Research Update:

San Jose-Evergreen Community College District, CA Series 2027 Taxable OPEB Refunding Bonds Rated 'AA+'

November 9, 2026

Overview

- S&P Global Ratings assigned its 'AA+' long-term rating to San Jose-Evergreen Community College District, California's anticipated $26.2 million series 2027 taxable other postemployment benefits (OPEB) refunding bonds.
- At the same time, we affirmed our 'AA+' long-term rating on the district's general obligation (GO) bonds outstanding.
- The outlook is stable.

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Rationale

Security

The district's total long-term debt outstanding was about $1.02 billion as of June 30, 2025 (the most recent available audited financial statements). Proceeds of the 2027 OPEB refunding bonds, together with a cash contribution from the district, are intended to refund the district's privately placed series 2012 OPEB refunding bonds. The series 2027 bonds are expected to be fixed rate with level debt service through maturity in fiscal year 2044, eliminating the district's exposure to variable-rate debt. Additionally, the termination of the associated swap agreement is expected to generate an estimated $1.4 million, which is expected to support the refinancing. Post-issuance, total pro forma debt is expected to be about $960.4 million, which includes the series 2027 bonds and excludes principal paid on existing debt in fiscal year 2026. The district does not have any plans to issue additional debt within the next two-to-three years.

The 2027 OPEB refunding bonds are secured by a legally available general fund pledge, payable from available general fund revenues and any funds available in the OPEB trust. The obligation to pay debt service is absolute and unconditional, and the district covenants in the trust indenture to include debt service in its annual budgets. Despite not having a specific tax levy for the bonds, we view this pledge as equivalent to the district's general creditworthiness, because pledged revenues are central to the district's operations and debt service is payable from general funds.

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Unlimited ad valorem taxes levied on taxable property within the district secure its GO bonds. The Santa Clara County Board of Supervisors has the power and obligation to levy these taxes at the district's request for the bonds' repayment.

Credit highlights

The rating reflects the district's strong enterprise risk profile, characterized by a large service area population, full-time-equivalent (FTE) enrollment above 10,000 for the last three years, and comprehensive management policies and practices. The rating also reflects the district's strong financial risk profile, with a consistent trend of positive operating performance and solid financial resources relative to operating expenses, offset by an elevated debt burden. The rating is also supported by the depth and breadth of the district's large and steadily growing property tax base, which provides material revenue support for operations and debt.

The rating further reflects our view of the district's:

- Growing and diverse local economy in Santa Clara County in the heart of Silicon Valley, with above-average wealth and income measures, and a long-term trend of assessed value (AV) growth of about 5% annually;
- Long-standing status as a community-funded district, meaning local property tax revenues exceed the state per-pupil funding level, which provides greater financial stability and the ability to withstand enrollment fluctuations;
- Comprehensive management practices and policies, including prudent budget assumptions, routine monitoring of budget-to-actual performance, adherence to reserve targets, and long-term strategic and capital planning;
- Consistently positive operating results, with surpluses of 7% to 8% of expenses in recent years, with similar performance expected in fiscal 2026 and fiscal 2027; and
- Healthy financial resources relative to operations, with total cash and investments, excluding restricted bond proceeds, equal to about 81% of total expenses.

Partially offsetting factors include the district's:

- Elevated debt burden relative to national medians and peers, with total cash and investments equal to approximately 26% of pro forma debt outstanding and a pro forma maximum annual debt service (MADS) burden around 23% of total expenditures.

Outlook

The stable outlook reflects our expectation that the district's tax base will continue to provide ample revenue flexibility to support operations and debt, financial performance will remain positive, and debt will continue to be elevated but manageable.

Downside scenario

We could consider a negative rating action if financial performance deteriorates such that recurring operating deficits or material declines in financial resources occur, or if material additional debt is issued without commensurate growth in financial resources.

Upside scenario

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We could consider a positive rating action if the district's debt burden moderates relative to financial resources and as a percentage of the budget.

Credit Opinion

Enterprise Risk Profile

Market position

The district serves a population of approximately 918,000, including a large portion of San Jose, including downtown San Jose; all of Milpitas; and portions of Santa Clara and unincorporated Santa Clara County. The district's tax base has grown at a 5% average annual rate during the past five years, rising to $231.2 billion in fiscal 2027. The tax base is very diverse, with the top 10 taxpayers representing less than 3% of total AV. Top taxpayers include Adobe, Apple, Cisco, and Google, reflecting the tech presence in the area. The district's wealth and income metrics are among the highest compared to its peers, with a median household effective buying income of 185% of the national average.

Because the district's local tax base generates property tax revenue that exceeds the state apportionment formula, qualifying it as community funded (formerly known as basic aid), the district's operating revenue is not dependent on the state's per-student funding mechanism. We believe the district's community-funded status provides it with greater financial strength and flexibility given revenue is less affected by state budget cuts or FTE fluctuations. The district is well into community-funded status, with local revenue exceeding its entitlement under the state's funding formula by about $60 million. We expect continued AV growth within the district will support the district's community-funded status.

The district operates two colleges (San Jose City and Evergreen Valley campuses), and total FTE enrollment has remained just above 10,000 for the last three years. Management expects a 5% decline in fiscal 2027, driven by pressured demographic trends and the high cost of living in the area. Officials noted the district is undergoing a curriculum audit to ensure course catalogs are up-to-date and academic offerings meet student demand and workforce needs, including streamlining course schedules to ensure efficient completion of programs is possible.

Management and governance

The district is operated by a seven-member board, with members elected for staggered four-year terms. There has been no unusual turnover in board members in recent years. Senior leadership is also stable and tenured, with the most recent addition being a new president at the San Jose City campus as of January 2026. The district operates pursuant to a strategic plan with measurable goals, and has comprehensive management policies in place, including formal reserve, debt, and investment policies. The most recent strategic plan was adopted in October and runs for eight years (rather than five years) to re-align the timeframe with other long-term plans. The district also does multiyear financial forecasting and has a multiyear facilities plan to help assess and guide capital project needs. Management uses conservative assumptions when developing revenue and expenditure projections, and actual results often outperform budget expectations. This practice helped set aside surplus funds to pay down a portion of the 2012 refunded bonds.

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Financial Risk Profile

Financial performance and resources

We believe the district's community-funded status and the strength of its tax base will continue to support revenue stability for the district. Property tax revenues have accounted for about 60% of total operating revenues in each of the last five fiscal years, with state revenues making up about 8%, and student-derived revenues making up just 5%. The district has posted healthy surpluses of at least 6% of expenditures in each of the last five audited fiscal years. Management requires the adoption of balanced budgets and uses prudent assumptions to ensure actual results are favorable. For example, property tax revenue growth is assumed to be 3.5% in the budget but is 5% on average, and the budget includes full employment and there are typically some unfilled vacancies during the year. Management expects similar positive results in fiscal 2026 and fiscal 2027.

Total cash and investments were 142% of expenditures in fiscal 2025, but when excluding restricted bond proceeds held in investments, the ratio falls to a still strong 82%. Total cash and investments were 46% of fiscal 2025 debt, but when excluding prior bond proceeds, the ratio falls to a weaker 26%. The district is following its reserve policy and has grown unrestricted reserves to an estimated $57 million in fiscal 2026 compared with $35 million in fiscal 2021.

Debt, pension, and OPEB obligations

Though the district's large tax base helps mitigate debt-related risk, we view the district's elevated MADS burden above 20% of expenses as a somewhat limiting credit factor. Following the 2027 OPEB refunding issuance, all the district's debt will be publicly rated fixed-rate debt, which we believe lessens the risk of the overall debt profile. By refunding the privately placed 2012 OPEB bonds, the district's exposure to variable rates, swaps, and contingent liability risk will be eliminated.

The district's OPEB liability is currently overfunded, which we view as a credit positive. The district has an irrevocable trust dedicated to its long-term OPEB liability, which had a $40.3 million balance at the end of fiscal 2026. While this money cannot be transferred back to the general fund, it can offset OPEB payments from the general fund, should the board deem it necessary.

The district participates in two state-administered pension plans: California State Teachers' Retirement System and California Public Employees' Retirement System. The total combined contributions in fiscal 2025 were $21.5 million, or about 7% of total operating expenses, which we consider to be manageable as a portion of the budget.

San Jose-Evergreen Community College District, California--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA+' rated community colleges
	2027	2026	2025	2024	2023	2024
Enrollment and demand						
FTE enrollment	10,300	10,300	10,550	9,901	9,871	14,953
Annual full-time-equivalent change (%)	(0.00)	(2.37)	6.55	0.30	6.46	MNR

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San Jose-Evergreen Community College District, California--enterprise and financial statistics

	--Fiscal year ended June 30--					Medians for 'AA+' rated community colleges
Tax base						
Service area population	900,000	900,000	900,000	918,000	890,418	846,542
Total AV ($000s)	231,200,000	221,702,408	214,233,369	205,015,135	192,931,637	MNR
Top 10 taxpayers as % of total AV	2.9	2.9	3.2	3.1	2.8	MNR
Market value per capita ($)	256,889	246,336	238,037	223,328	216,675	MNR
Per capita EBI as % of U.S.	N.A.	N.A.	171	172	173	MNR
Median household EBI as % of U.S.	N.A.	N.A.	185	184	186	MNR
Annual unemployment rate (%)	N.A.	N.A.	4.3	4.1	3.5	MNR
Income statement						
Adjusted operating revenue ($000s)	N.A.	N.A.	335,654	328,917	320,877	MNR
Adjusted operating expense ($000s)	N.A.	N.A.	310,550	307,890	283,868	MNR
Net adjusted operating income ($000s)	N.A.	N.A.	25,104	21,027	37,009	MNR
Net adjusted operating margin (%)	N.A.	N.A.	8.08	6.83	13.04	5.00
State appropriation dependence (%)	N.A.	N.A.	7.7	7.4	6.6	22.5
Student dependence (%)	N.A.	N.A.	5.3	5.4	4.9	15.3
Taxes and other local support dependence (%)	N.A.	N.A.	63.5	61.6	63.0	33.6
Financial resources						
Cash and investments ($000s)	N.A.	N.A.	441,702	527,524	659,040	MNR
Cash and investments to operations (%)	N.A.	N.A.	142.2	171.3	232.2	98.8
Cash and investments to total debt outstanding (%)	N.A.	N.A.	43.2	49.9	60.0	145.3
Debt						
Total debt outstanding ($000s)	N.A.	N.A.	1,021,666	1,057,971	1,097,516	MNR
MADS ($000s)	N.A.	N.A.	74,073	73,913	73,956	MNR
MADS burden (%)	N.A.	N.A.	23.9	24.0	26.1	9.5
Pro forma metrics						
Total pro forma debt ($000s)	N.A.	N.A.	960,403	1,057,971	1,097,516	MNR
Cash and investments to total pro forma debt (%)	N.A.	N.A.	45.99	49.86	60.05	MNR
Pro forma MADS ($000s)	N.A.	N.A.	72,666	N.A.	N.A.	MNR
Pro forma MADS burden (%)	N.A.	N.A.	23.4	N.A.	N.A.	MNR

Total adjusted operating revenue = total operating revenues + institutionally funded financial aid + government appropriations + government grants + endowment spending + tax revenues - realized and unrealized gains/losses. Total adjusted operating expense = operating expenses + institutionally funded financial aid + interest expense – noncash pension and other postemployment benefits expenses. Net operating margin = 100*(net adjusted operating income/adjusted operating expense). Student dependence = 100*(gross tuition revenue + auxiliary revenue) / adjusted operating revenue. MADS burden = 100*(MADS/adjusted operating expenses). Cash and investments = cash + unrestricted and restricted financial investments + foundation cash and investments. Total outstanding debt = tax supported debt + revenue/ enterprise-secured debt + foundation debt + other debt. All debt metrics

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San Jose-Evergreen Community College District, California--enterprise and financial statistics

	--Fiscal year ended June 30--	Medians for 'AA+' rated community colleges

include revenue/enterprise-secured and foundation debt if applicable. FTE--Full-time-equivalent. AV--Assessed value. EBI--Effective buying income. MADS--Maximum annual debt service. N.A.--Not available. MNR--Median not reported.

Ratings List	
New Issue Ratings	
US$26.235 mil 2026 OPEB rfdg bnds ser 2027 dtd 10/06/2026 due 07/01/2043	
Long Term Rating	AA+/Stable
New Rating	
Education	
San Jose-Evergreen Community College District, CA General Fund Pledge	AA+/Stable
Ratings Affirmed	
Education	
San Jose-Evergreen Comnty Coll Dist, CA Unlimited Tax General Obligation	AA+/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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