's direct debt level is relatively low. The current offering is the first series of a $250 million authorization, approved by more than 55.0% of the voters in a March 2004 election. The district's debt burdens remain manageable at 0.2% (direct) and 3.0% (overall). Even with the sale of the total authorization, the district's direct debt burden today would increase to 0.5%, remaining below the median for similarly rated districts. According to district management, the full authorization will be issued over a 15-year period. The bonds will fund repair, modernization, and new construction of additional buildings at district campus sites. Some of the projects represent major expansions of facilities to accommodate future enrollment growth. Additionally, approximately $9.2 million of the current offering will refund the district's outstanding Certificates of Participation Series 2000. District

management notes that the advance refunding will free up approximately $1.0 million annually in general fund lease payments. To date, the district has been successful in obtaining state funding for several of its capital projects. This will allow the district to either cut back on the amount of debt they plan to issue or fund more projects than was possible under the current capital facilities master plan. The debt structure is satisfactory with approximately 35.1% of the principal amortized within the first ten years of the twenty-five year life of the bonds. Going forward, Moody's believes that management will continue to manage district resources prudently.

KEY STATISTICS

Estimated 2004 Population: 674,555

Assessed value, FY2005: $46.9 billion

Estimated A.V. per capita: $69,527

Average annual growth, assessed value, 1999-2004: 10.5%

General Fund balance, FY2004: $3.7 million (5.1% of revenues)

Total available balance, FY2004:$8.0 million (11.1% of revenues)

Full-time equivalent students, FY2004: 15,318

Overall debt burden: 3.0%

Direct debt burden: 0.2%

Payout of principal (10 years): 35.1%

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Subject: Fitch Rates Delta Community College District, California, $90MM GOs =?iso-8859-1?Q?'A+'?=

Fitch Rates Delta Community College District, California, $90MM GOs 'A+'

Fitch Ratings-San Francisco-January 19, 2005: Fitch Ratings assigns an 'A+' rating to $90 million Delta Community College District, general obligation (GO) bonds, election of 2004, series 2005A. The Rating Outlook is Stable. The bonds are expected to sell via negotiation led by RBC Dain Rauscher during the week of Feb. 8.

The 'A+' rating reflects Delta Community College District's (the district) sound financial position, with adequate fund balances, strong assessed valuation growth, and excellent management. These factors are somewhat offset by fiscal concerns resulting from uncertainties surrounding state education funding, lower-than-average wealth levels, and high unemployment rates.

The district's 2,300 square-mile service area encompasses most of San Joaquin County, and small portions of Alameda, Calaveras, Sacramento, and Solano counties. With a population of 674,555, the district provides educational services to approximately 15,318 students through a variety of course offerings at its main campus in the city of Stockton, or at either of its two learning centers in the cities of Tracy and Manteca. Due to its proximity to the employment centers in Sacramento and the San Francisco Bay area, and fueled by its relative affordability of housing and lower cost of living, the district's tax base is experiencing strong growth, with assessed valuations averaging an annual growth rate of 10.5% over the 2000-2005 period. While the local economy is dominated by the government and agriculture sectors, the area is showing slow signs of diversification. Wealth levels, nonetheless, remain below average, as evidenced by the higher-than-average unemployment levels.

Financial operations are sound marked by adequate general fund reserves that have averaged around 6.9% of expenditures and transfers out over the past five audited fiscal years. In response to fiscal pressures caused by recent reductions in statewide education funding, district management prudently implemented a $3.1 million budget reduction plan in fiscal 2004 by reducing adjunct hires, eliminating some course offerings, attrition, other operating reductions, and a drawdown on the general fund balance. Nonetheless, the district's ending general fund balance in fiscal 2004 was a sound $3.7 million, or 5% of spending, above the state-mandated minimum of 3%. While management strives to maintain the district's reserve at 5% in the near term, it prudently plans to increase total reserves above that

threshold to provide funds for future capital needs.

This is the first installment in a $250 million bond authorization (Measure L) approved by 55.4% of district voters in March 2004 under California's Proposition 39 election procedure. Bond proceeds, supplemented with state matching funds, will fund a $300 million capital facilities plan for the purpose of expanding the district's main campus and learning centers, as well as building new regional learning centers in other parts of the district. In addition, bond proceeds will refund all of the district's outstanding certificates of participation and a capital lease agreement. Direct debt level is low at $130 per capita, or 0.2% of market value, with overall debt approaching the moderate level at $2,077 per capita, or 3% of market value. The average tax rate levied to repay these bonds is expected to be $17 per $100,000 of assessed valuation, assuming a 3% future annual assessed valuation growth rate.

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