

Moody's Downgrades Montgomery College

Today Moody's Investors Service published the ratings for the College and all bond issuances as a result of their annual review. Moody's downgraded the rating on Montgomery College and the Series 2011 bonds to Aa3 from Aa2. The Series 2011 bonds are supported by County appropriation. The Series 2014 and 2015A bonds which are supported by transportation and facility fees were downgraded to A1 from Aa3. The median revenue bond rating for Moody's rated community colleges is currently A2. Additionally, Moody's revised the College's outlook from negative to stable.

The bond downgrades are a result of several years of weakened operating performance coupled with a soft growth in flexible reserves relative to similarly rated colleges. A decline in past and projected enrollment has contributed to weakened operating performance. The decline in enrollment is being seen in community colleges across the country as students return to the workforce as the economy improves. The stable outlook reflects expectations that operating performance will not weaken in FY17 and will improve thereafter. Improved operating performance will need to occur for several years in order for the ratings to be upgraded. The downgrade does not affect current debt repayments, only future bond issuances or refundings. The College is making progress to improve financial performance through a variety of student retention initiatives, increasing online programs, moving IT systems to the cloud and creating a sustainable compensation model. The College's debt remains manageable representing only 1.2% of operating expenses.