



Texas Southmost College

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S&P ENHANCES RATINGS OF TSC'S EXISTING BONDS

Designations signal a strong and stable outlook for TSC's financial position

(BROWNSVILLE, TX) June 27, 2014 – Texas Southmost College (TSC) has received a new, positive appraisal of its financial stability and strength, signaling the substantial progress that has been made by the TSC Board of Trustees and the administrative leadership team.

Standard & Poor's Rating Service (S&P), one of the world's leading credit rating agencies has revised its outlook to positive from negative and affirmed the 'A' long-term rating and underlying rating (SPUR) on Texas Southmost College District's (TSC) existing revenue bonds. S&P has also revised its outlook to stable from negative and affirmed its 'AA-' long-term rating and underlying rating (SPUR) on TSC's general obligation (GO) debt.

As noted in the Standard & Poor's report relating to the College's revenue bond rating, "the positive outlook reflects our view of the substantial progress made on the financial, operational, and enterprise risks identified during our last review as a result of the dissolution of the partnership with The University of Texas at Brownsville. While it is unusual for us to revise an outlook to positive from negative, we believe that in addition to the progress made as a stand-alone entity, the terms negotiated with UTB were very favorable to TSC and will likely result in a substantial increase in financial resources."

General obligation bonds, also referred to as GO bonds, are backed by the "full faith and credit" of the issuer, with no specific project identified as the source of funds. Revenue bonds are backed by specific revenue streams generated by the project being financed by the bond.

The financial strength rating is designed to provide an opinion of an institution's ability to meet its financial obligations. S&P defines an 'AA-' rating as a "very strong capacity to meet financial commitments" and an 'A' rating indicates a "strong capacity to meet financial commitments, but somewhat susceptible to adverse economic conditions and changes in circumstances."

According to S&P, the revisions to the College's revenue and general obligation bonds are due to several factors, including TSC's strong financial resources; diverse revenue streams comprising of tuition, state appropriations and property taxes; low capital needs, coupled with a low overall net debt burden; and a nimble management team.

"TSC is pleased that Standard & Poor's has recognized the extensive efforts of the Board of Trustees as well as of the College's faculty and staff," said Dr. Lily F. Tercero, TSC President. "In the coming months, planning and operational initiatives such as the facilities master planning process will continue to further strengthen the College's financial and operational position."

S&P cited several positive expectations for TSC, including continuing enrollment growth, positive operations, diverse and increasing financial resources, and operating surpluses despite the smaller enrollment and appropriation base.

Standard & Poor's also noted that Dr. Tercero has expertly led the institution through the transition since she was hired by the TSC Board of Trustees in 2011.

About Texas Southmost College

Originally established in 1926, Texas Southmost College currently offers the first two years toward a bachelor's degree, along with career and technical education leading to certificates and associate degrees, college preparatory studies to prepare students for college-level work, workforce training, and continuing education. TSC became independently operational in the fall of 2013.

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