Better credit, cheaper borrowing

HANCOCK SEES SLIGHT IMPROVEMENT IN S&P’S CREDIT RATING

The under-construction Public Safety Complex is shown at the Hancock College Lompoc Valley Campus. Hancock College has been an improvement in its credit rating, which should make it less expensive for the school to borrow money.

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Hancock College officials say a recent credit analysis that shows improvement will mean savings for taxpayers when the community college borrows money.

Rebecca Alarcio, a Hancock spokeswoman, said the two-year college already had a credit rating of “AA-” to “AA” on a letter scale that defines the highest rating as an “AAA” and the lowest as a “D.”

“We have even better credit than we had before,” Alarcio said.

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Standard and Poor’s, an investment ratings service, graded the school an ‘AA’ in a report released to the college Nov. 12. The grade, which Moody’s Investors Services backs, indicates a “very strong capacity to meet financial commitments” according to the Standard and Poor’s credit rating guide.

Kevin Watters, who began his tenure as college president in July 2013, said in a press release that he credits much of Hancock’s financial success to a board of trustees that is “dedicated to a stable, consistent and fiscally conservative approach to budget development and fiscal management.”

Hancock officials said an improved credit rating means continued savings of about $100,000 on bond insurance and a lower cost of borrowing.

Credit ratings, opinions about “relative credit risk,” are tools that investors can use to make decisions about whether to purchase bonds, according to the Standard and Poor’s credit rating guide.

Taxpayers in northern Santa Barbara County voted June 6, 2006, to approve a $180 million general facilities bond for Hancock to modernize technology, upgrade infrastructure and build new teaching and learning spaces.

Elizabeth Miller, who has been the college’s top budget manager for more than two decades, explained that bonds are financial instruments, a means of borrowing from investors who earn interest on the borrowed amount. Taxpayers repay the debt through a tax increase.

“If we can keep interest rates low, it helps out taxpayers,” Miller said.

She explained that bonds are not issued in one lump sum but sold as needed.

Hancock officials issued the latest set in the $180 million bond measure, a total of $8.6 million, last week to complete ongoing construction projects that include the student services and industrial technology buildings on the Santa Maria campus and a public safety complex on the Lompoc campus.

The school has issued four bond series and has about $33 million left in the $180 million bond authorization. The measure has helped pay for construction and renovation to several campus buildings.

“We’ve done well,” Miller said.