



**Moody's Investors Service**

October 2, 2006

Mr. Andy Burke  
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Las Cruces, NM 88003

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Dear Mr. Burke,

We wish to inform you that on September 27, 2006, Moody's Investors Service reviewed and assigned a **Aa3** rating to the Dona Ana Branch Community College's General Obligation Limited Tax Bonds, Series 2006.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor the rating and reserves the right, at its sole discretion, to revise or withdraw the rating at any time in the future.

The rating as well as any revisions or withdrawals thereof will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's rating's desk.

Should you have any questions regarding the above please do not hesitate to contact me or the analyst assigned to this transaction, Travis Lovell at 214-880-8654.

Sincerely,

Douglas Benton  
Vice President/Senior Credit Officer

cc: Kevin Powers  
RBC Capital Markets  
6301 Uptown Blvd NE Suite 110  
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DEB/mjd



Moody's Investors Service

Global Credit Research

New Issue

27 SEP 2006

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New Issue: Dona Ana Branch Community College, NM

**MOODY'S ASSIGNS Aa3 RATING TO DONA ANA BRANCH COMMUNITY COLLEGE DISTRICT'S \$7 MILLION OF GENERAL OBLIGATION LIMITED TAX BONDS, SERIES 2006****DISTRICT HAS A TOTAL OF \$14.45 MILLION RATED DEBT OUTSTANDING INCLUSIVE OF THE CURRENT ISSUE**County  
NM**Moody's Rating**

ISSUE	RATING
General Obligation Limited Tax Bonds, Series 2006	Aa3
Sale Amount	\$7,000,000
Expected Sale Date	09/27/06
Rating Description	General Obligation Limited Tax

**Opinion**

NEW YORK, Sep 27, 2006 -- Moody's Investors Service has assigned a Aa3 rating to Dona Ana Branch Community College District's \$7 million of General Obligation Limited Tax Bonds, Series 2006. Concurrently, Moody's affirms the Aa3 rating on all parity debt. Proceeds from the sale of Bonds represent the final installment of an authorization passed by voters in February, 2005. Proceeds of the Bonds will be used for various capital projects at the District's satellite locations. The Bonds are general obligations of the District payable solely out of general (ad valorem) taxes which shall be levied against all taxable property in the District not to exceed five mills. The Aa3 rating is reflective of the District's sizeable growing tax base, stable financial operations, and a low debt profile.

**STRONG LOCAL ECONOMY SPURS GROWTH IN TAX BASE**

The District, a branch of New Mexico State University (Aa3 underlying rating), serves the school districts of Las Cruces (Aa3), Gadsden (A3) and Hatch Valley, with Las Cruces comprising 85% of the overall assessed valuation. The District's taxable assessed value has grown 8.2% annually over the last three years to a sizeable \$2.77 billion. The significant growth is primarily attributable to the strong local economy of Las Cruces. The City of Las Cruces is the primary economic hub for southern New Mexico and with a population that is approaching 87,000 (a 16.5% increase over the 2000 Census figure), the City remains the second largest in the state. The area has grown due to an influx of retirees from other portions of the southwest that bolsters new home development as well as expansion of retail outlets and services. The District's market position is stable with annualized full-time equivalent enrollment (FTE) reported at 4,000 in 2005-06 representing growth of nearly 8% annually over the last five years. Given the positive economic developments of the local economy, Moody's believes that both the District's tax base and enrollment have strong potential for future growth.

**STABLE FINANCIAL OPERATIONS PROVIDE SUFFICIENT FLEXIBILITY**

Although the District is reported as a component unit of New Mexico State University, a separate advisory board consisting of members from each of the three school districts serves as the authority to approve the budget, set the tax rate, and oversee the issuance of bonds. The NMSU Board of Regents also approves the budget mainly to ensure the District is consistent with tuition increases and salary adjustments as recommended by the state and implemented by NMSU. Additionally, the District is funded as a separate institution by the state's funding formula and NMSU does not have access to either the state revenue or the property tax revenue to fund its own operations. The District's reserve policy is to maintain 10% of operations

in reserve.

The District levies an ad valorem tax of \$1.93 per \$1,000 of assessed valuation, of which \$1.00 is allocated to debt service repayment. Debt service is paid from a tax rate that cannot exceed 5.0 mills per \$1,000 of assessed value. However, in the event that assessed values decline to a level below that existing at the time the bonds were issued, the rate can be increased, if necessary, to a level above 5.0 mills to assure that debt service is paid. With the present tax levy well below State authorized rates, Moody's believes that the District has a wide degree of latitude in adjusting the tax rate to offset any decline in revenues or increasing expenditures.

#### LOW DEBT POSITION EXPECTED TO REMAIN MODEST DESPITE ADDITIONAL BORROWING

Including the current issue, the District's direct and overall debt ratios are low at 0.2% and 1.6%, respectively, both expressed as a percent of assessed valuation. With this issue, the District has exhausted its bond authorization and intends on returning to the voters in 2009 to approve the issuance of approximately \$18 million. Community colleges in New Mexico are limited by the amount of bonds outstanding to 3% of the District's assessed valuation, which equates to approximately \$83 million. With \$14.45 million outstanding following the current sale, the District has conservatively issued debt to finance capital improvements. In addition, with nearly 97% of principal retired in ten years, Moody's anticipates the District will remain far below the constitutional limit in amount of debt outstanding despite plans for future debt issuance.

#### KEY STATISTICS:

Dona Ana County estimated population: 197,410

2006 Taxable Assessed Value: \$2.77 billion

Direct Debt Ratio: 0.2%

Overall Debt Ratio: 1.6%

Payout of Principal (10 years): 96.6%

Post-Sale Parity Debt Outstanding: \$14.45 million

2005 Full Time Equivalent Enrollment: 4,000

#### Analysts

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