MOODY'S
RATINGS

Rating Action: Moody's Ratings affirms Grossmont-Cuyamaca CCD (CA) at Aa2; outlook stable

20 Dec 2024

New York, December 20, 2024 -- Moody's Ratings (Moody's) has affirmed the Aa2 ratings on Grossmont-Cuyamaca Community College District, CA's outstanding general obligation unlimited tax (GOULT) debt. The district has approximately $428.04 million in GOULT debt outstanding. The outlook remains stable.

RATINGS RATIONALE

The Aa2 rating incorporates the district's growing tax base approaching $67.5 billion, which benefits from the broader San Diego metropolitan economy. The district maintains healthy reserves and liquidity at 20.5% and 59%, respectively, as a percent of operating revenues. The district's financial position will remain sound given a long-standing track record of outperforming budget projections and multi-year forecasting. The rating also incorporates the district's moderate debt but more elevated pension burdens, and the above-average legal strength of California community college district GOULT bonds.

RATING OUTLOOK

The stable outlook reflects the likelihood that the district will continue to benefit from strong tax base growth, increases in state funding, and a solid financial profile.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Sustained growth in full-time equivalent students (FTES) with enrollment approaching pre-pandemic levels

- Sustained growth in revenues under the Student Centered Funding Formula (SCFF)

- Maintenance of total general fund reserves around 30% of revenues

- Reduction in net pension liabilities

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Significant decline in operating fund cash and fund balances below 15%

- Growth in the combined debt and pension burdens to above 3x operating revenues

LEGAL SECURITY

The GOULT bonds are secured by the levy of ad valorem taxes, unlimited as to rate or amount, upon all taxable property within the district. The portion of the levy restricted for debt service is collected, held and transferred directly to the paying agent by San Diego County on behalf of the district.

PROFILE

Grossmont-Cuyamaca Community College District is in the eastern half of San Diego County (Aaa stable) and serves a population of approximately 495,000 in the cities of El Cajon, La Mesa, Lemon Grove and Santee as well as unincorporated areas of the county. It operates two colleges, Grossmont College and Cuyamaca College with combined Full Time Equivalent Students projected at 17,125 for fiscal 2025.

METHODOLOGY

The principal methodology used in these ratings was US Special Purpose District General Obligation Debt Methodology published in November 2022 and available at https://ratings.moodys.com/rmc-documents/394972 . Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

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