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Rating Action: Moody's assigns Aaa to Santa Monica-Malibu USD's \$120M Election of 2012 GO Bonds Series D

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New York, August 07, 2018 -- Moody's Investors Service has assigned a Aaa to Santa Monica-Malibu Unified School District's (CA) \$120M General Obligation Bonds, Election of 2012, Series D. Post-issuance, the district will have \$468.4M Aaa-rated GO bonds and \$11.9 million Aa2-rated certificates of participation and associated accreted interest. The outlook remains stable.

RATINGS RATIONALE

The Aaa GO rating reflects the district's exceptionally large, diverse, and growing tax base with high resident wealth levels. It further reflects the district's very strong financial position bolstered by increasing local revenues and its recent transition into Community Funded (Basic Aid) status. The rating incorporates the district's average debt burden, manageable pension and OPEB liabilities, and conservative management. The rating incorporates the strength of the voter-approved, unlimited property tax pledge securing the bonds. The county rather than the district levies, collects, and disburses the district's property taxes, including the portion constitutionally restricted to pay debt service on GO bonds.

RATING OUTLOOK

The stable outlook reflects our opinion that the district will maintain its improving financial position consistent with the Aaa rating level and that its large tax base will continue to expand, while exhibiting a very favorable socioeconomic profile.

FACTORS THAT COULD LEAD TO AN UPGRADE

- Not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE

- Material decline in the district's financial position
- Significant contraction of the tax base or wealth levels

LEGAL SECURITY

The district's GO bonds are secured by the levy of ad valorem taxes, unlimited as to rate or amount, on all taxable property within the district. The portion of district's ad valorem property tax levy restricted for debt service is collected, held and transferred directly to the paying agent by the county on behalf of the district. Under California law, the county must raise property taxes by whatever amount necessary to repay the obligation, irrespective of the school district's financial position.

The 2016 General Obligation Refunding Bonds, Series C (2020 Crossover) are secured by an escrow that is sufficient to pay debt service on the bonds up until the crossover date, July 1, 2020. Following the crossover date, the bonds will be secured by the typical GO levy described above.

USE OF PROCEEDS

Proceeds of the current issuance will be used to fund improvements supporting academic instruction and school safety, including updating classrooms, education facilities, learning technologies, and repairing, constructing and acquiring school sites and facilities.

PROFILE

Santa Monica-Malibu Unified School District serves residents of the cities of Santa Monica (Aaa stable) and Malibu, as well as a portion of unincorporated Los Angeles County (Aa1 stable). Located on the Pacific Coast, the district encompasses about 29 square miles, with an estimated population of 111,980. The District currently

operates 10 elementary schools, two middle schools, one K-8 school, one 6-12 school, one high school, one continuation high school, a regional occupation program, an adult education program, as well as child care and development centers, with estimated enrollment of 10,800.

METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in December 2016. Please see the Rating Methodologies page on www.moody.com for a copy of this methodology.

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