MOODY'S
INVESTORS SERVICE

Rating Action: Moody's assigns A1 to Redwoods CCD's (CA) G.O. bonds

Global Credit Research - 28 Feb 2014

$23.1M refunding debt affected; rating affirmed on parity debt; negative outlook removed

New York, February 28, 2014 --

Moody's Rating

Issue: 2014 General Obligation Refunding Bonds; Rating: A1; Sale Amount: $23,130,000; Expected Sale Date: 3/11/2014; Rating Description: General Obligation

Opinion

Moody's Investors Service has assigned an A1 rating to Redwoods Community College District's (CA) 2014 General Obligation Refunding Bonds in the approximate amount of $23.1 million. We have also affirmed the A1 rating on outstanding parity debt totaling approximately $28.8 million. The general obligation bonds are secured by the district's unlimited property tax pledge. Bond proceeds will be used to refund a portion of the district's outstanding General Obligation Bonds, Election of 2004, Series 2005 and Series 2007. The negative outlook on the district's rating has been removed.

SUMMARY RATING RATIONALE

The A1 rating reflects the district's rural tax base that should continue to increase modestly in value with the recovering economy and below average wealth levels of its residents. The rating also incorporates the district's low debt burden that will remain manageable because of modest to no debt issuances planned. We expect the district will have a below average financial position that we expect will be stable in the near-term as the district builds balanced budgets, receives improved funding from the state, and increases its enrollment. The rating also reflects the district's improving general fund liquidity since the last review that we expect will continue to improve.

The removal of the negative outlook reflects the official removal of all accreditation sanctions and the reaffirmation of the district's accreditation in January 2014 and our expectation that the district's financial and accreditation position will remain stable.

STRENGTHS

-Large and stable tax base

-Low debt burden with modest debt plans

CHALLENGES

-Building reserves to historic levels

-Below average reserve levels

WHAT COULD MAKE THE RATING MOVE UP:

-Substantially improved liquidity and sustained structurally balanced operations exceeding the 5% target

-Material improvement in the district's assessed values and socioeconomic indices

WHAT COULD MAKE THE RATING MOVE DOWN:

-Prolonged trend of structurally imbalance operation beyond the district's expectations

-Depletion of general fund reserves and other available cash reserves

-Significant deterioration of tax base

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.

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