STANDARD & POOR'S RATINGS SERVICES

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Summary:

Collin County Community College District, Texas; General Obligation

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Long Term Rating	AAA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AAA' rating, with a stable outlook, on Collin County Community College District, Texas' general obligation (GO) bonds.

The rating reflects our opinion of the district's:

- Inclusion in the deep and diverse Dallas-Fort Worth metropolitan statistical area (MSA), boosting wealth and income levels;
- Very strong financial position, coupled with good management practices; and
- Diverse revenue streams with significant revenue-raising flexibility.

Revenue from the district's direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property in the district secures the bonds. Local referendum limits the district's tax rate for local maintenance at 8 cents per $100 of assessed value (AV) and debt service at 12 cents per $100 AV. The district's total property tax rate is 8.36 cents per $100 AV, including an 8-cent maintenance and operations rate.

The district serves an estimated population of 972,237 and is coterminous with Collin County, located approximately 31 miles north of Dallas' central business district. The county includes many towns and cities, including Plano, McKinney, Frisco, and Allen. Median household effective buying income is very strong, in our opinion, at 158% of national levels. Since fiscal 2011, market value increased by about 9.2% to $80.5 billion in fiscal 2014, which equated to a market value per capita of $82,769, which we consider very strong. Enrollment has experienced continual growth. Student headcount increased by about 10.3% in 2011 to 27,434 in the 2014 school year. In the past two years, the district increased the in-district tuition fees by $4 to the current $31 per hour.

In our view, Collin County Community College District's fiscal position has remained very strong. The district has reported consecutive surpluses since fiscal 2002. At the end of fiscal 2012, the district reported a surplus of $25.1 million, which increased its unrestricted net assets to $204.7 million or 150.6% of operating expenditures, which we consider very strong. We believe the district's liquidity also remains very strong with year-end cash of $213.5 million or approximately 573 days of operating expenditures. Management anticipates ending fiscal 2013 with at least break-even operations or a small surplus. The district has adopted a balanced budget for fiscal 2014. For fiscal 2012, 38.9% of revenues were derived from property taxes; 21.1% from state appropriations; 20.6% from net tuition, fees, and auxiliary revenues; and 18.3% from grants and contracts. We believe that this represents a diverse revenue stream

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that lends stability to the financial operations of the district.

We consider Collin County Community College District's financial management practices "good" under our Financial Management Assessment (FMA) methodology, indicating financial practices exist in most areas but that governance officials might not formalize or regularly monitor all of them.

The district offers pension benefits through the Teachers Retirement System of Texas (TRS), a cost-sharing multiple-employer defined benefit pension plan. The district also contributes to the State Retiree Health Plan, a cost-sharing, multi-employer, defined-benefit postemployment health care plan administered by the Employees Retirement System of Texas. During fiscal 2012, the district's total contributions for OPEB amounted to $4.2 million, or a modest 3.1% of expenditures.

In our opinion, the overall net burden of the district is moderately high. at 6.4% of market value and high, at $5,262 on per capita basis. Most of this debt burden is due to underlying entities within the boundaries of the college district, primarily school districts. We understand that officials do not plan to issue debt during the next 12 to 18 months.

Outlook

The stable outlook reflects Standard & Poor's opinion that management will likely maintain its strong financial performance due, in part, to revenue-raising flexibility. The stable outlook also reflects our expectation that the district's inclusion in a strong and growing economic base will continue to support its fiscal stability. We do not anticipate changing the rating within the two-year outlook horizon because of our anticipation that management's significant revenue-raising flexibility will allow it to maintain a strong financial position.

Related Criteria And Research

USPF Criteria GO Debt, Oct. 12, 2006

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