

Rating Action: Moody's assigns Aa2 to San Juan Junior College District, NM's GOLT Bonds, Ser. 2019

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New York, December 03, 2018 -- Moody's Investors Service has assigned a Aa2 rating to San Juan Junior College District, New Mexico's \$5 million General Obligation (Limited Tax) Bonds, Series 2019 general obligation limited tax (GOLT) bonds. We maintain the district's Aa2 issuer rating and the Aa2 on the district's outstanding GOLT parity obligations. The issuer rating represents Moody's assessment of a hypothetical general obligation unlimited tax (GOULT) pledge. Moody's uses the issuer rating as a reference for assignment of the GOLT rating.

RATINGS RATIONALE

The Aa2 issuer rating is based on the district's sizeable tax base, which is exposed to volatility in the energy market, particularly natural gas, and houses two coal-fired plants. Positively, the base is anchored by the City of Farmington, the economic hub for the Four Corners region. The Aa2 further reflects the college's stable financial position and a low direct debt burden. The rating incorporates a trend of historic enrollment declines and an above average pension burden, reflective of the district's participation in a state-wide, cost-sharing plan administered by the Educational Retirement Board.

The bonds are secured by a limited tax pledge capped at 5 mills. Despite this, the Aa2 GOLT rating is the same as the issuer rating given the ability of the board and New Mexico's Department of Finance and Administration to override the cap in the event of tax base contraction.

RATING OUTLOOK

Moody's generally does not assign outlooks to local government credits with this amount of debt outstanding.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Substantial tax base expansion; trend of stabilization of enrollment
- Reductions to the pension and fixed cost burdens

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Sustained deterioration to cash or fund balances
- Significant tax base contraction
- Further increases to the pension and fixed cost burdens

LEGAL SECURITY

The bonds are general obligation (limited tax) bonds of the district and are payable from general ad valorem taxes which shall be levied against all taxable property within the district in an amount not to exceed 5 mills; however, this limit may be exceeded if it is necessary to levy more than 5 mills to pay principal and interest on the bonds, if the valuation of property within the district declines to a level lower than the valuation of such property in the year the bonds were issued.

USE OF PROCEEDS

Proceeds from the Series 2019 bonds will be used for various capital projects, including the purchase and renovation of real estate.

PROFILE

The college is a political subdivision of the State of New Mexico organized for the purpose of operating and

maintaining a program of postsecondary education which provides coursework leading to certificates and associate degrees. The district's tax base is coterminous with San Juan County. For the 2017-2018 academic year, the unduplicated headcount enrollment was 10,678 and full-time equivalent enrollment was 4,592.

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 for a copy of this methodology.

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