

SPECIAL COMMENT

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Credit Trends: California Cities Will Remain Pressured Despite Revenue Growth

Summary Opinion

Although their revenues have generally begun to improve, we expect many California cities to remain fiscally challenged over the new few years. Their main sources of continuing fiscal pressure include the lingering effects of the most severe economic downturn since the Great Depression; cities' mixed results in coping with declining revenues and strict revenue raising constraints; and likely continuing cost pressures including pensions. Adapting to the statewide dissolution of redevelopment agencies in 2012 is also proving challenging for some cities. Rising pension costs will also pressure city budgets. With the recent increase in projected pension contribution rates from a change in actuarial method,¹ cities that participate in the California Public Employees' Retirement System could be particularly challenged in the next few years.

Following the bankruptcy filings of Stockton(POB Caa3 Negative) and San Bernardino (Not Rated) we reviewed all 95 rated California cities, in order to reflect current fiscal conditions and the risk of bankruptcy filings. With these reviews we downgraded the ratings on 27 cities' mostly unsecured obligations and upgraded the GO ratings of two cities. The downgraded ratings were largely on lease-backed obligations and pension obligation bonds (POB).²

Notwithstanding these downgrades and cities' likely continuing fiscal challenges, our Aa2 median rating for California cities' GO bonds remains relatively high. This reflects their fair success, so far, in adapting to the new fiscal reality: moderate revenue growth compared to pre-recession levels and continuing cost pressures. After some initial optimism for a quick economic recovery, most cities adopted more realistic economic expectations and implemented significant budget cuts, reestablishing, for the most part, structural budget balance and stable credit quality. Our still relatively high GO ratings also reflect the concentration of Moody's ratings among the better credits in the state, as well as the strong security afforded by the California local government GO pledge.

¹ See Moody's April 18, 2013 [Sector Comment: California Pension Contribution Hike Near-term Pressure but Long-term Positive](#)

² Payment of pension obligation bond debt service is an absolute and unconditional obligation of the issuer, although generally they do not benefit from a specific, pledged revenue source. With very few exceptions these obligations are simply payable from all available revenues of the issuer. Judgment obligation bonds are similarly secured. In this report, we use the term POB(s) broadly to include all such obligations.

Our general outlook for California cities' credit quality reflects these broad conclusions:

- » Coastal cities' revenues are recovering faster than cities located inland, and sales tax revenues are recovering faster than property taxes. For inland cities, full recovery to pre-recession levels is not likely in the next few years.
- » Pent-up service demands and rising structural costs are likely to absorb the next few years' revenue growth. Cities' financial results in fiscal 2012 underscored the likelihood of this outcome. After declining for two consecutive years, expenditures picked up again in 2012, and on average this increase in expenditures more than offset the modest revenue gains. The median General Fund balance for California cities, which is higher than the US average, continued to decrease in 2012. Early indications for fiscal 2013, however, indicate most California cities' budgets remain balanced, if not trending toward a surplus from better than budgeted sales and property tax growth.
- » Some cities will be closely watching the bankruptcy cases of Stockton and San Bernardino; a reduction of these cities' pension obligations could lead other particularly stressed cities to consider a bankruptcy filing, with potentially severe adverse consequences for bondholders.
- » California cities' General Fund finances have been, and will likely remain, significantly more pressured overall than their property tax revenues alone. Consequently, we now reflect the relative risk between GO debt (secured by a pledge of unlimited property taxes) and obligations supported by cities' General Fund revenues with a wider rating differential than we had used previously.

California cities' Aa2 average GO rating is consistent with US average

California is a large and diverse state, with 482 cities of significantly different credit qualities. As Exhibit 1 shows, the 95 cities with rated debt have an average GO or Issuer Rating³ of Aa2. This relatively high average rating partly reflects selection bias rather than high average credit quality for all cities in the state. Cities with higher than average credit quality are more likely to borrow and more likely to seek a Moody's rating. But it also reflects California cities' overall resiliency, professional management, and generally moderate debt burdens. The high, average GO rating also significantly reflects the relatively strong security for California cities' GO bonds compared to their unsecured obligations. While the GO ratings range from Aaa to Baa2, their unsecured obligation ratings range from Aa2 to Ba2,⁴ with an average of A1.

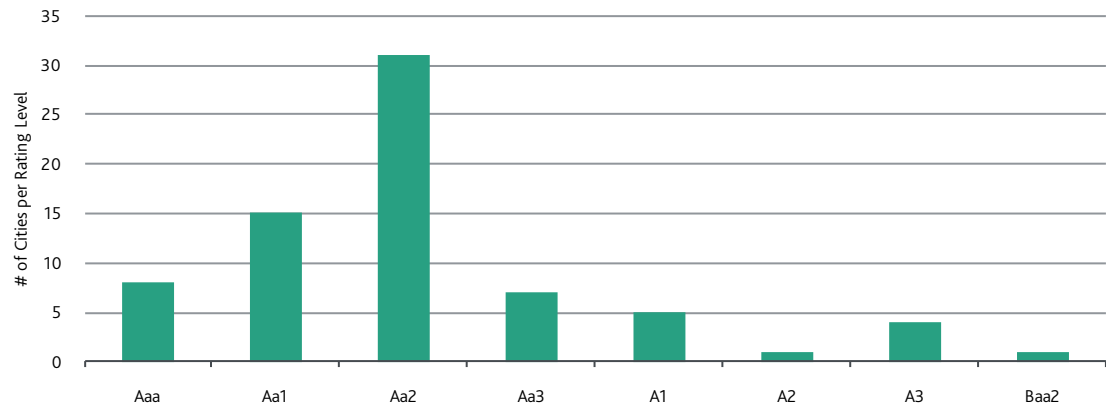
Results from our comprehensive review of California city ratings did not significantly alter the distribution of their GO ratings, as we only downgraded four and also upgraded two. However, the vast majority of our rated debt is leased-backed or POBs, and our downgrades of lease-backed securities and POBs of 27 cities, as further discussed on page 8, did shift the distribution of these ratings downward. The median rating for leased-backed obligations and POBs is A1, with a range from Aa2 to Ba2, down from a median of Aa3 with a range of Aa1 to Baa2, prior to the recession. Please see Exhibit 2.

³ An Issuer Rating represents what a California city's general obligation bond rating would be for a city that does not have general obligation bonds outstanding.

⁴ Not counting Stockton's Caa3 rated leases.

EXHIBIT 1

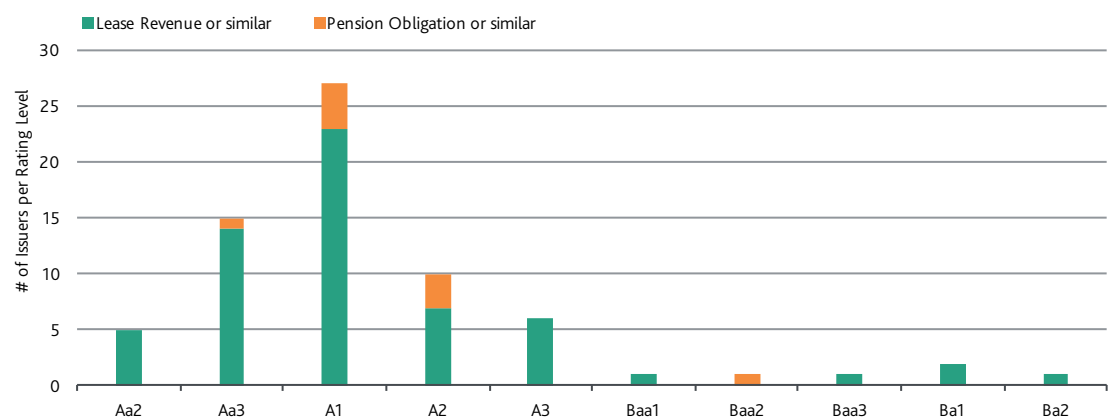
CA Cities' GO ratings range from Aaa to Baa2



Source: Moody's Investors Service

EXHIBIT 2

Lease-Backed and POB ratings are 2-5 notches below California Cities' GO Ratings



Source: Moody's Investors Service

Economic downturn and home price depreciation were more severe in inland cities

California is the most populous state in the country with 38 million residents. The vast majority of California residents live along the coast, from Sonoma county in the north to San Diego county in the south.

In the coastal region, there are large, urban concentrations around San Francisco, Los Angeles and San Diego. During periods of strong economic growth, home values in these urban areas grow to unaffordable levels for most home buyers. During the last economic upturn, such high home prices in the urban areas and their generally built-out nature caused rapid construction in the outer fringes of these regions and in the more affordable inland communities.

The economic downturn and the precipitous decline in home values was much more severe in these inland communities than along the coast. Inland cities also experienced more precipitous declines in their economically sensitive revenues than their coastal counterparts and their fiscal recovery has been more sluggish.

EXHIBIT 3

California's Inland cities are mostly located in the Central Valley and the Inland Empire



Source: Moody' Investors Service:

Revenues are recovering unevenly and credit quality is stabilizing

Although the recession that caused the current cycle of fiscal distress for California local governments officially ended in 2009, city revenues did not begin to recover until 2011, and the overall credit quality of many California cities weakened during the recession.

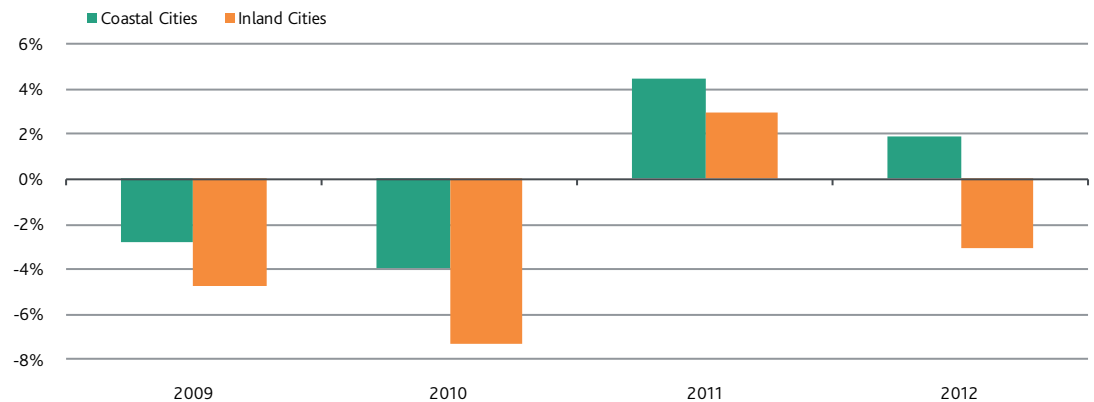
California cities rely heavily on sales tax revenue for much of their ongoing operations. Sales tax is a volatile revenue source and for most cities and it resumed growth only in 2011. Another key revenue, property tax, which is less volatile and lags market trends, began to increase for some cities in 2012, and growth became more widespread in 2013.

Revenue trends are not uniform throughout the state. Coastal cities are clearly benefiting more from recovering revenues than the inland cities. After two years of moderate declines in 2009 and 2010, coastal cities have enjoyed two consecutive years of revenue increase, and the trend is likely to continue in 2013. In contrast, the revenue declines for inland cities were greater in 2009 and 2010 than coastal cities' moderate declines, and while on average they experienced a revenue increase of 2011, this increase was followed by another decline in 2012. See Exhibit 4.

The dissolution of redevelopment agencies (RDAs) in 2012 will contribute to the fiscal stress of some cities. Unlike sales and property tax and other economically sensitive revenues, the loss of revenues that would have come from the RDAs will be permanent. To varying degrees, California cities relied on RDA revenues to fund much of their development projects, as well some service provision within their project areas. With the loss of the RDAs, cities have largely eliminated these projects. But in some cases, they have maintained these projects and services with revenues that would have otherwise funded other essential city programs.

EXHIBIT 4

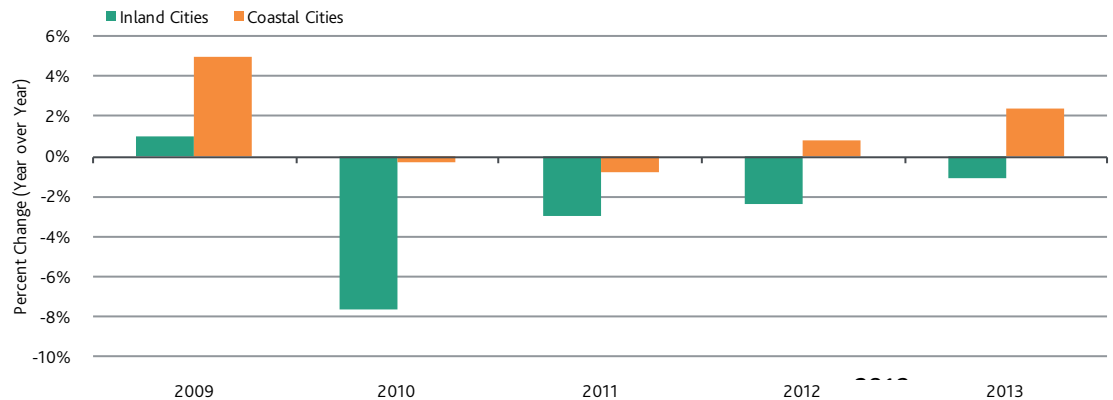
Coastal cities' revenue recovery is stronger than the inland cities' recovery



Source: Moody's Investors Service

Recovery of tax bases for cities in the Inland Empire and the Central Valley will be more difficult as the downturn in these regions was deeper. The primary cause of the economic downturn—the collapse of the housing market—was more severe in these communities because, with their relatively abundant undeveloped land, they had significantly more home building occur than in the more developed coastal areas. As Exhibit 5 indicates, on average, coastal cities resumed Assessed Value (AV) growth in 2012, while inland cities on average were still suffering AV declines in 2013. The AV values for 2014 will become public in July. For coastal cities, AV growth is likely to continue. For inland cities, it is not clear if the general trend of declines will be reversed.

EXHIBIT 5

Stronger AV recovery in coastal cities reflects their healthier economies

Source: Moody's Investors service

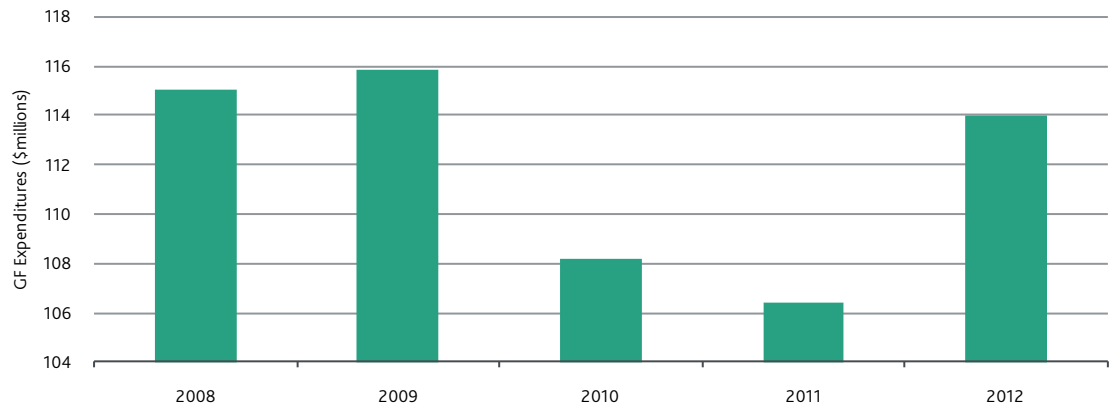
We do not expect the revenue recovery to lead to widespread, material credit quality improvement, since cities' expenditures may rise as quickly, or even faster than revenues. As discussed below, credit quality will improve in a material way only after a sustained period of economic recovery that includes significant revenue growth combined with tightly controlled expenditures.

Pent-up service demands and rising costs are likely to absorb revenue growth in the near-term

A substantial majority of California cities coped with declining revenues by tightly managing their expenditures. This often meant reducing expenditures at the same pace as revenues, and thereby not drawing on their reserves. Others only moderately relied on reserve draws, weakening their credit quality somewhat but still preserving their financial flexibility.

However, expenditure reductions for this extended period of revenue weakness has created a significant overhang of spending pressures. Salary demands are key among such pressures. Many city employees have gone multiple years with minimal or no annual salary increases, and layoffs and furloughs have reduced service levels. Many non-critical expenditures, such as parks and recreation, have been severely reduced or eliminated. Even minimal growth in revenues is likely to be perceived by employees and residents alike as a sign that cities can, and should, replace some of the prior years' reduced funding. The increase in the median General Fund expenditures in fiscal 2012 confirms this resumption of expenditure growth. See Exhibit 6.

EXHIBIT 6

Significant expenditure reductions were reversed in 2012

Source: Moody's Investors Service

Retirement costs, which are growing at disproportionate rates to cities' general revenue growth, are an additional and likely longer lasting pressure on expenditures. For many cities, this pressure was recently increased with the adoption of a new actuarial method by California Public Employees' Retirement System beginning in fiscal year 2016. The new method results in a substantial increase in projected pension contribution rates compared to those already anticipated.⁵

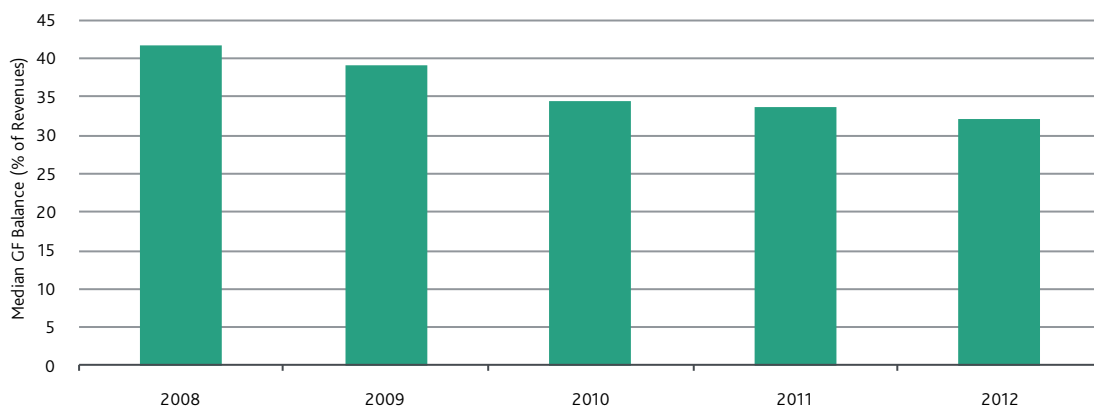
This combination of built-up demand and disproportionately rising costs is likely to prevent any significant improvement in cities' balance sheets in the near- to mid-term.

Full recovery of reserves not likely in the next few years

In the face of weak or declining revenue trends, many cities have relied on their reserves to moderate service reductions. Prior to the financial crisis, the average, rated California city enjoyed a strong reserve position and ample liquidity, especially when compared to the average for other sectors in California, such as counties and school districts. Among the 32 cities recently reviewed—and indeed, part of the reason they were placed on review—draws on reserves between 2009 and 2012 were substantial. On average General Fund reserves as of fiscal 2012 year-end remained well below their previous peaks. See Exhibit 7.

⁵ See Moody's April 18, 2013 [Sector Comment: California Pension Contribution Hike Near-term Pressure but Long-term Positive](#)

EXHIBIT 7

The substantial General Fund declines from 2009 to 2012 are unlikely to be restored while revenue growth remains sluggish

Source: Moody's Investors Service

Stiff competition among spending priorities for incrementally growing revenues combined with reduced reserve positions is likely to continue to pressure California cities. The most stressed among them may be pushed into bankruptcy, though we expect bankruptcy filings to remain rare. Continued financial stress may also lead to additional downgrades, most likely for obligations that are paid from General Fund resources rather than the dedicated, unlimited property tax that is used to pay general obligation bonds' debt service.

Recent bankruptcies by Stockton and San Bernardino signal risk that others may follow

The recent decisions to file for bankruptcy by two large cities, Stockton (Caa3 Negative on POBs and certain leases) and San Bernardino (Not Rated), provide some indication that willingness to pay debt obligations may be eroding in the US municipal market generally and among California cities in particular.⁶ Despite widespread fiscal pressure since the start of the financial crisis, only a handful of municipalities nationwide have defaulted on their Moody's rated debt. Most defaults have resulted from failing enterprises, such as convention centers and sports arenas. In contrast, Stockton's and San Bernardino's bankruptcy filings are potentially more significant given that their defaults come from stress on core government operations, notably high pension and other compensation costs.

Stockton initially offered to continue paying only 17% of the debt service on its POBs. This represented the portion paid from non-General Fund sources, and entirely relieved its General Fund from the burden of this debt. The ultimate resolution of the bankruptcy may lead to a substantially higher recovery than this initial offer. But if such large reductions were to be realized through bankruptcy, or if these bankruptcy cases were to result in material reduction in pension obligations, the resulting fiscal relief could be an inducement to other, similarly pressured cities to consider bankruptcy.

While neither Stockton nor San Bernardino has GO debt, diminished willingness to pay due to financial stress is not likely to play a significant role in the relative probability of default on a California city's general obligation bonds. Unlike a POB or lease payment default, a GO default is

⁶ For more information please refer to [US Municipal Bond Defaults and Recoveries, 1970-2012](#)

unlikely to provide any fiscal relief for a city, because the tax levy for GO bonds is restricted to repayment of GO debt service and cannot be used for operating expenses.

Although there have been no additional AB 506 credit mediations (see sidebar) since Stockton and San Bernardino filed for bankruptcy, we believe many municipalities are closely monitoring the progress of these filings. So long as the economic recovery remains sluggish, the risk that some California cities will make this choice will remain elevated. However we expect the number of filings and defaults will be very low relative to the 95 Moody's rated cities and 482 total cities in California.

AB 506 may be easing localities' path to bankruptcy

The state passed AB 506, intending to prevent municipalities from rushing into bankruptcy before attempting to negotiate with creditors. Under AB 506, a city must engage in a good faith, 60-90-day confidential mediation process with its creditors. If no agreement is reached, the city can then seek bankruptcy protection.

Originally intended as a mechanism for avoiding bankruptcy, AB 506 as amended and adopted, was designed to help speed up the transition through bankruptcy, if not avoid it altogether. Now, it appears that in some cases, the AB 506 process may be facilitating localities filing and qualifying for bankruptcy. The law's explicit instruction to negotiate with creditors, including bondholders, appears to condone, if not normalize, less than full and timely payment to bondholders. Under federal bankruptcy law, good faith negotiation with creditors is a prerequisite for acceptance of a bankruptcy filing. The AB 506 law suggests that an offer of less than full payment to creditors is an acceptable alternative to bankruptcy. And, in the absence of creditor concessions, a declaration of bankruptcy is acceptable. Depending on the outcomes, some cities may be encouraged to seek similar paths to relieve their fiscal stress. However, as stated above, we expect only a few additional filings.

Lease-backed and unsecured obligations will experience greater rating pressure than GO ratings

Unable to meet their financial obligations, Stockton, San Bernardino and Mammoth Lakes filed for bankruptcy protection last year, and as discussed above this led to defaults on some unsecured and lease-backed obligations. For additional discussion of the dynamics leading to these filings, please see our special comment "Why some California Cities Are Choosing Bankruptcy" published on August 17, 2012.

These bankruptcies reinforced our belief that large tax bases and stabilizing economies are not sufficient by themselves to assure repayment of unsecured POBs and lease-backed obligations. The risk to these general revenue-backed obligations is markedly greater than to those supported by a city's general obligation pledge.

In light of this view, we reviewed all California city ratings and took two key actions. First, we downgraded all lease-backed obligations that were atypically only one notch below the GO/Issuer Rating to two notches below. We also downgraded most POB ratings by one notch to bring them two notches below the GO/Issuer Rating. Second, we placed under review ratings of 32 cities, most of which ratings were on securities solely paid from the cities' General Funds and did not benefit from a

specific, pledged revenue source. See our special comment “Key Drivers of California Cities Rating Actions and Reviews” published on October 9, 2012 for additional detail on these rating actions.

Our view of the relative rating pressures on lease-backed and unsecured obligations and GOs is reflected in the largely negative rating actions we took in our comprehensive review of California cities' ratings. Through this review we downgraded lease-backed or unsecured obligations of 27 cities by at least one notch. Despite these downgrades and the likely future fiscal pressures discussed above, we did not change many cities' GO or Issuer Ratings.⁷ This reflects the above average strength and relatively rapid recovery of many California cities' property tax bases after the downturn compared to their general revenue sources, as well as the very strong security pledge backing a California city's general obligation compared to its General Fund supported obligations, such as lease revenue debt and pension obligation bonds. Our one-notch upgrades of Los Angeles' and San Francisco's GO ratings also demonstrate this relative strength.

EXHIBIT 8

The vast majority of ratings placed on review were downgraded

Security Type	Review for Downgrade	Review for Upgrade	Downgrades	Upgrades	Confirmations
GO/Issuer Ratings	9	2	4	2	5
Secured POBs (and similar securities)	3	0	2	0	1
Unsecured POBs (and similar securities)	6	0	5	0	3
Lease-Backed Obligations	27	0	24	0	6
Total	45	2	35	2	15

[1] Totals exceed the number of cities with ratings on review, since for some issuers some ratings were downgraded and some confirmed, depending on nature of the security.

For a complete list of rating changes see Appendix A.

Wider rating differential better reflects the relative credit risk between GOs and General Fund supported bonds

The ratings on the general obligations and on the General Fund supported debt of California cities remain linked but more loosely than they had been in the past.

In general, our previous practice was to rate most POBs and lease-backed obligations one and two notches lower, respectively, than an issuer's GO rating. Equipment lease-backed obligations were typically three notches below. Now the rating differential for obligations that are primarily General Fund supported ranges from a minimum of two notches to a maximum of five.

This widening of notching better enables us to better reflect the credit differential between the GO ratings and unsecured and lease-backed obligations. The economic downturn has affected cities' property tax bases much less than it affected their overall General Fund finances. Also, in case of bankruptcy, we believe that a California city's GO bonds are unlikely to suffer losses, and if they do, such losses are likely to be much smaller and short-lived compared to losses on obligations that are

⁷ An Issuer Rating is used for cities that do not have rated GO debt outstanding. It is the equivalent of what a city's GO rating would be if the city had such debt outstanding.

paid from a bankrupt city's General Fund. Each California local government's GO obligations are secured by a voter approved, constitutionally protected, unlimited and dedicated property tax levy, the proceeds of which are available solely for the repayment of the specific voter-approved GO debt. Consequently, even in bankruptcy, the recovery on GOs should be very high, if not 100%. In contrast, the Vallejo and Stockton bankruptcy proceedings suggest that recovery rates on defaulted obligations paid from cities' General Funds could be quite low.

The differential between GO ratings and General Fund supported obligation ratings for cities that enjoyed earlier revenue growth have been maintained at, typically, two notches for fixed asset lease-backed obligations and three notches for equipment lease-backed obligations. The rating differential for cities with later revenue recovery is now typically three notches for fixed asset leases. See Exhibit 9.

EXHIBIT 9

Lagging General Fund revenue growth lead to wider rating differential between GOs and General Fund supported obligations



Source

In addition to the exceptionally strong nature of a California GO security and the limited experience with California bankruptcies, our notching of General Fund supported obligations significantly reflects a number of other factors. These include a city's overall operating performance, its local and regional economic performance, debt service and fixed obligation payments relative to General Fund revenues, and in the event there is a leased asset, the asset's "essentiality" to the city's core governmental function. For additional information on these other factors please see our special comment "Notching of California Cities' General Fund Obligations Relative to Their GO Ratings" published on November 16, 2012.

Appendix A: Recent rating changes for California cities

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
Azusa			Issuer Rating ⁽¹⁾		A2	NEG	Rating under review for downgrade	A3	Negative	One Notch Downgrade	0
Azusa	806930158	2003 Lease Revenue Refunding Certificates of Participation	Lease	4.8	Baa1	NEG	Rating under review for downgrade	Ba1	Negative	Three Notch Downgrade	4
Berkeley	806354744	2003 Certificates of Participation	Lease	28.0	Aa3	NOO	Rating under review for downgrade	WR (Obligation is no longer outstanding)			
Berkeley	822070974	2010 Certificates of Participation (Animal Shelter Financing)	Lease	5.8	Aa3	NOO	Rating under review for downgrade	A1	NOO	One Notch Downgrade	2
Berkeley	804180913	Lease Revenue Bonds Series 1999	Lease	9.1	A1	NOO	Rating under review for downgrade	WR (Obligation is no longer outstanding)			
Colma	806574133	Certificates of Participation, 2003	Lease	14.9	A1	NOO	Rating under review for downgrade	A2	NOO	One Notch Downgrade	2
Danville	808165848	Certificates of Participation (2005 Capital Improvement Project)	Lease	5.6	Aa2	NOO	Rating under review for downgrade	Aa3	NOO	One Notch Downgrade	2
Downey	808410402	Taxable Pension Obligation Bonds, 2005 Series A	Pension Obligation or similar	20.6	A1	NOO	One notch downgrade & rating under review for downgrade	A2	Stable	Confirmation of Rating of Rating	2
Fresno	805856532	Taxable Pension Obligation Bonds, Refunding Series of 2002	Pension Obligation or similar	205.3	Baa1	NEG	One notch downgrade & rating under review for downgrade	Ba2	Negative	Three Notch Downgrade	5
Fresno	805978071	Judgment Obligation Refunding Bonds, Series 2002	Pension Obligation or similar	5.4	Baa1	NEG	One notch downgrade & rating under review for downgrade	Ba2	Negative	Three Notch Downgrade	5
Fresno	805978131	Lease Revenue Refunding Bonds (Street Light Acquisition Project), Series 2002	Lease	7.9	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4
Fresno	807472602	Lease Revenue Bonds (Various Capital Projects) Series 2004A	Lease	15.8	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
Fresno	807472604	Lease Revenue Bonds (Various Capital Projects) Series 2004B	Lease	8.1	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4
Fresno	807472606	Lease Revenue Bonds (Various Capital Projects) Series 2004C (Federally Taxable)	Lease	28.9	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4
Fresno	809500532	Lease Revenue Bonds (Convention Center Improvement Projects) Series 2006A	Lease	15.4	Baa2	NEG	Rating under review for downgrade	Ba2	Negative	Three Notch Downgrade	5
Fresno	820863628	Lease Revenue Refunding Bonds (Master Lease Projects), Series 2008A	Lease	38.6	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4
Fresno	820942684	Lease Revenue Refunding Bonds (Master Lease Projects), Series 2008C	Lease	36.1	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4
Fresno	821079071	Lease Revenue Bonds (Master Lease Projects), Series 2008 E	Lease	3.4	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4
Fresno	821079075	Lease Revenue Bonds (Master Lease Projects), Series 2008 F	Lease	21.4	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4
Fresno	821498007	Lease Revenue Bonds (Police and Fire Master Lease Projects) Series 2009A	Lease	43.4	Baa2	NEG	Rating under review for downgrade	Ba1	Negative	Two Notch Downgrade	4
Glendale			Issuer Rating ⁽¹⁾	0.0	Aa1	NOO	Rating under review for downgrade	Aa2	NOO	One Notch Downgrade	0
Glendale	805020579	Variable Rate Demand Certificates of Participation, Series 2000C (2000 Police Building Project)	Lease	50.0	Aa2	NOO	Rating under review for downgrade	A1	NOO	One Notch Downgrade	2
Huntington Beach	807739630	Judgment Obligation Bonds, Series 2004	Pension Obligation or similar	12.5	Aa2	NOO	One notch downgrade & rating under review for downgrade	Aa3	NOO	Confirmation of Rating of Rating	2
Inglewood	808617247	Pension Obligation Bonds, 2005 Series A, Series B and (Forward Delivery) Series C	Pension Obligation or similar	65.0	A3	NOO	Rating under review for downgrade	Baa2	NOO	Two Notch Downgrade	3
Inglewood	900549977	Current Interest Refunding Bonds	Lease	18.9	Baa1	NOO	Rating under review for downgrade	Baa2	NOO	One Notch Downgrade	3
Inglewood	900550025	Capital Appreciation Bonds	Lease	11.9	Baa1	NOO	Rating under review for downgrade	Baa2	NOO	One Notch Downgrade	3
Long Beach			Issuer Rating ⁽¹⁾	0.0	Aa2	STA	Rating under review for downgrade	Aa2	Stable	Confirmation of Rating of Rating	0

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
Long Beach	809819957	Lease Revenue Bonds, 2006 Series B	Lease	24.3	A1	STA	Rating under review for downgrade	A2	Stable	One Notch Downgrade	2
Long Beach	809325560	Lease Revenue Refunding Bonds, 2006 Series A (Rainbow Harbor Refinancing Project)	Lease	50.8	A1	STA	Rating under review for downgrade	A2	Stable	One Notch Downgrade	2
Long Beach	806801400	Lease Revenue Refunding Bonds Series 2003A (Non-AMT) & Series 2003B (AMT)	Lease	120.2	A1	STA	Rating under review for downgrade	A2	Stable	One Notch Downgrade	2
Long Beach	821441911	Lease Revenue and Refunding Bonds (Temple & Willow Facility) 1998 Series B	Lease	29.6	A1	STA	Rating under review for downgrade	A2	Stable	One Notch Downgrade	2
Long Beach	800190730	Lease Revenue and Refunding Bonds, 1997 Series A (Civic Center Project)	Lease	43.7	A1	STA	Rating under review for downgrade	WR (Obligation is no longer outstanding)			
Los Angeles	800047081	General Obligation	General Obligation	178.3	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	800047082	General Obligation	General Obligation	47.7	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	800047083	General Obligation	General Obligation	110.7	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	800047084	General Obligation	General Obligation	230.0	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	801994403	General Obligation Refunding Bonds	General Obligation	120.0	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	804222940	General Obligation Bonds, Series 1999-B	General Obligation	60.0	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	805198448	General Obligation Bonds, Series 2000A and General Obligation Refunding Bonds, Series 2000B	General Obligation	137.8	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	805618615	General Obligation Bonds, Series 2001-A	General Obligation	201.3	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	806094478	General Obligation Bonds, Series 2002-A	General Obligation	262.2	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
Los Angeles	806693843	General Obligation Bonds, Series 2003-A & General Obligation Bonds Refunding Series 2003-B	General Obligation	312.0	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	807707302	General Obligation Bonds, Series 2004-A	General Obligation	360.5	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	808520699	General Obligation Bonds, Series 2005-A and Refunding Series 2005-B	General Obligation	199.9	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	809672905	General Obligation Bonds, Series 2006-A	General Obligation	71.0	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	821043537	General Obligation Bonds, 2008-A	General Obligation	101.0	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	821724285	General Obligation Bonds, Series 2009-A and 2009-B	General Obligation	176.5	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	822609159	General Obligation Bonds, Series 2011-A	General Obligation	117.0	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	822609164	General Obligation Refunding Bonds, Series 2011-B	General Obligation	259.7	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	900141204	General Obligation Refunding Bonds Series 2012-A	General Obligation	225.9	Aa3	STA	Rating under review for upgrade	Aa2	Stable	One Notch Upgrade	0
Los Angeles	821646638	Judgment Obligation Bonds, Series 2009-A	Pension Obligation or similar	20.5	A1	STA	One notch downgrade and No RUR	A2	Stable	Affirmation of Rating	3
Los Angeles	822109565	Judgment Obligation Bonds, Series 2010-A	Pension Obligation or similar	50.9	A1	STA	One notch downgrade and No RUR	A2	Stable	Affirmation of Rating	3
Los Gatos			Issuer Rating ⁽¹⁾	0.0	Aa1	NOO	Rating under review for downgrade	Aa1	NOO	Confirmation of Rating	
Los Gatos	822040095	2010 Certificates of Participation (Library Project)	Lease	15.7	Aa2	NOO	Rating under review for downgrade	Aa3	NOO	One Notch Downgrade	2
Los Gatos	806072586	Certificates of Participation Series 2002 A (Capital Improvement Project)	Lease	10.7	Aa2	NOO	Rating under review for downgrade	Aa3	NOO	One Notch Downgrade	2
Martinez	806349067	Certificates of Participation (2003 Refinancing Project)	Lease	7.8	Aa3	NOO	Rating under review for downgrade	Aa3	NOO	Affirmation of Rating	1

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
Monterey	805928777	Lease Revenue Bonds, Series 2002	Lease	9.9	A1	NOO	Rating under review for downgrade	A1	NOO	Affirmation of Rating	2
Monterey	800175113	Monterey Joint Powers Finance Authority Lease Revenue Dated 3-1-94	Lease	4.1	Aa3	NOO	Rating under review for downgrade	A1	NOO	Downgraded	2
Oakland	805712418	Taxable Pension Obligation Bonds, Series 2001	Pension Obligation or similar	195.6	Aa2	STA	One notch downgrade & rating under review for downgrade	Aa3	Stable	Confirmation of Rating	1
Oakland	808386097	Refunding Revenue Bonds, 2005 Series A-1 (Auction Rate Securities) (Tax-Exempt); Refunding Revenue Bonds, 2005 Series A-2 (Auction Rate Securities) (Taxable) & 2005 Series B (Auction Rate Securities) (Taxable Bonds)	Pension Obligation or similar	145.0	Aa3	STA	One notch downgrade & rating under review for downgrade	WR (Obligation is no longer outstanding)			
Oakland	820858696	Lease Revenue Refunding Bonds, 2008 Series A-1 (Tax-Exempt)	Pension Obligation or similar	107.6	Aa3	STA	One notch downgrade & rating under review for downgrade	A1	Stable	Confirmation of Rating	2
Oakland	820858698	Lease Revenue Refunding Bonds, 2008 Series A-2 (Federally Taxable)	Pension Obligation or similar	20.3	Aa3	STA	One notch downgrade & rating under review for downgrade	A1	Stable	Confirmation of Rating	2
Oakland	900477242	Taxable Pension Obligation Bonds, Series 2012A	Pension Obligation or similar	212.5	Aa3	STA	One notch downgrade & rating under review for downgrade	A1	Stable	Confirmation of Rating	2
Oceanside	822548346	Taxable Pension Obligation Bonds, Series 2005	Pension Obligation or similar	17.7	Aa3	NEG	One notch downgrade & rating under review for downgrade	A1	NOO	Confirmation of Rating	N/A
Oceanside	808683075	Taxable Pension Obligation Bonds, Series 2005	Pension Obligation or similar	25.1	Aa3	NEG	One notch downgrade & rating under review for downgrade	A1	NOO	Confirmation of Rating	N/A
Oceanside	806168095	2003 Certificates of Participation (1993A Refunding)	Lease	25.2	Aa3	NEG	Rating under review for downgrade	A1	NOO	One Notch Downgrade	N/A
Palmdale	806234343	Certificates of Participation (2002 Park Improvement and Avenue S Construction Project)	Lease	43.2	A1	NEG	Rating under review for downgrade	A3	NOO	Two Notch Downgrade	3

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
Petaluma	806883981	2003 Certificates of Participation (Refunding Certificates and Airport Project)	Lease	6.3	Baa2	NEG	Rating under review for downgrade	Baa3	Positive	One Notch Downgrade	3
Rancho Mirage	808222287	Lease Revenue Bonds, Series 2005A (Public Facilities Project)	Lease	5.9	Aa2	NOO	Rating under review for downgrade	Aa3	NOO	One Notch Downgrade	2
Redondo Beach	820760175	Refunding Revenue Bonds 2008 Series A	Revenue	7.7	Aa2	NOO	Rating under review for downgrade	A1	NOO	Two Notch Downgrade	3
Sacramento			Issuer Rating ⁽¹⁾	0.0	Aa2	STA	Rating under review for downgrade	Aa2	Stable	Confirmation of Rating	0
Sacramento	815013493	2006 Capital Improvement Revenue Bonds, Series C (300 Richards Boulevard Building Acquisition)	Lease	28.8	Aa3	STA	Rating under review for downgrade	A2	Stable	Two Notch Downgrade	3
Sacramento	815013495	2006 Taxable Capital Improvement Revenue Bonds, Series D (300 Richards Boulevard Building Acquisition)	Lease	2.4	Aa3	STA	Rating under review for downgrade	A2	Stable	Two Notch Downgrade	3
Sacramento	815013502	2006 Refunding Revenue Bonds, Series E (Master Lease Program Facilities)	Lease	187.0	Aa3	STA	Rating under review for downgrade	A2	Stable	Two Notch Downgrade	3
Sacramento	809450637	2006 Capital Improvement Revenue Bonds, Series A and 2006 Series B Taxable	Lease	151.1	Aa3	STA	Rating under review for downgrade	A2	Stable	Two Notch Downgrade	3
Sacramento	806730839	2003 Capital Improvement Revenue Bonds (911 Call Center and Other Municipal Projects)	Lease	68.5	Aa3	STA	Rating under review for downgrade	A2	Stable	Two Notch Downgrade	3
San Francisco	805508810	General Obligation Bonds (Affordable Housing) Series 2001D (Taxable)	General Obligation	23.0	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	805960070	General Obligation Refunding Bonds, Series 2002-R1	General Obligation	95.5	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	806173557	General Obligation Bonds (Zoo Facilities Bonds, 1997) Series 2002A and General Obligation Bonds (Branch Library Facilities Improvement Bonds, 2000) Series 2002B	General Obligation	17.2	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
San Francisco	806645535	General Obligation Bonds (Neighborhood Recreation and Park Facilities Improvement Bonds, 2000), Series 2003A	General Obligation	221.0	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	806650520	General Obligation Bonds (Educational Facilities Bonds, 1997-- San Francisco Unified School District), Series 2003B	General Obligation	29.5	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	807598445	General Obligation Refunding Bonds, Series 2004-R1	General Obligation	19.8	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	807884034	General Obligation Bonds (Neighborhood Recreation Parks Facilities Improvement Bonds, 2000), Series 2004A and (California Academy Sciences, 2000), Series 2004B	General Obligation	76.9	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	808316952	General Obligation Bonds (Laguna Honda Hospital, 1999), Series 2005A	General Obligation	110.0	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	808406029	General Obligation Bonds (California Academy of Sciences Imp. Bonds, 2000), Series 2005E; (Steinhart Aquarium Imp. Bonds, 1995), Series 2005F; (Branch Library Facilities Imp. Bonds, 2000), Series 2005G; (Zoo Facilities Bonds, 1997), Series 2005H	General Obligation	150.1	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	808616919	General Obligation Bonds (Laguna Honda Hospital, 1999), Series 2005I	General Obligation	69.0	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	809711754	General Obligation Refunding Bonds, Series 2006-R1	General Obligation	90.7	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	815018303	General Obligation Refunding Bonds, Series 2006- R2	General Obligation	66.6	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	820853848	General Obligation (Branch Library Facilities Improvement Bonds, 2000), Series 2008A	General Obligation	31.1	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	820929770	General Obligation Refunding Bonds, Series 2008-R1	General Obligation	232.1	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0

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San Francisco	820929773	Taxable General Obligation Refunding Bonds, Series 2008-R2	General Obligation	39.3	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	821011548	General Obligation Refunding Bonds (Laguna Honda Hospital), Series 2008-R3	General Obligation	118.1	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	821079831	General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2008), Series 2008B	General Obligation	45.0	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	821488346	General Obligation (San Francisco General Hospital Improvement Bonds, 2008) Series 2009A	General Obligation	131.7	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	821981920	General Obligation Bonds (San Francisco General Hospital Improvement Bonds, 2008), Series 2010A (Tax Exempt)	General Obligation	120.9	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	822045442	General Obligation Bonds (San Francisco General Hospital Improvement Bonds, 2008), Series 2010C (Federally Taxable Build America Bonds)	General Obligation	173.8	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	822045481	General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2008), Series 2010B (Tax Exempt)	General Obligation	24.8	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	822045485	General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2008), Series 2010D (Federally Taxable Build America Bonds)	General Obligation	35.7	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	822343769	General Obligation Bonds (Earthquake Safety & Emergency Response Bonds), Series 2010E	General Obligation	79.5	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	822740261	General Obligation Refunding Bonds, Series 2011-R1	General Obligation	359.5	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	900135537	General Obligation Bonds (Earthquake Safety and Emergency Response Bonds, 2010) Series 2012A	General Obligation	183.3	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
San Francisco	900135540	General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2008) Series 2012B	General Obligation	73.4	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	900135545	General Obligation Bonds (Road Repaving and Street Safety Bonds, 2011) Series 2012C	General Obligation	74.3	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	900593059	General Obligation Bonds, Series 2012D	General Obligation	251.1	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	900593291	General Obligation Bonds, Series 2012E	General Obligation	38.3	Aa2	STA	Rating under review for upgrade	Aa1	Stable	One Notch Upgrade	0
San Francisco	800161864	Lease Revenue Bonds, Series 1992 (George R. Moscone Convention Center)	Lease	100.3	Aa3	STA	Rating under review for downgrade	Aa3	Stable	Confirmation of Rating	2
San Francisco	821100094	Lease Revenue Refunding Bonds, Series 2008-1 (LOC)	Lease	72.6	Aa3	STA	Rating under review for downgrade	Aa3	Stable	Confirmation of Rating	2
San Francisco	821100113	Lease Revenue Refunding Bonds, Series 2008-2 (LOC)	Lease	72.6	Aa3	STA	Rating under review for downgrade	Aa3	Stable	Confirmation of Rating	2
San Francisco	821478230	Lease Revenue Bonds, Series 2009 A (Branch Library Improvement Program)	Lease	34.3	Aa3	STA	Rating under review for downgrade	Aa3	Stable	Confirmation of Rating	2
San Francisco	822138722	Lease Revenue Refunding Bonds, Series 2010-R1 (911 Information and Communications System)	Lease	22.3	Aa3	STA	Rating under review for downgrade	Aa3	Stable	Confirmation of Rating	2
San Francisco	822230729	Refunding Certificates of Participation, Series 2010A	Lease	138.5	Aa3	STA	Rating under review for downgrade	Aa3	Stable	Confirmation of Rating	2
San Francisco	822727785	Refunding Certificates of Participation, Series 2011A (Moscone Center South Refunding Project)	Lease	23.1	Aa3	STA	Rating under review for downgrade	Aa3	Stable	Confirmation of Rating	2
San Francisco	822727791	Refunding Certificates of Participation, Series 2011B (Moscone Center South Refunding Project)	Lease	63.4	Aa3	STA	Rating under review for downgrade	Aa3	Stable	Confirmation of Rating	2
San Francisco	805650540	Certificates of Participation, Series 2001A (30 Van Ness Avenue Property) and Series 2001B (Taxable)	Lease	37.2	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2

Obligor Name	Moody's Sale ID	Sale Name	Security	Original Sale Amount (\$mil.)	Pre-October 2012 Rating	Pre-October 2012 Outlook	October 2012 Action	Current Rating	Current Outlook	Watchlist Resolution Action	#of Notches Below GO Rating
San Francisco	806370506	Certificates of Participation Series 2003 (Juvenile Hall Replacement Project)	Lease	42.0	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	807665137	2004 Refunding Certificates of Participation (San Francisco Courthouse Project)	Lease	39.7	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	809845088	Lease Revenue Bonds, Series 2006 (Open Space Fund- Various Park Projects)	Lease	27.0	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	820185353	Certificates of Participation, Series 2007A (City Office Building - Multiple Properties Project) and Taxable Series 2007B (City Office Building - Multiple Properties Project)	Lease	152.1	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	820242486	Lease Revenue Bonds, Series 2007A	Lease	11.8	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	820421003	Lease Revenue Bonds, Series 2007 (Open Space Fund - Various Park Projects)	Lease	42.4	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	820859756	Lease Revenue Bonds, Series 2008A	Lease	12.0	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	821586488	Certificates of Participation, Series 2009 (Laguna Honda Hospital Project)	Lease	163.3	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	821757538	Certificates of Participation, Series 2009B (Multiple Capital Improvement Projects)	Lease	37.9	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	821779228	Certificates of Participation, Series 2009C (525 Golden Gate Avenue SFPUC Office Project)	Lease	38.1	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	821787973	Certificates of Participation, Series 2009D (525 Golden Gate Avenue SFPUC Office Project) (Federally Taxable - Build America Bonds Direct Payment)	Lease	129.6	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	822091291	Lease Revenue Bonds, Series 2010A (Equipment Program)	Lease	11.5	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2

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San Francisco	822115937	Tax Exempt Lease Revenue Commercial Paper Certificates of Participation, Series 1 and T 1 (Bank Bond)	Lease	NA	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	822115940	Taxable Lease Revenue Commercial Paper Certificates of Participation, Series 1-T (Bank Bond)	Lease	1.0	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	822115943	Tax Exempt Lease Revenue Commercial Paper Certificates of Participation, Series 2 and 2 T (Bank Bond)	Lease	NA	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	822115946	Taxable Lease Revenue Commercial Paper Certificates of Participation, Series 2-T (Bank Bond)	Lease	1.0	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	822527109	Lease Revenue Bonds, Series 2011A (Equipment Program)	Lease	14.7	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	900193281	Lease Revenue Bonds, Series 2012A (Equipment Program)	Lease	9.8	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Francisco	900356674	Certificates of Participation 2012A	Lease	42.8	A1	STA	Rating under review for downgrade	Aa3	Stable	One Notch Upgrade	2
San Leandro	900127633	Taxable Pension Obligation Bonds, 2012	Pension Obligation or similar	18.3	Aa3	NOO	One notch downgrade & rating under review for downgrade	A1	NOO	Confirmation of Rating	2
Santa Ana	800191121	Certificates of Participation City Hall Expansion Project	Lease	12.5	Baa1	NEG	Rating under review for downgrade	Baa1	NOO	Confirmation of Rating	N/A
Santa Barbara	805959238	Refunding Certificates of Participation (Municipal Improvement Program) Series 2002	Lease	6.3	Aa3	NOO	Rating under review for downgrade	A1	NOO	One Notch Downgrade	2
Santa Clara	806202373	2002 Refunding Certificates of Participation, Series B	Lease	33.5	Aa2	NOO	Rating under review for downgrade	Aa3	NOO	One Notch Downgrade	N/A
Santa Clara	806195767	2002 Certificates of Participation, Series A (City of Santa Clara Central Park Library Project)	Lease	25.0	Aa3	NOO	Rating under review for downgrade	Aa3	NOO	Confirmation of Rating	N/A
Santa Clara	800188948	Certificates of Participation Series '97	Lease	16.1	Aa2	NOO	Rating under review for downgrade			WR (Obligation is no longer outstanding)	

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Santa Maria	806310026	2003 Refunding Lease Revenue Bonds	Lease	23.5	A1	NOO	Rating under review for downgrade	A1	NOO	Confirmation of Rating	N/A
Santa Monica	806099681	General Obligation Bonds, (Library Improvement Project), Series 2002	General Obligation	25.0	Aaa	NOO	Rating under review for downgrade	Aaa	Stable	Affirmation of Rating	0
Santa Monica	900339517	General Obligation Refunding Bonds, Series 2012	General Obligation	11.3	Aaa	NOO	Rating under review for downgrade	Aaa	Stable	Affirmation of Rating	0
Santa Monica	805855582	Lease Revenue Bonds, Series 2002 (Public Safety Facility)	Lease	17.3	Aa1	NOO	Rating under review for downgrade	WR (Obligation is no longer outstanding)			
Santa Monica	807974582	Lease Revenue Bonds, Series 2004	Lease	38.9	Aa1	NOO	Rating under review for downgrade	Aa2	Stable	One Notch Downgrade	2
Santa Monica	821885223	Lease Revenue Refunding Bonds, Series 2009 (Public Safety Facility Project)	Lease	9.2	Aa1	NOO	Rating under review for downgrade	Aa2	Stable	One Notch Downgrade	2
Santa Monica	822876793	Lease Revenue Bonds, Series 2011A	Lease	32.4	Aa1	NOO	Rating under review for downgrade	Aa2	Stable	One Notch Downgrade	2
Santa Monica	822876795	Lease Revenue Bonds, Series 2011B	Lease	8.8	Aa1	NOO	Rating under review for downgrade	Aa2	Stable	One Notch Downgrade	2
Santa Monica	805954922	Lease Revenue Refunding Bonds, Series 2002	Lease	10.5	Aa2	NOO	Rating under review for downgrade	Aa2	Stable	Affirmation of Rating	2
Santa Rosa			Issuer Rating ⁽¹⁾	0.0	Aa1	NOO	Rating under review for downgrade	Aa2	NOO	One Notch Downgrade	0
Santa Rosa	806645888	Pension Obligation Refunding Bonds, Series 2003B	Pension Obligation or similar	30.2	Aa2	NOO	One notch downgrade & rating under review for downgrade	A1	NOO	One Notch Downgrade	2
Santa Rosa	820283420	Certificates of Participation (Building Acquisition Project), Series 2007	Lease	10.0	Aa3	NOO	Rating under review for downgrade	A1	NOO	One Notch Downgrade	2
Sunnyvale			Issuer Rating ⁽¹⁾	0.0	Aaa	NOO	Rating under review for downgrade	Aaa	Stable	Affirmation of Rating	0
Sunnyvale	800189682	Certificates of Participation (City of Sunnyvale)	Lease	2.0	Aa1	NOO	Rating under review for downgrade	Aa2	Stable	One Notch Downgrade	2
Torrance			Issuer Rating ⁽¹⁾	0.0	Aa1	NOO	Rating under review for downgrade	Aa2	Stable	One Notch Downgrade	0

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Torrance	821865224	Certificates of Participation, Series 2009	Lease	18.9	Aa3	NOO	Rating under review for downgrade	A1	Stable	One Notch Downgrade	2
Torrance	807824729	Certificates of Participation (Refinancing and Public Improvement Project) Series 2004B	Lease	23.9	Aa3	NOO	Rating under review for downgrade	A1	Stable	One Notch Downgrade	2
Torrance	802905868	Certificates of Participation Refunding, Torrance Public Financing Authority(Police and Fire Station), Series 1998	Lease	10.3	Aa3	NOO	Rating under review for downgrade	A1	Stable	One Notch Downgrade	2
Woodland	808517524	Lease Revenue Bonds (2005 Capital Projects)	Lease	20.4	A2	NOO	Rating under review for downgrade	A3	NOO	One Notch Downgrade	N/A
Woodland	806272201	Lease Revenue Bonds (Refunding and 2002 Capital Projects)	Lease	33.2	A1	NOO	Rating under review for downgrade	A2	NOO	One Notch Downgrade	N/A
California Statewide Communities Dev. Auth.	807675205	Taxable Pension Obligation Bonds, 2004 Series A-1 Bonds (Current Interest Bonds)	Pension Obligation or similar	178.6	Aa3	NOO	One notch downgrade & rating under review for downgrade	Baa1	RUR	Three Notch Downgrade	N/A

[1] An Issuer Rating represents what a California city's general obligation bond rating would be for a city that does not have general have obligation bonds outstanding.

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