

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 15, 2018

NEW ISSUE -- FULL BOOK-ENTRY

RATINGS: Moody's: "___"

Standard & Poor's: "___"

See "RATINGS" herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Series D Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$120,000,000*

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

(Los Angeles County, California)

General Obligation Bonds

Election of 2012, Series D

Dated: Date of Delivery

Due: August 1, as shown on inside cover

Authority and Purpose. The captioned bonds (the "Series D Bonds") are being issued by the Santa Monica-Malibu Unified School District (the "District") pursuant to certain provisions of the California Government Code and a resolution of the Board of Education of the District adopted on June 28, 2018 (the "Bond Resolution"). The Series D Bonds were authorized at an election of the registered voters of the District held on November 6, 2012, (the "Authorization") which authorized the issuance of \$385,000,000 principal amount of general obligation bonds to finance the renovation, construction and improvement of school facilities. The Series D Bonds are the fourth series of bonds to be issued under the Authorization. See "the financing plan" and "THE SERIES D BONDS – Authority for Issuance."

Security. The Series D Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes. The Board of Supervisors of Los Angeles County has the power and is obligated to annually levy *ad valorem* taxes upon all property subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates) for the payment of principal of and interest on the Series D Bonds. See "SECURITY FOR THE SERIES D BONDS."

Redemption. The Series D Bonds are subject to redemption prior to maturity as described herein. See "THE SERIES D BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

Book-Entry Only. The Series D Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"). Purchasers will not receive physical certificates representing their interests in the Series D Bonds. See "THE SERIES D BONDS – Book-Entry Only System."

Payments. The Series D Bonds are dated the date of delivery and are being issued as current interest bonds. The Series D Bonds accrue interest at the rates set forth on the inside cover page hereof, payable semiannually on each February 1 and August 1 until maturity, commencing February 1, 2019. Payments of principal of and interest on the Series D Bonds will be paid by U.S. Bank National Association, Los Angeles, California, as agent for the Treasurer and Tax Collector of Los Angeles, California, the designated paying agent, registrar and transfer agent (the "Paying Agent"), to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Series D Bonds. See "THE SERIES D BONDS."

MATURITY SCHEDULE

(see inside front cover)

This cover page contains information for general reference only. It is not a summary of all the provisions of the Series D Bonds. Prospective investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Series D Bonds will be offered when, as and if issued and accepted by the Underwriters, subject to the approval as to legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and subject to certain other conditions. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the District. Norton Rose Fulbright US LLP, Los Angeles, California is serving as Underwriters' Counsel. It is anticipated that the Series D Bonds, in book-entry form, will be available for delivery through the facilities of DTC, on or about September 6, 2018.

RAYMOND JAMES



RBC Capital Markets

The date of this Official Statement is _____, 2018.

*Preliminary; subject to change.

MATURITY SCHEDULE*

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2012, Series D

Base CUSIP[†]: 802498

Maturity Date (August 1)	Principal Amount	Interest Rate	Price	Yield	CUSIP[†]
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\$ ____ - ____% Term Bonds maturing August 1, 20__; Yield: ____%; Price: ____; CUSIP^(†): ____

**Preliminary; subject to change.*

[†] CUSIP Copyright 2018, CUSIP Global Services, and a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by S&P Capital IQ. Neither the District nor the Underwriters take any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Series D Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Series D Bond owner and the District or the Underwriters.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriters to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriters.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Series D Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Forecasts. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District or any other entity described or referenced herein, the words or phrases "will likely result," "are expected to", "will continue", "is anticipated", "estimate", "project," "forecast", "expect", "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, give rise to any implication that there has been no change in the affairs of the District or any other entity described or referenced herein since the date hereof.

Involvement of Underwriters. The Underwriters have provided the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

Stabilization of and Changes to Offering Prices. In connection with the offering of the Series D Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of such Series D Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time. The Underwriters may offer and sell the Series D Bonds to certain securities dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the inside cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriters.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Document Summaries. All summaries of the Bond Resolution or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Series D Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Series D Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series D Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement, is not incorporated herein by reference, and should not be relied upon in making an investment decision with respect to the Series D Bonds.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)

BOARD OF EDUCATION OF THE DISTRICT

Dr. Richard Tahvildaran-Jesswein, *President*
Jon Kean, *Vice President*
Oscar de la Torre, *Member*
Craig Foster, *Member*
Maria Leon-Vazquez, *Member*
Laurie Lieberman, *Member*
Ralph Mechur, *Member*

DISTRICT ADMINISTRATION

Dr. Ben Drati, *Superintendent*
Melody Canady, *Assistant Superintendent, Business and Fiscal Services*

PROFESSIONAL SERVICES

MUNICIPAL ADVISOR

Isom Advisors, a Division of Urban Futures, Inc.
Walnut Creek, California

BOND COUNSEL AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

BOND REGISTRAR, TRANSFER AGENT AND PAYING AGENT

U.S. Bank National Association,
as agent of the Los Angeles County Treasurer and Tax Collector
Los Angeles, California

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\$120,000,000*
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2012, Series D

INTRODUCTION

This Official Statement, which includes the cover page, inside cover page and appendices hereto, provides information in connection with the sale and delivery by the Santa Monica-Malibu Unified School District (the “**District**”) of its General Obligation Bonds, Election of 2012, Series D, in the principal amount of \$120,000,000* (the “**Series D Bonds**”).

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series D Bonds to potential investors is made only by means of the entire Official Statement.

The District. The District was established in 1875 and includes within its boundaries the City of Santa Monica and the City of Malibu, as well as a portion of unincorporated Los Angeles County (the “**County**”). The District is composed of two distinct geographical areas, the Malibu schools area to the north and the Santa Monica schools area to the south, which are divided by a portion of Los Angeles Unified School District. 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. For fiscal year 2018-19, the District’s average daily attendance is budgeted to be 10,310 students, and taxable property within the District has an assessed valuation of \$52,223,095,636 for 2017-18. The District’s revenue sources include a number of local sources, including a voter-approved parcel tax, a share of the City of Santa Monica’s voter-approved transaction use taxes to be used for educational purposes, and revenues produced by facilities use agreements with the City of Malibu and the City of Santa Monica.

See “APPENDIX A – General and Financial Information About the District” and “APPENDIX C- General Information about the City of Malibu, the City of Santa Monica, and Los Angeles County.”

Authority and Purpose of Issue; Financing Plan. The Series D Bonds will be issued pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53506) (the “**Bond Law**”) and pursuant to a resolution adopted by the Board of Education of the District on June 28, 2018 (the “**Bond Resolution**”). The Series D Bonds are the fourth series of bonds issued by the District pursuant to an election held by the District on November 6, 2012 (the “**Bond Election**”) in which more than 55% of the qualified electors of the District authorized the District to issue general obligation bonds in a principal amount of \$385,000,000 (the “**Authorization**”). The net proceeds of the Series D Bonds will be used to finance school facilities of the District as approved by District voters at the Bond Election. Following the issuance of the Series D Bonds, it is expected that \$115,000,000 principal amount of the Authorization will remain authorized but unissued. See “THE FINANCING PLAN” and “THE SERIES D BONDS – Authority for Issuance” and “SOURCES AND USES OF FUNDS” herein.

**Preliminary; subject to change*

Sources of Payment for the Series D Bonds. The Series D Bonds are general obligation bonds of the District payable solely from *ad valorem* taxes levied and collected by the County. The Board of Supervisors of the County has the power and is obligated to annually levy an *ad valorem* tax for the payment of the Series D Bonds and the interest thereon upon all property within the District subject to taxation without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY FOR THE SERIES D BONDS" herein.

Form of Bonds. The Series D Bonds are being issued as current interest bonds which will bear current interest and will mature in the years and in the amounts as set forth on the inside cover page hereof. The Series D Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for the Depository Trust Company, New York, New York ("**DTC**"). Purchasers will not receive physical certificates representing their interest in the Series D Bonds. See "THE SERIES D BONDS – General Description of the Series D Bonds" and "– Book-Entry Only System," and "APPENDIX F – DTC and the Book-Entry System."

Redemption. The Series D Bonds are subject to redemption prior to maturity as described in "THE SERIES D BONDS – Optional Redemption" and "– Mandatory Sinking Fund Redemption."

Legal Matters. Issuance of the Series D Bonds is subject to the approving opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, as bond counsel ("**Bond Counsel**"), to be delivered in substantially the form attached hereto as Appendix D. Jones Hall, A Professional Law Corporation, San Francisco, California, will also serve as Disclosure Counsel to the District ("**Disclosure Counsel**"). Norton Rose Fulbright US LLP, Los Angeles, California is serving as Underwriters' Counsel. Payment of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel is contingent upon the issuance of the Series D Bonds.

Tax Matters. Assuming compliance with certain covenants and provisions of the Internal Revenue Code of 1986, in the opinion of Bond Counsel, interest on the Series D Bonds is excluded from gross income for federal income tax purposes although it may be includable in the calculation for certain taxes. Also, in the opinion of Bond Counsel, interest on the Series D Bonds will be exempt from State of California personal income taxes. See "TAX MATTERS."

Continuing Disclosure. The District has covenanted and agreed that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, dated the date of the Series D Bonds and executed by the District (the "**Continuing Disclosure Certificate**"). The form of the Continuing Disclosure Certificate is included in Appendix E hereto. See "CONTINUING DISCLOSURE."

Other Information. This Official Statement speaks only as of its date, and the information contained in this Official Statement is subject to change. Copies of documents referred to in this Official Statement and information concerning the Series D Bonds are available from the District at the Superintendent's Office at 1651 16th Street, Santa Monica, California 90404, Telephone: (310) 450-8338. The District may impose a charge for copying, mailing and handling.

END OF INTRODUCTION

THE FINANCING PLAN

The proceeds of the Series D Bonds will be used to finance projects approved by the voters pursuant to the Authorization, including related costs of issuing the Series D Bonds. The abbreviated form of the ballot measure (limited to 75 words or less) is as follows:

“To improve academic instruction and school safety by modernizing high school classrooms and campuses, repairing aging elementary schools, ensuring every school meets current earthquake and fire safety standards to protect students, and constructing, acquiring, modernizing, and/or repairing classrooms, sites, facilities, equipment, computers, and learning technology to raise student achievement, shall the Santa Monica-Malibu Unified School District issue \$385,000,000 in bonds at legal rates, with independent fiscal oversight, mandatory audits, and all funds for Santa Monica and Malibu schools?”

As part of the ballot materials presented to District voters at the Bond Election, the voters authorized a specific list of projects (the **“Project List”**) eligible to be funded with proceeds of bonds sold pursuant to the Authorization, including the Series D Bonds. The District makes no representation as to the specific application of the proceeds of the Series D Bonds, the completion of any projects listed on the Project List, or whether bonds authorized by the Authorization will provide sufficient funds to complete any particular project listed in the Project List.

See “DEBT SERVICE SCHEDULES” herein for the combined debt service due with respect to general obligation bonds and refunding general obligation bonds of the District, including the Series D Bonds.

THE SERIES D BONDS

Authority for Issuance

The Series D Bonds will be issued under the provisions of the Bond Law and the Bond Resolution. The District received authorization at the Bond Election by more than the requisite 55% vote of the qualified electors to issue general obligation bonds in a principal amount of \$385,000,000. The District has previously issued three series of bonds pursuant to the Authorization in the aggregate principal amount of \$150,000,000. The Series D Bonds are the fourth series of bonds issued by the District pursuant to the Authorization.

General Description of the Series D Bonds

The Series D Bonds will mature in the years and in the amounts as set forth on the inside cover page hereof. The Series D Bonds will be issued in book-entry form only and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Series D Bonds. See “— Book-Entry Only System” and “APPENDIX F – DTC and the Book-Entry System.”

The Series D Bonds will be issued in denominations of \$5,000 principal amount each or any integral multiple thereof. Interest on the Series D Bonds is payable semiannually on each February 1 and August 1, commencing February 1, 2019 (each, an **“Interest Payment Date”**). Each Series D Bond will bear interest from the Interest Payment Date next preceding the date of registration and authentication thereof unless (i) it is authenticated as of an Interest Payment Date, in which event it will bear interest from such date, or (ii) it is authenticated prior to an Interest Payment Date and after the close of business on the fifteenth day of the month preceding the

Interest Payment Date (each, a “**Record Date**”), in which event it will bear interest from such Interest Payment Date, or (iii) it is authenticated prior to January 15, 2019, being the first Record Date, in which event it will bear interest from the date the Series D Bonds are delivered. Notwithstanding the foregoing, if interest on any Series D Bond is in default at the time of authentication thereof, such Series D Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Payments of principal of and interest on the Series D Bonds will be paid by the Paying Agent to DTC for subsequent disbursement to participants in DTC’s book entry system (“**DTC Participants**”) who will remit such payments to the beneficial owners of the Series D Bonds.

Paying Agent

U.S. Bank National Association, Los Angeles, California, as agent for the Treasurer and Tax Collector of Los Angeles, California, will act as the registrar, transfer agent, and paying agent for the Series D Bonds (the “**Paying Agent**”). As long as DTC is the registered owner of the Series D Bonds and DTC’s book-entry method is used for the Series D Bonds, the Paying Agent will send all payments with respect to principal and interest on the Series D Bonds, and any notice of redemption or other notices to owners of the Series D Bonds, only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any ultimate purchaser of the Series D Bonds (each a “**Beneficial Owner**”), of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the redemption of the Series D Bonds called for redemption or of any other action covered by such notice.

The Paying Agent, the District, the County and the Underwriters of the Series D Bonds have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the Series D Bonds.

Optional Redemption*

The Series D Bonds maturing on or before August 1, 20__ are not subject to redemption prior to maturity. The Series D Bonds maturing on or after August 1, 20__, are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as designated by the District and by lot within a maturity, from any available source of funds, on August 1, 20__, or on any date thereafter, at a redemption price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

**Preliminary; subject to change.*

Mandatory Sinking Fund Redemption*

The Series D Bonds maturing on August 1, 20__ (the “**Term Bonds**”) are subject to mandatory sinking fund redemption on August 1 in the years and in the amounts as set forth in the following table at a redemption price equal to the principal amount thereof to be redeemed, without premium, together with interest accrued thereon to the redemption date. If any Term Bonds are optionally redeemed as described above, the total amount of all future sinking fund payments with respect to such Term Bonds will be reduced by the aggregate principal amount of such Term Bonds so redeemed, to be allocated among such payments on a pro rata basis in integral multiples of \$5,000 (or such other basis as the District may determine).

Term Bonds Maturing August 1, 20__

Redemption Date (August 1)	Sinking Fund Redemption
---------------------------------------	------------------------------------

Notice of Redemption

The Paying Agent will cause notice of any redemption to be mailed, first class mail, postage prepaid, at least 20 days but not more than 60 days prior to the date fixed for redemption, to the respective owners of any Series D Bonds designated for redemption, at their addresses appearing on the records maintained by the Paying Agent for the registration of ownership and registration of transfers of the Series D Bonds under the Bond Resolution. Such mailing is not a condition precedent to such redemption and the failure to mail or to receive any such notice will not affect the validity of the proceedings for the redemption of such Series D Bonds. In addition, the Paying Agent will give notice of redemption by telecopy or certified, registered or overnight mail to the Municipal Securities Rulemaking Board and each of the Securities Depositories at least two days prior to such mailing to the Series D Bond Owners.

Such notice shall state the redemption date and the redemption price and, if less than all of the then outstanding Series D Bonds are to be called for redemption, shall designate the serial numbers of the Series D Bonds to be redeemed by giving the individual number of each Series D Bond or by stating that all Series D Bonds between two stated numbers, both inclusive, or by stating that all of the Series D Bonds of one or more maturities have been called for redemption, and shall require that such Series D Bonds be then surrendered at the office of the Paying Agent for the payment of the Series D Bonds and the administration of its duties under the Bond Resolution as designated therein (“**Office of the Paying Agent**”) for redemption at the said redemption price, giving notice also that further interest on such Series D Bonds will not accrue from and after the redemption date.

Partial Redemption

Upon the surrender of any Series D Bond redeemed in part only, the District will execute and the Paying Agent will authenticate and deliver to the Owner thereof, at the expense of the District, a new Series D Bond or Series D Bonds of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Series D Bond or Series D Bonds.

**Preliminary; subject to change*

Right to Rescind Notice of Redemption

The District has the right to rescind any notice of the optional redemption of Series D Bonds by written notice to the Paying Agent on or prior to the date fixed for redemption. Any notice of redemption will be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Series D Bonds then called for redemption. The District and the Paying Agent will have no liability to the Series D Bond owners or any other party related to or arising from such rescission of redemption. The Paying Agent will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under the Bond Resolution.

Book-Entry Only System

The Series D Bonds will be registered initially in the name of "Cede & Co.," as nominee of DTC, which has been appointed as securities depository for the Series D Bonds, and registered ownership may not be transferred thereafter except as provided in the Bond Resolution. Purchasers will not receive certificates representing their interests in the Series D Bonds. Principal of the Series D Bonds will be paid by the Paying Agent to DTC, which in turn is obligated to remit such principal to its participants for subsequent disbursement to beneficial owners of the Series D Bonds as described herein. See "APPENDIX F – DTC and the Book-Entry System."

In the event that the securities depository (either DTC or its successor depository) determines not to continue to act as securities depository for the Series D Bonds, or the District determines to terminate the depository as such, then the District will thereupon discontinue the book-entry system with such securities depository. In such event, the securities depository will cooperate with the District and the Paying Agent in the issuance of replacement Series D Bonds by providing the Paying Agent with a list showing the interests of the Depository System Participants in the Series D Bonds, and by surrendering the Series D Bonds, registered in the name of the nominee of the securities depository, to the Paying Agent on or before the date such replacement Series D Bonds are to be issued.

Registration, Transfer and Exchange of Series D Bonds

Registration. The Paying Agent will keep or cause to be kept sufficient books for the registration and transfer of the Series D Bonds, which will at all times be open to inspection by the District upon reasonable notice; and, upon presentation for such purpose, the Paying Agent will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Series D Bonds as provided in the Bond Resolution.

Transfers of Series D Bonds. Any Series D Bond may, in accordance with its terms, be transferred, upon the registration books required to be kept pursuant to the Bond Resolution, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Series D Bond for cancellation at the Office of the Paying Agent, accompanied by delivery of a written instrument of transfer in a form approved by the Paying Agent, duly executed. The District may charge a reasonable sum for each new Series D Bond issued upon any transfer.

Whenever any Series D Bond or Bonds is surrendered for transfer, the District will execute and the Paying Agent will authenticate and deliver a new Series D Bond or Bonds, for like aggregate principal amount. No transfers of Series D Bonds will be required to be made (a) 15

days prior to the date established by the Paying Agent for selection of Series D Bonds for redemption or (b) with respect to a Series D Bond which has been selected for redemption.

Exchange of Series D Bonds. Series D Bonds may be exchanged at the principal Office of the Paying Agent for a like aggregate principal amount of Series D Bonds of authorized denominations and of the same maturity, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. The District may charge a reasonable sum for each new Series D Bond issued upon any exchange (except in the cases of any exchange of temporary Series D Bonds for definitive Series D Bonds). No exchange of Series D Bonds is required to be made (a) 15 days prior to the date established by the Paying Agent for selection of Series D Bonds for redemption or (b) with respect to a Series D Bond after it has been selected for redemption.

Defeasance

Any or all of the Series D Bonds may be paid by the District in any of the following ways, provided the District also pays or causes to be paid any other sums payable under the Bond Resolution by the District:

- (a) by paying or causing to be paid the principal or redemption price of and interest on such Series D Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing, in trust, at or before maturity, money or securities in the necessary amount (as provided in the Bond Resolution) to pay or redeem such Series D Bonds; or
- (c) by delivering such Series D Bonds to the Paying Agent for cancellation by it.

If the District pays all the Series D Bonds that are outstanding and also pays or causes to be paid all other sums payable under the Bond Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of a District Representative filed with the Paying Agent, signifying the intention of the District to discharge all such indebtedness and the Bond Resolution), and notwithstanding that any Series D Bonds have not been surrendered for payment, the Bond Resolution and other assets made under the Bond Resolution and all covenants, agreements and other obligations of the District under the Bond Resolution will cease, terminate, become void and be completely discharged and satisfied, except only as provided and described in the following paragraph.

Upon the deposit, in trust, at or before maturity, of money or securities in the necessary amount (as described below) to pay or redeem any Series D Bond that is outstanding (whether upon or prior to its maturity date or the redemption date of such Series D Bond), provided that, if such Series D Bond is to be redeemed prior to maturity, notice of such redemption has been given or proven satisfactory to the Paying Agent has been made for the giving of such notice, then all liability of the District in respect of such Series D Bond will cease and be completely discharged, except only that thereafter the Owner thereof will be entitled only to payment of the principal of and interest on such Series D Bond by the District, and the District will remain liable for such payment, but only out of such money or securities deposited with the Paying Agent as aforesaid for such payment.

Whenever in the Bond Resolution it is provided or permitted that there be deposited with or held in trust by the Paying Agent money or securities in the necessary amount to pay or redeem any Series D Bonds, the money or securities so to be deposited or held may include money or securities held by the Paying Agent in the funds and accounts established pursuant to the Bond Resolution and will be:

- (i) lawful money of the United States of America in an amount equal to the principal amount of such Series D Bonds and all unpaid interest thereon to maturity, except that, in the case of Series D Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption has been given as provided the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice, the amount to be deposited or held will be the principal amount or redemption price of such Series D Bonds and all unpaid interest thereon to the redemption date; or
- (ii) Federal Securities (not callable by the issuer thereof prior to maturity) the principal of and interest on which when due, in the opinion of a certified public accountant delivered to the District, will provide money sufficient to pay the principal or redemption price of and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Series D Bonds to be paid or redeemed, as such principal or redemption price and interest become due, provided that, in the case of Series D Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption has been given as provided in the Bond Resolution or provision satisfactory to the Paying Agent has been made for the giving of such notice.

The Bond Resolution defines the term “**Federal Securities**” to mean United States Treasury notes, bonds, bills or certificates of indebtedness, or any other obligations the timely payment of which is directly or indirectly guaranteed by the faith and credit of the United States of America.

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SOURCES AND USES OF FUNDS

The estimated sources and uses of funds with respect to the Series D Bonds are as follows:

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT Series D Bonds Sources and Uses of Funds

Sources of Funds

Principal Amount of Series D Bonds
Plus: Net Original Issue Premium

Total Sources

Uses of Funds

Deposit to Building Fund
Deposit to Debt Service Fund
Costs of Issuance ⁽¹⁾

Total Uses

(1) All estimated costs of issuance including, but not limited to, Underwriters' discount, printing costs, and fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent and the rating agencies.

APPLICATION OF PROCEEDS OF SERIES D BONDS

Building Fund

The net proceeds from the sale of the Series D Bonds will be paid to the County Treasurer to the credit of the fund created and established in the Bond Resolution and known as the "Santa Monica-Malibu Unified School District, Election of 2012, Series D Building Fund" (the "**Building Fund**"), which will be accounted for as separate and distinct from all other District and County funds. The County will maintain separate accounting for the proceeds of the Series D Bonds, including all earnings received from the investment thereof. Amounts credited to the Building Fund will be expended by the District solely for the financing of projects for which the Series D Bonds proceeds are authorized to be expended under the Authorization (which includes costs of issuing the Series D Bonds). All interest and other gain arising from the investment of proceeds of the Series D Bonds shall be retained in the Building Fund and used for the purposes thereof. At the written request of the District filed with the County Treasurer, any amounts remaining on deposit in the Building Fund and not needed for the purposes thereof will be withdrawn from the Building Fund and transferred to the Debt Service Fund established for the Series D Bonds, to be applied to pay the principal of and interest on the Series D Bonds. If excess amounts remain on deposit in the Building Fund after payment in full of the Series D Bonds, any such excess amounts shall be transferred to the general fund of the District, to be applied for the purposes for which the Series D Bonds have been authorized.

Debt Service Fund

As described herein under the heading "SECURITY FOR THE SERIES D BONDS – Debt Service Fund," the County will establish, hold and maintain a debt service fund for the Series D Bonds to be designated the "Santa Monica-Malibu Unified School District Election of 2012, Series

D General Obligation Bonds Debt Service Fund” (the “**Debt Service Fund**”), which the County will maintain as a separate account distinct from all other funds of the County and the District. The County Treasurer will administer the Debt Service Fund and make disbursements therefrom in the manner set forth in the Bond Resolution. Accrued interest and premium, if any, received by the County from the sale of the Series D Bonds will be deposited in the Debt Service Fund which, together with the collections of *ad valorem* taxes, will be used only for payment of principal of and interest on the Series D Bonds. Interest earnings on the investment of monies held in the Debt Service Fund will be retained in the Debt Service Fund and used to pay the principal of and interest on the Series D Bonds when due.

Any moneys remaining in the Debt Service Fund after the Series D Bonds and the interest thereon have been paid, or provision for such payment has been made, will be transferred to any other interest and sinking fund for general obligation bond indebtedness of the District and, in the event there is no such debt outstanding, will be transferred to the District’s general fund upon the order of the County Auditor, as provided in Section 15234 of the Education Code.

Investment of Proceeds of Series D Bonds

Under California law, the District is generally required to pay all monies received from any source into the County Treasury to be held on behalf of the District. All amounts deposited into the Debt Service Fund, as well as proceeds of taxes held therein for payment of the Series D Bonds, shall be invested in the County Investment Pool, the Local Agency Investment Fund of the California State Treasurer, any investments authorized pursuant to Sections 53601 and 53635 of the California Government Code, and investment agreements, including guaranteed investment contracts, float contracts or other investment products (provided that such agreements comply with the requirements of Section 148 of the Tax Code) in accordance with the investment policy of the County.

DEBT SERVICE SCHEDULES

Series D Bonds. The following table shows the annual debt service schedule with respect to the Series D Bonds (assuming no optional redemptions).

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT Annual Debt Service Schedule Series D Bonds

Period Ending August 1	Principal	Interest	Total Debt Service
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
Total			

Combined GO Bonds Debt Service Table. The District currently has outstanding series of general obligation or refunding general obligation bonds secured by *ad valorem* taxes outstanding. The following table shows the combined annual debt service schedule with respect to such obligations, together with the Series D Bonds, assuming no optional redemptions. See Appendix A under the heading “DISTRICT FINANCIAL INFORMATION – General Obligation Debt” for additional information.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Combined Annual Debt Service Schedule
All Outstanding General Obligation Debt

Period Ending Aug. 1	Election of 1998 Bonds	Election of 2006 Bonds ⁽¹⁾⁽²⁾⁽³⁾⁽⁴⁾	Election of 2012 Bonds ⁽³⁾	2013 Refunding Bonds	2015 Refunding Bonds ⁽³⁾	2016 A, B, & C Refunding Bonds ⁽³⁾⁽⁵⁾	Series D Bonds	Aggregate Debt Service
2019	\$7,210,000.00	\$12,675,842.30	\$16,877,431.26	\$3,023,331.26	\$1,991,025.00	\$3,370,062.50		\$45,147,692.32
2020	7,215,000.00	13,084,542.30	3,383,631.26	3,156,531.26	3,871,025.00	3,369,062.50		34,079,792.32
2021	7,280,000.00	12,121,980.80	3,253,631.26	3,297,131.26	3,972,025.00	4,762,962.50		34,687,730.82
2022	7,300,000.00	12,347,005.56	3,253,631.26	3,444,531.26	4,063,275.00	4,949,762.50		35,358,205.58
2023	6,340,000.00	12,570,191.80	3,253,631.26	3,593,131.26	4,154,775.00	5,125,762.50		35,037,491.82
2024	-	15,019,692.30	3,253,631.26	3,752,531.26	4,246,025.00	5,241,762.50		31,513,642.32
2025	-	15,350,943.40	3,253,631.26	3,921,781.26	4,336,525.00	5,302,362.50		32,165,243.42
2026	-	15,891,190.40	4,123,631.26	4,091,281.26	4,430,775.00	5,416,762.50		33,953,640.42
2027	-	16,308,631.30	4,245,131.26	4,270,281.26	4,518,025.00	5,652,562.50		34,994,631.32
2028	-	16,728,366.70	5,308,381.26	4,456,631.26	4,611,025.00	5,894,562.50		36,998,966.72
2029	-	17,158,056.40	5,530,881.26	4,644,600.00	4,705,200.00	6,146,962.50		38,185,700.16
2030	-	17,586,742.90	5,761,881.26	4,848,037.50	4,796,675.00	6,413,762.50		39,407,099.16
2031	-	18,037,436.80	6,010,131.26	5,050,687.50	4,885,275.00	6,503,650.00		40,487,180.56
2032	-	14,150,355.80	6,998,881.26	5,272,125.00	4,974,475.00	8,452,400.00		39,848,237.06
2033	-	17,567,086.10	7,322,281.26	-	6,727,025.00	11,531,700.00		43,148,092.36
2034	-	10,346,133.60	7,651,356.26	-	357,075.00	15,993,700.00		34,348,264.86
2035	-	9,137,662.70	8,005,656.26	-	-	16,480,650.00		33,623,968.96
2036	-	24,013,000.00	8,372,806.26	-	-	-		32,385,806.26
2037	-	14,242,800.00	8,754,806.26	-	-	-		22,997,606.26
2038	-	-	7,805,806.26	-	-	-		7,805,806.26
2039	-	-	8,142,381.26	-	-	-		8,142,381.26
2040	-	-	8,499,956.26	-	-	-		8,499,956.26
2041	-	-	4,456,406.26	-	-	-		4,456,406.26
2042	-	-	4,640,625.00	-	-	-		4,640,625.00
2043	-	-	-	-	-	-		-
TOTAL	\$35,345,000.00	\$284,337,661.16	\$148,160,218.98	\$56,822,612.60	\$66,640,225.00	\$120,608,450.00		\$711,914,167.74

(1) Represents the gross debt service payments and does not include any expected federal subsidy payments.

(2) Prior to August 1, 2019, the Election of 2006, Series B-1 Bonds will continue to be an obligation of the District payable solely from ad valorem property taxes. On such date, the Election of 2006, Series B-1 Bonds will be redeemed.

(3) Principal due on July 1 of each year for outstanding Election of 2006, Series B-1 and Series C-1 Bonds, Election of 2012, Series A and Series B Bonds, 2015 Refunding and 2016 Refunding Bonds.

(4) Prior to July 1, 2020, the Election of 2006, Series C-1 Bonds will continue to be an obligation of the District payable solely from ad valorem property taxes. On such date, the Election of 2006, Series C-1 Bonds will be redeemed.

(5) Prior to July 1, 2020, the 2016 Refunding Bonds, Series C will be secured by and payable solely from the proceeds thereof on deposit into an escrow fund established therefor. From and after July 1, 2020, the 2016 Refunding Bonds, Series C will be payable solely from *ad valorem* taxes.

SECURITY FOR THE SERIES D BONDS

Ad Valorem Taxes

Series D Bonds Payable from Ad Valorem Property Taxes. The Series D Bonds are general obligations of the District, payable solely from *ad valorem* property taxes levied on taxable property within the District and collected by the County. The County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Series D Bonds and the interest thereon upon all property within the District subject to taxation by the District, without limitation of rate or amount (except certain personal property which is taxable at limited rates). In no event is the District obligated to pay principal of and interest and redemption premium, if any, on the Series D Bonds out of any funds or properties of the District other than *ad valorem* taxes levied upon all taxable property in the District; provided, however, nothing in the Bond Resolution prevents the District from making advances of its own moneys howsoever derived to any of the uses or purposes permitted by law.

Other Debt Payable from Ad Valorem Property Taxes. In addition to the District's general obligation bonds, there is other debt issued by entities with jurisdiction in the District, which is payable from *ad valorem* taxes levied on parcels in the District. See "PROPERTY TAXATION – Typical Tax Rates" and "– Direct and Overlapping Debt."

Levy and Collection. The County will levy and collect such *ad valorem* taxes in such amounts and at such times as is necessary to ensure the timely payment of debt service. Such taxes, when collected, will be deposited into the Debt Service Fund, which is maintained by the County and which is irrevocably pledged for the payment of principal of and interest on the Series D Bonds when due.

District property taxes are assessed and collected by the County in the same manner and at the same time, and in the same installments as other *ad valorem* taxes on real property, and will have the same priority, become delinquent at the same times and in the same proportionate amounts, and bear the same proportionate penalties and interest after delinquency, as do the other *ad valorem* taxes on real property.

Statutory Lien on Ad Valorem Tax Revenues. Pursuant to Senate Bill 222 effective January 1, 2016, voter approved general obligation bonds which are secured by *ad valorem* tax collections, including the Series D Bonds, are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. Said lien attaches automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the school district or community college district, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act.

Annual Tax Rates. The amount of the annual *ad valorem* tax levied by the County to repay the Series D Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Series D Bonds. Fluctuations in the annual debt service on the Series D Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate.

Economic and other factors beyond the District's control, such as economic recession, deflation of land values, a relocation out of the District or financial difficulty or bankruptcy by one or more major property taxpayers, or the complete or partial destruction of taxable property

caused by, among other eventualities, earthquake, flood, fire or other natural disaster, could cause a reduction in the assessed value within the District and necessitate a corresponding increase in the annual tax rate.

Debt Service Fund

The County will establish the Debt Service Fund for the Series D Bonds, which will be established as a separate fund to be maintained distinct from all other funds of the County. All taxes levied by the County, at the request of the District, for the payment of the principal of and interest and premium (if any) on the Series D Bonds will be deposited in the Debt Service Fund by the County promptly upon apportionment of said levy. The Debt Service Fund is pledged for the payment of the principal of and interest on the Series D Bonds when and as the same become due, including the principal of any Series D Bonds required to be paid upon the mandatory sinking fund redemption thereof. The County Treasurer shall administer the Debt Service Fund and make disbursements therefrom in accordance with the Bond Resolution. Amounts in the Debt Service Fund will be transferred by the County Treasurer to the Paying Agent to the extent necessary to pay the principal of and interest and redemption premium (if any) on the Series D Bonds when due. In addition, amounts on deposit in the Debt Service Fund will be applied to pay the fees and expenses of the Paying Agent insofar as permitted by law, including specifically by Section 15232 of the Education Code.

If, after payment in full of the Series D Bonds and any other general obligation bond indebtedness of the District, any amounts remain on deposit in the Debt Service Fund, the County will transfer such amounts to the general fund of the District, to be applied solely in a manner which is consistent with the requirements of applicable state and federal tax law.

Not a County Obligation

The Series D Bonds are payable solely from the proceeds of an *ad valorem* tax levied and collected by the County, for the payment of principal and interest on the Series D Bonds. Although the County is obligated to collect the *ad valorem* tax for the payment of the Series D Bonds, the Series D Bonds are not a debt of the County.

PROPERTY TAXATION

Property Tax Collection Procedures

In California, property which is subject to *ad valorem* taxes is classified as “secured” or “unsecured.” The “secured roll” is that part of the assessment roll containing state assessed public utilities’ property and real property, the taxes on which create a lien on such property sufficient, in the opinion of the county assessor, to secure payment of the taxes. A tax levied on unsecured property does not become a lien against such unsecured property, but may become a lien on certain other property owned by the taxpayer. Every tax which becomes a lien on secured property has priority over all other liens arising pursuant to State law on such secured property, regardless of the time of the creation of the other liens. Secured and unsecured property are entered separately on the assessment roll maintained by the county assessor. The method of collecting delinquent taxes is substantially different for the two classifications of property.

Property taxes on the secured roll are due in two installments, on November 1 and February 1 of each fiscal year. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll with respect to which taxes are delinquent is declared tax defaulted on or about June 30 of the fiscal year. Such property may thereafter be redeemed by payment of the delinquent taxes and a delinquency penalty, plus a redemption penalty of 1-1/2% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to sale by the County.

Property taxes are levied for each fiscal year on taxable real and personal property situated in the taxing jurisdiction as of the preceding January 1. A bill enacted in 1983, SB813 (Statutes of 1983, Chapter 498), however, provided for the supplemental assessment and taxation of property as of the occurrence of a change of ownership or completion of new construction. Thus, this legislation eliminated delays in the realization of increased property taxes from new assessments. As amended, SB813 provided increased revenue to taxing jurisdictions to the extent that supplemental assessments of new construction or changes of ownership occur subsequent to the January 1 lien date and result in increased assessed value.

Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent, if unpaid on the following August 31. A 10% penalty is also attached to delinquent taxes in respect of property on the unsecured roll, and further, an additional penalty of 1-1/2% per month accrues with respect to such taxes beginning the first day of the third month following the delinquency date. The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the county clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for record in the county recorder’s office, in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee. The exclusive means of enforcing the payment of delinquent taxes in respect of property on the secured roll is the sale of the property securing the taxes for the amount of taxes which are delinquent.

Taxation of State-Assessed Utility Property

The State Constitution provides that most classes of property owned or used by regulated utilities be assessed by the State Board of Equalization (“SBE”) and taxed locally. Property valued by the SBE as an operating unit in a primary function of the utility taxpayer is known as “unitary

property”, a concept designed to permit assessment of the utility as a going concern rather than assessment of each individual element of real and personal property owned by the utility taxpayer. State-assessed unitary and “operating nonunitary” property (which excludes nonunitary property of regulated railways) is allocated to the counties of the State based on the situs of the various components of the unitary property. Except for unitary property of regulated railways and certain other excepted property, all unitary and operating nonunitary property is taxed at special county-wide rates and tax proceeds are distributed to taxing jurisdictions according to statutory formulae generally based on the distribution of taxes in the prior year.

Assessed Valuations

Assessed Valuation History. The table following shows a recent history of the District’s assessed valuation.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT Assessed Valuation Fiscal Years 2007-08 through 2017-18

Fiscal Year	Local Secured	Utility	Unsecured	Total	% Change
2007-08	\$30,979,608,027	\$748,365	\$945,897,733	\$31,926,254,125	--
2008-09	34,149,910,669	743,365	1,068,927,968	35,219,582,002	10.30%
2009-10	35,503,955,528	743,365	1,013,023,685	36,517,722,578	3.69
2010-11	35,472,276,201	742,365	924,337,416	36,397,355,982	(0.33)
2011-12	36,630,191,253	742,365	945,862,922	37,576,796,540	3.24
2012-13	38,076,707,329	742,365	1,024,110,696	39,101,560,390	4.06
2013-14	40,617,029,286	742,365	1,019,369,137	41,637,140,788	6.48
2014-15	42,675,355,728	742,365	1,015,391,498	43,691,489,591	4.93
2015-16	45,872,429,243	--	1,004,302,267	46,876,731,510	7.29
2016-17	48,908,126,347	--	1,002,069,877	49,910,196,224	6.47
2017-18	51,184,249,150	--	1,038,846,486	52,223,095,636	4.63

Source: California Municipal Statistics, Inc.

Factors Relating to Increases/Decreases in Assessed Value. As indicated in the previous table, assessed valuations are subject to change in each year. Increases or decreases in assessed valuation result from a variety of factors including but not limited to general economic conditions, supply and demand for real property in the area, government regulations such as zoning, and natural disasters such as earthquakes, fires, floods and droughts. Notable natural disasters in recent years include drought conditions throughout the State, which ended in 2017 due to record-level precipitation in late 2016 and early 2017.

In addition, wildfires have occurred in recent years in different regions of the State, and recently Governor Jerry Brown, on October 12, 2017 and on December 4 and 7, 2017, declared states of emergency in Napa, Sonoma and Yuba Counties, Los Angeles and Ventura Counties, and San Diego and Santa Barbara Counties. Related flooding and mudslides have also occurred. The District cannot predict or make any representations regarding the effects that wildfires, flooding, mudslides or any other natural disasters and related conditions have or may have on the value of taxable property within the District, or to what extent the effects said disasters might have had on economic activity in the District or throughout the State.

Assessed Valuation by Jurisdiction. The following table shows the assessed valuation of local secured property within the District by jurisdiction for fiscal year 2017-18.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Assessed Valuations by Jurisdiction
Fiscal Year 2017-18

Jurisdiction:	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Malibu	\$15,777,156,047	30.21%	\$15,777,156,047	100.00%
City of Santa Monica	34,426,836,639	65.92	\$34,427,831,562	100.00%
City of Westlake Village	93,626	0.00	\$3,528,924,758	0.00%
Unincorporated Los Angeles Cnty	2,019,009,324	3.87	\$101,883,899,033	1.98%
Total District	\$52,223,095,636	100.00%		
Los Angeles County	\$52,223,095,636	100.00%	\$1,424,902,177,619	3.67%

Source: California Municipal Statistics, Inc.

Assessed Valuation by Land Use. The following table shows a breakdown of local secured property assessed value and parcels within the District by land use for fiscal year 2017-18.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Local Secured Property Assessed Valuation and Parcels by Land Use
Fiscal Year 2017-18

	2017-18 Assessed Valuation⁽¹⁾	% of Total	No. of Parcels	% of Total
Non-Residential:				
Commercial	\$11,018,008,686	21.53%	2,137	6.15%
Vacant Commercial	325,532,861	0.64	353	1.02
Industrial	788,184,080	1.54	263	0.76
Vacant Industrial	20,891,911	0.04	37	0.11
Recreational	191,464,941	0.37	41	0.12
Government/Social/Institutional	130,987,022	0.26	636	1.83
Miscellaneous	51,858,335	0.10	68	0.20
Subtotal Non-Residential	\$12,526,927,836	24.47%	3,535	10.17%
Residential:				
Single Family Residence	\$23,739,357,606	46.38%	12,864	36.99%
Condominium/Townhouse	6,965,191,386	13.61	10,419	29.96
Mobile Home Park	68,377,957	0.13	7	0.02
2-4 Residential Units	1,685,873,464	3.29	1,878	5.40
5+ Residential Units/Apartments	4,568,594,796	8.93	2,388	6.87
Vacant Residential	1,629,926,105	3.18	3,685	10.60
Subtotal Residential	\$38,657,321,314	75.53%	31,241	89.83%
Total	\$51,184,249,150	100.00%	34,776	100.00%

(1) Local Secured Assessed Valuation; excluding tax-exempt property.

Source: California Municipal Statistics, Inc.

Assessed Valuation of Single-Family Homes. The following table shows a breakdown of assessed valuation of single-family homes on a per parcel basis for fiscal year 2017-18.

**SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Per Parcel Assessed Valuation of Single-Family Homes
Fiscal Year 2017-18**

	No. of Parcels	2017-18 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single-Family Residential	12,864	\$23,739,357,606	\$1,845,410	\$1,091,400
Condominiums	10,419	6,965,191,386	668,509	549,614
Total	23,283	\$30,704,548,992	\$1,318,754	\$ 740,745

2017-18 Assessed Valuation	No. of SFR Parcels⁽¹⁾	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
\$0 - \$99,999	646	2.775%	2.775%	\$58,786,419	0.191%	0.191%
\$100,000 - \$199,999	1,639	7.039	9.814	248,996,813	0.811	1.002
\$200,000 - \$299,999	1,766	7.585	17.399	442,257,099	1.440	2.443
\$300,000 - \$399,999	1,863	8.002	25.401	652,817,056	2.126	4.569
\$400,000 - \$499,999	1,850	7.946	33.346	829,863,819	2.703	7.272
\$500,000 - \$599,999	1,694	7.276	40.622	931,186,097	3.033	10.304
\$600,000 - \$699,999	1,419	6.095	46.716	920,568,122	2.998	13.303
\$700,000 - \$799,999	1,636	7.027	53.743	1,235,221,959	4.023	17.325
\$800,000 - \$899,999	1,183	5.081	58.824	1,003,958,727	3.270	20.595
\$900,000 - \$999,999	999	4.291	63.115	946,259,549	3.082	23.677
\$1,000,000 - \$1,099,999	842	3.616	66.731	881,852,926	2.872	26.549
\$1,100,000 - \$1,199,999	654	2.809	69.540	749,305,276	2.440	28.989
\$1,200,000 - \$1,299,999	583	2.504	72.044	729,367,828	2.375	31.365
\$1,300,000 - \$1,399,999	537	2.306	74.350	724,958,085	2.361	33.726
\$1,400,000 - \$1,499,999	493	2.117	76.468	714,334,611	2.326	36.052
\$1,500,000 - \$1,599,999	427	1.834	78.302	661,774,266	2.155	38.208
\$1,600,000 - \$1,699,999	369	1.585	79.887	608,312,639	1.981	40.189
\$1,700,000 - \$1,799,999	334	1.435	81.321	583,669,953	1.901	42.090
\$1,800,000 - \$1,899,999	301	1.293	82.614	557,318,437	1.815	43.905
\$1,900,000 - \$1,999,999	258	1.108	83.722	503,073,110	1.638	45.543
\$2,000,000 and greater	<u>3,790</u>	<u>16.278</u>	100.000	<u>16,720,666,201</u>	<u>54.457</u>	100.000
	23,283	100.000%		\$30,704,548,992	100.000%	

(1) Improved single-family residential parcels and condominiums. Excludes parcels with multiple-family units.
Source: California Municipal Statistics, Inc.

Reassessments and Appeals of Assessed Value

There are general means by which assessed values can be reassessed or appealed that could adversely impact property tax revenues within the District.

Appeals may be based on Proposition 8 of November 1978, which requires that for each January 1 lien date, the taxable value of real property must be the lesser of its base year value, annually adjusted by the inflation factor pursuant to Article XIII A of the State Constitution, or its full cash value, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property or other factors causing a decline in value. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Article XIII A of the California Constitution" in Appendix A.

Under California law, property owners may apply for a Proposition 8 reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the County board of equalization or assessment appeals board. In most cases,

the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value.

Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed. These reductions are subject to yearly reappraisals and are adjusted back to their original values, adjusted for inflation, when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A.

A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

Proposition 8 reductions may also be unilaterally applied by the County Assessor. The District cannot predict the changes in assessed values that might result from pending or future appeals by taxpayers or by reductions initiated by the County Assessor. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Series D Bonds to increase accordingly, so that the fixed debt service on the Series D Bonds (and other outstanding general obligation debt of the District) may be paid.

Typical Tax Rates

Below are historical typical tax rates in a typical tax rate area within the District for fiscal years 2013-14 through 2017-18.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
Typical Tax Rates per \$100 of Assessed Valuation
(TRA 8604 - 2017-18 Assessed Valuation: \$18,640,527,413⁽¹⁾)
Fiscal Years 2013-14 through 2017-18

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
General	\$1.000000	\$1.000000	\$1.000000	\$1.000000	\$1.000000
City of Santa Monica	.005504	.004916	.004699	.003904	.003764
Santa Monica-Malibu Unified School District	.073806	.076358	.070658	.070057	.073972
Santa Monica Community College District	.059413	.058729	.060095	.058862	.068451
Metropolitan Water District	.003500	.003500	.003500	.003500	.003500
Total	\$1.142223	\$1.143503	\$1.138952	\$1.136323	\$1.149687

(1) 35.69% of total District valuation.

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

The following table shows tax charges, collections and delinquencies for secured property in the District. Because the County does not participate in the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (commonly known as the “**Teeter Plan**”), secured property taxes actually collected are allocated to political subdivisions for which the County acts as tax-levying or tax-collecting agency, including the District, when the secured property taxes are actually collected.

The tables below show the secured tax charge and delinquency rate for the identified fiscal years, the first for the levy with respect to the one percent general fund apportionment, and the second for the levy for District bonded indebtedness.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT Secured Tax Charges and Delinquency Rates Fiscal Years 2009-10 through 2016-17

Fiscal Year	Secured Tax Charge ⁽¹⁾	Amount Delinquent (June 30)	% Delinquent (June 30)
2009-10	\$56,492,732.76	\$1,941,350.65	3.44%
2010-11	56,532,420.57	1,358,709.47	2.40
2011-12	58,632,450.21	1,225,543.09	2.09
2012-13	61,371,375.89	1,105,346.31	1.80
2013-14	65,587,651.35	969,493.51	1.48
2014-15	69,111,984.70	998,384.20	1.44
2015-16	74,445,843.62	1,059,420.03	1.42
2016-17	79,171,920.72	943,633.44	1.19

Fiscal Year	Secured Tax Charge ⁽²⁾	Amount Delinquent (June 30)	% Delinquent (June 30)
2009-10	\$16,761,542.98	\$545,044.46	3.25%
2010-11	17,098,362.60	388,896.66	2.27
2011-12	16,657,374.42	335,717.65	2.02
2012-13	21,616,397.51	504,824.58	2.34
2013-14	30,179,601.06	431,276.76	1.43
2014-15	32,807,894.14	487,748.15	1.49
2015-16	33,733,114.59	1,693,561.77	5.02
2016-17	33,866,420.79	496,949.68	1.47

(1) 1% General Fund apportionment. Excludes redevelopment agency impounds. Reflects countywide delinquency rate.

(2) Debt service levy only.

Source: California Municipal Statistics, Inc.

Major Taxpayers

The following table shows the 20 largest taxpayers in the District as determined by local secured assessed valuation in fiscal year 2017-18. Each taxpayer listed below is a unique name listed on the tax rolls. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below. A large concentration of ownership in a single individual or entity results in a greater amount of tax collections which are dependent upon that property owner's ability or willingness to pay property taxes.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT Largest Fiscal Year 2017-18 Local Secured Taxpayers

	Property Owner	Primary Land Use	2017-18 Assessed Valuation	% of Total ⁽¹⁾
1.	CA Colorado Center LLC	Office Building	\$521,975,699	1.02%
2.	Water Garden Realty Holding LLC	Office Building	505,881,684	0.99
3.	SC Enterprises SMBP LLC	Commercial	350,940,626	0.69
4.	Douglas Emmett LLC	Office Building	338,569,036	0.66
5.	Lantana Media Campus LLC	Office Building	331,344,168	0.65
6.	Office Block Investment LLC	Office Building	294,097,620	0.57
7.	Macerich SMP LP	Shopping Center	292,354,710	0.57
8.	Hart Arboretum LLC	Apartments	177,989,582	0.35
9.	Equity Office Properties Trust	Office Building	159,885,823	0.31
10.	New Santa Monica Beach Hotel LLC	Hotel	151,177,219	0.30
11.	SCRV SPE I LP	Commercial	142,663,701	0.28
12.	Jamestown Premier Malibu Village LP	Shopping Center	126,749,444	0.25
13.	Agensys Inc.	Industrial	124,262,510	0.24
14.	1299 Ocean LLC	Office Building	121,213,074	0.24
15.	Shores Barrington LLC	Apartments	121,145,627	0.24
16.	Ocean Avenue LLC	Hotel	118,471,713	0.23
17.	CLPF Arboretum LP	Office Building	116,557,778	0.23
18.	CSHV Pen Factory LLC	Industrial	114,946,604	0.22
19.	Blue Devils Owner LLC	Hotel	113,658,540	0.22
20.	Bridgton Realty LLC	Commercial	<u>103,555,500</u>	<u>0.20</u>
			<u>\$4,327,440,658</u>	<u>8.45%</u>

(1) Fiscal year 2017-18 local secured assessed valuation: \$51,184,249,150.
Source: California Municipal Statistics, Inc.

Direct and Overlapping Debt

Set forth on the following table is a direct and overlapping debt report (the “**Debt Report**”) prepared by California Municipal Statistics, Inc. dated as of July 1, 2018. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT Statement of Direct and Overlapping Bonded Debt Dated as of July 1, 2018

2017-18 Assessed Valuation: \$52,223,095,636

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 7/1/18</u>
Metropolitan Water District	1.906%	\$ 1,155,036
Los Angeles Community College District	0.010	416,583
Santa Monica Community College District	100.000	639,140,630
Santa Monica-Malibu Unified School District	100.000	348,400,614⁽¹⁾
City of Santa Monica	99.997	4,339,870
City of Malibu Community Facilities District No. 2006-1	100.000	3,295,000
City of Malibu Broad Beach Assessment District and Assessment District No. 2015-1	100.000	8,000,000
Los Angeles County Regional Park and Open Space Assessment District	3.665	973,974
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		\$1,005,721,707
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>		
Los Angeles County General Fund Obligations	3.665%	\$ 70,441,022
Los Angeles County Superintendent of Schools Certificates of Participation	3.665	238,236
Santa Monica Community College District Certificates of Participation	100.000	11,720,000
Santa Monica-Malibu Unified School District Certificates of Participation	100.000	6,371,501
City of Malibu Certificates of Participation	100.000	45,420,000
City of Santa Monica General Fund Obligations	99.997	157,235,283
Los Angeles County Sanitation District No. 27 Authority	100.000	215,137
DIRECT AND OVERLAPPING GENERAL FUND DEBT		\$291,641,179
<u>OVERLAPPING TAX INCREMENT DEBT:</u>		
Santa Monica Redevelopment Agency (Successor Agency)	100.000%	\$78,775,000
TOTAL OVERLAPPING TAX INCREMENT DEBT		\$78,775,000
COMBINED TOTAL DEBT		\$1,376,137,886⁽²⁾

Ratios to 2017-18 Assessed Valuation:

Direct Debt (\$348,400,614)	0.67%
Total Direct and Overlapping Tax and Assessment Debt	1.93%
Combined Direct Debt (\$354,772,115)	0.68%
Combined Total Debt	2.64%

Ratios to Redevelopment Incremental Valuation (\$11,785,775,321):

Total Overlapping Tax Increment Debt	0.67%
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(1) Excludes Series D Bonds.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: California Municipal Statistics, Inc.

TAX MATTERS

Tax Status

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Series D Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax, although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series D Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Series D Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Series D Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Series D Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “original issue premium” for purposes of federal income taxes and State of California personal income taxes. *De minimis* original issue discount and original issue premium are disregarded.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Series D Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Series D Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Series D Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Series D Bonds who purchase the Series D Bonds after the initial offering of a substantial amount of such maturity. Owners of such Series D Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series D Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering, the allowance of a deduction for any loss on a sale or other disposition, and the treatment of accrued original issue discount on such Series D Bonds under federal individual alternative minimum taxes.

Under the Tax Code, original issue premium is amortized on an annual basis over the term of the Series D Bond (said term being the shorter of the Series D Bond's maturity date or its call date). The amount of original issue premium amortized each year reduces the adjusted basis

of the owner of the Series D Bond for purposes of determining taxable gain or loss upon disposition. The amount of original issue premium on a Series D Bond is amortized each year over the term to maturity of the Series D Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Series D Bond premium is not deductible for federal income tax purposes. Owners of premium Series D Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Series D Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Series D Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Series D Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Series D Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Series D Bonds, or as to the consequences of owning or receiving interest on the Series D Bonds, as of any future date. Prospective purchasers of the Series D Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Series D Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Series D Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Series D Bonds, the ownership, sale or disposition of the Series D Bonds, or the amount, accrual or receipt of interest on the Series D Bonds.

Form of Opinion. A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix D.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and beneficial owners of the Series D Bonds to provide certain financial information and operating data relating to the District by not later than nine (9) months following the end of the District's fiscal year (which currently is June 30), commencing March 31, 2019 with the report for the 2017-18 fiscal year (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events pursuant to the Continuing Disclosure Certificate in the form attached to this Official Statement in "APPENDIX E – Form of Continuing Disclosure Certificate." The Annual Report and any event notices will be filed by the District with the Municipal Securities Rulemaking Board (the "**MSRB**"). The specific nature of the information to be contained in each Annual Report or other notices is summarized in "APPENDIX E – Form of Continuing Disclosure Certificate." These covenants have been made in order to assist the Underwriters in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "**Rule**").

The District has made prior undertakings pursuant to the Rule. A review of the District's prior undertakings and filings in the previous five years has been undertaken and instances of noncompliance which have been identified are not filing the annual report and audited financial statements for the 2016-17 fiscal year in a timely manner, although such filings have been made.

The District has appointed Isom Advisors, a Division of Urban Futures, Inc. to serve as dissemination agent for the Series D Bonds and its other undertakings.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("**S&P**") and Moody's Investors Services ("**Moody's**") have assigned a rating of "____" and "____," respectively, to the Series D Bonds. Such ratings reflect only the views of S&P and Moody's, and an explanation of the significance of such ratings may be obtained only from S&P and Moody's. The District has provided certain additional information and materials to S&P and Moody's (some of which does not appear in this Official Statement). There is no assurance that such ratings will continue for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P and Moody's, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series D Bonds.

UNDERWRITING

Raymond James & Associates, Inc. (“**Raymond James**”), on behalf of itself and RBC Capital Markets, LLC (“**RBC**” and together with Raymond James, the “**Underwriters**”), has agreed to purchase the Series D Bonds pursuant to a bond purchase agreement for the Series D Bonds (the “**Bond Purchase Agreement**”). The Underwriters have agreed to purchase the Series D Bonds at a price of \$_____, representing the principal amount of the Series D Bonds, plus original issue premium of \$_____ and less an Underwriters’ discount of \$_____. The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series D Bonds (if any are purchased), and it provides that the Underwriters’ obligation to purchase is subject to certain terms and conditions, including the approval of certain legal matters by counsel. The Underwriters may offer and sell Series D Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed by the Underwriters.

RBC and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBC and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBC and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the District. RBC and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBC and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the District.

In addition, a member of the District’s financing team from Raymond James currently holds a board of director position with the Santa Monica-Malibu Education Foundation. The individual has contributed, and may continue to contribute, funds to the foundation for use of all lawful purposes of such Foundation.

MISCELLANEOUS

Legality for Investment

Under provisions of the California Financial Code, the Series D Bonds are legal investments for commercial banks in California to the extent that the Series D Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, the Series D Bonds are eligible to secure deposits of public moneys in California.

Litigation

No litigation is pending or threatened concerning the validity of the Series D Bonds, and a certificate to that effect will be furnished to purchasers at the time of the original delivery of the Series D Bonds. The District is not aware of any litigation pending or threatened that (i) questions the political existence of the District, (ii) contests the District's ability to receive *ad valorem* taxes or to collect other revenues or (iii) contests the District's ability to issue and sell the Series D Bonds.

The District may be or may become a party to lawsuits and claims which are unrelated to the Series D Bonds or actions taken with respect to the Series D Bonds and which have arisen in the normal course of operating the District. The District maintains certain insurance policies which provide coverage under certain circumstances and with respect to certain types of incidents. In the opinion of the District, there currently are no claims or actions pending which could have a material adverse effect on the financial position or operations of the District. The District cannot predict what types of claims may arise in the future.

Compensation of Certain Professionals

Payment of the fees and expenses of Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel to the District, the fees and expenses of Norton Rose Fulbright US LLP, Los Angeles, California, as counsel to the Underwriters, and the fees and expenses of Isom Advisors, a Division of Urban Futures, Inc., as Municipal Advisor to the District, is contingent upon issuance of the Series D Bonds.

Additional Information

The discussions herein about the Bond Resolution and the Continuing Disclosure Certificate are brief outlines of certain provisions thereof. Such outlines do not purport to be complete and for full and complete statements of such provisions reference is made to such documents. Copies of these documents are available from the Underwriters and following delivery of the Series D Bonds will be on file at the offices of the Paying Agent in Los Angeles, California.

References are also made herein to certain documents and reports relating to the District; such references are brief summaries and do not purport to be complete or definitive. Copies of such documents are available upon written request to the District.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Series D Bonds.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the District.

**SANTA MONICA-MALIBU UNIFIED SCHOOL
DISTRICT**

By: _____
Superintendent

APPENDIX A

DISTRICT GENERAL AND FINANCIAL INFORMATION

The information in this section concerning the operations of the District, its operating budget and the District's general fund finances is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of or interest on the Series D Bonds is payable from the general fund of the District. The Series D Bonds are payable solely from the proceeds of an ad valorem tax required to be levied by the County in an amount sufficient for the payment thereof. See "SECURITY FOR THE SERIES D BONDS" in the main body of the Official Statement.

DISTRICT GENERAL INFORMATION

General Information

The District was established in 1875 and includes within its boundaries the Cities of Santa Monica and Malibu, as well as portions of unincorporated Los Angeles County. The District is composed of two distinct geographical areas, the Malibu schools area to the north and the Santa Monica schools area to the south, which are divided by a portion of Los Angeles Unified School District. 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. For fiscal year 2018-19, the District's average daily attendance is budgeted to be 10,310 students, and taxable property within the District has a total assessed valuation of \$52,223,095,636 for 2017-18. The District's revenue sources include a number of local sources, including a voter-approved parcel tax, a share of the City of Santa Monica's voter-approved transaction use taxes to be used for educational purposes, and revenues produced by facilities use agreements with the City of Malibu and the City of Santa Monica. See "DISTRICT FINANCIAL INFORMATION - Other Local Revenues-Parcel Taxes and Sales Taxes." Regarding the District's organization, see also "-Possible Reorganization of the District" below.

Administration

Board of Education. The District is governed by a seven-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the Board of Education are held every two years, alternating between three and four available positions. Current members of the Board of Education, together with their office and the date their term expires, are listed below:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Dr. Richard Tahvildaran-Jesswein	President	December 2018
Jon Kean	Vice President	December 2020
Oscar de la Torre	Member	December 2018
Craig Foster	Member	December 2020
Maria Leon-Vazquez	Member	December 2020
Laurie Lieberman	Member	December 2018
Ralph Mechur	Member	December 2020

Superintendent and Administrative Personnel. The Superintendent of the District is appointed by the Board and is responsible for management of the day-to-day operations and supervises the work of other District administrators. Dr. Ben Drati serves as the Superintendent and Melody Canady serves as the Assistant Superintendent, Business and Fiscal Services of the District. Brief resumes of both individuals follow:

Dr. Ben Drati, Superintendent. Dr. Drati began his tenure as Superintendent of the District in January 2017. Previously, he served as Assistant Superintendent of Secondary Education for the Santa Barbara Unified School District for five years. Prior professional experience includes serving as a school principal, deputy principal and learning director for the Clovis Unified School District, and as an assistant principal for the Riverdale Joint Unified School District. Dr. Drati began his teaching career in 1997 as a chemistry teacher and football coach for Central High School, in the Central Unified School District. Dr. Drati earned his Bachelor of Science degree in biochemistry from Fresno State University, single-subject teaching and administrative credentials and a Master of Arts degree from National University, and a Doctor of Education degree in educational leadership from Fresno State University.

Melody Canady, Assistant Superintendent, Business and Fiscal Services. [\[short bio to come\]](#)

Recent Enrollment Trends

The following table shows recent enrollment and average daily attendance history (“ADA”) for the District.

ANNUAL ENROLLMENT and AVERAGE DAILY ATTENDANCE Fiscal Years 2012-13 through 2019-20 (Projected) Santa Monica-Malibu Unified School District

<u>School Year</u>	<u>Enrollment</u>	<u>Percent Change</u>	<u>ADA</u>	<u>Percent Change</u>
2012-13	11,417	--	10,878	--
2013-14	11,341	(0.67%)	10,817	(0.56%)
2014-15	11,289	(0.46)	10,785	(0.30)
2015-16	11,249	(0.35)	10,705	(0.74)
2016-17	11,006	(2.16)	10,476	(2.14)
2017-18*	10,811	(1.77)	10,488	(0.11)
2018-19*	10,811	0.00	10,251	(2.26)
2019-20*	10,811	0.00	10,251	0.00

*Projects shown in the District's 2017-18 2nd Interim Report.
Source: Santa Monica-Malibu Unified School District.

Employee Relations

The District currently has 677.8 certificated, 662.3 classified and 97 management full-time equivalent positions. The certificated and classified employees (non-management) of the District are represented by two bargaining units, as set forth in the following table.

BARGAINING UNITS Santa Monica-Malibu Unified School District

Employee Group	Representation	Contract Expiration Date
Santa Monica-Malibu Classroom Teachers Association	Certificated	[June 30, 2018]
Service Employees International Union	Classified	[June 30, 2016]

Source: Santa Monica-Malibu Unified School District.

Insurance – Joint Powers Agreements

The District is a member of three joint powers authorities (“JPAs”). The first is the Alliance of Schools for Cooperative Insurance Programs (ASCIP) to provide property and liability insurance coverage, the next is the Schools Excess Liability Fund (SELF) to provide excess property and liability insurance coverage, and the final is the Schools Linked for Insurance Management (SLIM) to provide workers’ compensation insurance coverage. The relationship is such that the JPAs are not component units of the District for financial reporting purposes. These entities have budgeting and financial reporting requirements independent of member units, and audited financial statements are available from the respective entities.

Possible Reorganization of the District

[The below is the 2017 bond disclosure; will be updated as appropriate; also to come mention of SFIDs and elections]

Certain residents of the District are currently undertaking efforts to initiate a reorganization of the District which would result in the creation of a new unified school district covering the portion of the District located in the City of Malibu, including petitioning the District to explore the feasibility of such a reorganization.

At its November 19, 2015 meeting, the District Board received a report from the District’s Financial Oversight Committee (the “**FOC**”) regarding the potential financial impact of a reorganization of the District and the creation of a Malibu-only unified school district. The FOC concluded, among other things, that a Santa Monica-only unified school district would have significantly lower per-student funding levels as compared to the District.

At its December 17, 2015 meeting, the District Board approved the creation of a committee (the “**Malibu Unification Committee**”) and charged it with the responsibility of negotiating the terms under which the Board would consider initiating the process of reorganization. The Malibu Unification Committee is composed of six members, three of which represent the District and were appointed by the District Superintendent. The other three members represent the City of Malibu and were appointed by the Malibu City Manager. The District Board prioritized a number of objectives for the Malibu Unification Committee to consider as part of the negotiations, including eliminating any significant adverse financial effects that could be caused by a reorganization of

the District. When the Malibu Unification Committee determined that the negotiations have been successfully completed, it was required to develop and submit a report to the District Board documenting the committee's conclusions.

The Malibu Unification Committee submitted to the District a memorandum report, dated February 24, 2017 (the "**Committee Report**"), which report was also presented to the District Board as a discussion item at a special meeting thereof held on March 7, 2017. The Committee Report summarizes the agreement (the "**Agreement**") reached by the members of the Malibu Unification Committee, according to the priorities set out by the District Board. The Agreement includes, among other things, a revenue neutrality formula which would establish a schedule of payments to be made from a Malibu-only district to a Santa Monica-only district and intended to eliminate any adverse financial effects of reorganizing the District. The Agreement would also establish methods for the division of District assets (including fund balances, buildings, land and school buses), and allocation of the District's general obligation bonded indebtedness and bonding authority among the two resulting school districts. The Committee Report also recommended, among the potential avenues for reorganization contained in the California Education Code, that the Board consider proceeding with a reorganization entirely or partially through State legislation.

Following two community forums held in the Cities of Santa Monica and Malibu, at which the Committee Report was presented, the District Board discussed the Committee Report again at a meeting thereof held on May 30, 2017. At such meeting, the District Board could have determined that changes to the Agreement were required, based on its own discussion or as a result of comments from the public. Any such changes could have required that negotiations amongst the Malibu Unification Committee be reopened. In the absence of any changes, the District Board also could have acted on the recommendations of the Malibu Unification Committee at a later meeting date.

The District Board requested that the Malibu Unification Committee continue its work, but no formal action was taken by the District Board to act on the recommendations of the Malibu Unification Committee, and the District can currently make no representation as to whether the District Board will act to approve any such recommendations in the future.

The District Board is not obligated to accept any recommendations made by the Malibu Unification Committee. Moreover, any reorganization of the District would be subject to a number of statutory and regulatory requirements, including the approval or support of the Los Angeles County Office of Education and the State Department of Education, as well as a majority vote of the District's electors. Such a reorganization would also need to include a method for allocating the then-existing bonded indebtedness of the District among the resulting school districts.

The District can make no representations as to whether any such reorganization would meet all necessary legal requirements or receive all necessary approvals. The District can also make no representation as to when any such reorganization could become effective, or if it became effective, what the financial consequences might be.

DISTRICT FINANCIAL INFORMATION

Education Funding Generally

School districts in the State of California (the “**State**”) receive operating income primarily from two sources: the State funded portion which is derived from the State’s general fund, and a locally funded portion, being the district’s share of the one percent general *ad valorem* tax levy authorized by the Constitution of the State. As a result, decreases or deferrals in education funding by the State could significantly affect a school district’s revenues and operations.

From 1973-74 to 2012-13, California school districts operated under general purpose revenue limits established by the State Legislature. In general, revenue limits were calculated for each school district by multiplying (1) the ADA for such district by (2) a base revenue limit per unit of ADA. The revenue limit calculations were adjusted annually in accordance with a number of factors designated primarily to provide cost of living increases and to equalize revenues among all California school districts of the same type. Funding of the District’s revenue limit was provided by a mix of local property taxes and State apportionments of basic and equalization aid. Generally, the State apportionments amounted to the difference between the District’s revenue limit and its local property tax revenues.

The fiscal year 2013-14 State budget package replaced the previous K-12 finance system with a new formula known as the Local Control Funding Formula (the “**LCFF**”). Under the LCFF, revenue limits and most state categorical programs were eliminated. School districts instead receive funding based on the demographic profile of the students they serve and now have greater flexibility to use these funds to improve outcomes of students. The LCFF creates funding targets based on student characteristics. For school districts and charter schools, the LCFF funding targets consist of grade span-specific base grants plus supplemental and concentration grants that reflect student demographic factors. The LCFF includes the following components:

- A base grant for each local education agency per unit of ADA, which varies with respect to different grade spans. The base grant is \$2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants are adjusted upward each year to reflect cost-of-living increases. In addition, grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in grades K-3 and the provision of career technical education in grades 9-12.
- A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.
- An additional concentration grant of up to 50% of a local education agency’s base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.
- An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and is being phased in gradually. Beginning in fiscal year 2013-14, an annual transition adjustment was required to be calculated for each school district, equal to each district's proportionate share of the appropriations included in the State budget (based on the percentage of each district's students who are low-income, English learners, and foster youth ("**Targeted Students**")), to close the gap between the prior-year funding level and the target allocation at full implementation of LCFF. In each year, districts will have the same proportion of their respective funding gaps closed, with dollar amounts varying depending on the size of a district's funding gap.

Funding levels used in the LCFF "Target Entitlement" calculations for fiscal year 2017-18 are set forth in the following table. Most school districts and charter schools will receive less than the LCFF Target because LCFF is being phased in. Until the LCFF is fully implemented (currently expected in fiscal year 2018-19), districts will receive an entitlement known as the LCFF Transition Entitlement.

**Fiscal Year 2017-18 Base Grant* Under LCFF by Grade Span
(Targeted Entitlement)**

Grade Span	2016-17 Base Grant Per ADA	2017-18 COLA (1.56%)	Grade Span Adjustments (K-3: 10.4%; 9-12: 2.6%)	2017-18 Base Grant/Adjusted Base Grant Per ADA
K-3	\$7,083	\$110	\$748	\$7,941
4-6	7,189	112	n/a	7,301
7-8	7,403	115	n/a	7,518
9-12	8,578	134	227	8,939

*Does not include supplemental and concentration grant funding entitlements.
Source: California Department of Education.

The new legislation included a "hold harmless" provision which provided that a district or charter school would maintain total revenue limit and categorical funding at least equal to its 2012-13 level, unadjusted for changes in ADA or cost of living adjustments.

The LCFF includes an accountability component. Districts are required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools are required to develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement and school climate.

County superintendents review and provide support to school districts under their jurisdiction, and the Superintendent of Public Instruction performs a corresponding role for county offices of education. In addition, the State Budget for fiscal year 2013-14 created the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans. Under the LCFF and related legislation, the State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

District Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to Section 41010 of the California Education Code, is to be followed by all California school districts.

District accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special fund placement. The District's fiscal year begins on July 1 and ends on June 30.

District expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The Governmental Accounting Standards Board ("**GASB**") published its Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" on June 30, 1999. Statement No. 34 provides guidelines to auditors, state and local governments and special purpose governments such as school districts and public utilities, on new requirements for financial reporting for all governmental agencies in the United States. Generally, the basic financial statements and required supplementary information should include (i) Management's Discussion and Analysis; (ii) financial statements prepared using the economic measurement focus and the accrual basis of accounting, (iii) fund financial statements prepared using the current financial resources measurement focus and the modified accrual method of accounting and (iv) required supplementary information.

Financial Statements

General. The District's Audited Financial Statements for the fiscal year ending June 30, 2017, were prepared by Moss, Levy & Hartzheim LLP, Certified Public Accountants, Culver City, California (the "**Auditor**"). Audited financial statements for the District for the fiscal year ended June 30, 2017 and prior fiscal years are on file with the District and available for public inspection at the Superintendent's Office. See Appendix B hereto for the Audited Financial Statements for fiscal year 2016-17. The District has not requested, and the Auditor has not provided, any additional review of such financial statements in connection with their inclusion in the Official Statement. Copies of such financial statements will be mailed to prospective investors and their representatives upon written request to the District.

General Fund Revenues, Expenditures and Changes in Fund Balance. The following table shows the audited income and expense statements for the General Fund of the District for the fiscal years 2012-13 through 2015-16. Audited financial statement data for fiscal year 2016-17 is presented in a separate table on the following page due to a change in presentation format.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Years 2012-13 through 2015-16 (Audited)
Santa Monica-Malibu Unified School District

	Audited 2012-13	Audited 2013-14	Audited 2014-15	Audited 2015-16
<u>Revenues</u>				
Revenue Limit Sources/LCFF ⁽¹⁾	\$67,465,046	\$69,622,777	\$89,411,347	\$84,050,735
Federal Revenue	4,649,349	4,336,823	4,100,724	4,743,062
Other State Revenue	13,147,436	7,844,697	6,348,209	13,923,989
Other Local Revenue	42,230,978	43,171,067	43,942,246	44,559,683
Total Revenues	127,492,809	124,975,364	143,802,526	147,277,469
<u>Expenditures</u>				
Instruction	72,809,374	77,229,692	83,308,865	87,814,401
Instruction-Related Activities:				
Instructional Supervisions & Administration	4,345,716	4,353,524	4,979,233	5,626,373
Instructional Library, Media & Technology	1,248,666	1,340,311	1,304,840	1,409,792
School Site Administration	8,721,093	9,165,051	9,053,242	9,162,226
Pupil Services:				
Home-to-School Transportation	1,852,938	1,953,176	2,099,154	1,915,293
Food Services	13,605	23,765	27,254	84,112
All Other Pupil Services	8,561,595	8,928,933	9,990,840	11,482,927
General Administration:				
Centralized Data Processing	850,472	882,031	950,568	1,045,128
All Other General Administration	6,461,957	6,838,018	7,153,746	8,189,390
Plant Services	12,377,946	12,617,154	13,827,776	14,880,423
Facility Acquisition & Maintenance	--	--	--	--
Ancillary Services	793,921	835,991	793,885	734,140
Community Services	1,312,367	1,580,805	1,769,681	1,962,433
Transfers to Other Agencies	710	--	--	--
Debt service:				
Principal	--	24,353	50,900	49,106
Interest and Other	219,770	237	2,488	4,282
Total Expenditures	119,570,130	125,773,041	135,312,472	144,360,026
Excess (Deficiency) of Revenues Over/(Under) Expenditures	7,922,679	(797,677)	8,490,054	2,917,443
<u>Other Financing Sources (Uses)</u>				
Transfers In	--	--	--	--
Other Sources	117,155	--	137,119	--
Transfer outs	(200,000)	(307,452)	(430,119)	(584,491)
Total Other Financing Sources (Uses)	(82,845)	(307,452)	(293,000)	(584,491)
Net Change in Fund Balances	7,839,834	(1,105,129)	8,197,054	2,332,952
Fund Balances, Beginning of Fiscal Year (July 1)	20,542,710	28,382,544	27,277,415	35,474,469
Fund Balances, End of Fiscal Year (June 30)	<u>\$28,382,544</u>	<u>\$27,277,415</u>	<u>\$35,474,469</u>	<u>\$37,807,421</u>

(1) LCFF commenced in fiscal year 2013-14.

Source: District Audited Financial Statements for fiscal years 2011-12 through 2015-16.

Due to a format change in the District's audited financial data, information for fiscal year 2016-17 is presented in the below table.

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Fiscal Year 2016-17 (Audited)
Santa Monica-Malibu Unified School District

<u>Revenues</u>	<u>Audited 2016-17</u>
LCFF Sources ⁽¹⁾ :	
State Apportionments	\$8,585,979
Education Protection State Aid	2,141,662
Local Sources	80,661,220
Federal	4,748,177
Other State	10,634,237
Other Local	<u>44,868,019</u>
Total Revenues	151,639,294
<u>Expenditures</u>	
Certificated Salaries	66,353,977
Classified Salaries	29,292,786
Employee Benefits	40,192,280
Books and Supplies	5,409,377
Contract Services & Other Operating Exp.	14,914,638
Capital Outlay	891,868
Other Outgo	(434,179)
Debt Service:	
Principal	50,280
Interest	<u>3,108</u>
Total Expenditures	156,674,132
Excess of Revenues Over/(Under) Expenditures	(5,034,838)
<u>Other Financing Sources (Uses)</u>	
Transfers In	--
Transfers Out	<u>(1,552,000)</u>
Total Other Financing Sources (Uses)	(1,552,000)
Net Change in Fund Balance	(6,586,838)
Fund Balance, Beginning	<u>37,807,421</u>
Fund Balance, Ending	<u><u>\$31,220,583</u></u>

(1) LCFF commenced in fiscal year 2013-14. Fiscal year 2016-17 data is presented in separate table from prior years due to the use of different formats by the District's auditor.

Source: District Audited Financial Statements for fiscal year 2016-17.

District Budget and Interim Financial Reporting

Budgeting – Education Code Requirements. The District is required under the Education Code of the State to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 (“**AB 1200**”), which became State law on October 14, 1991. Portions of AB 1200 are summarized in “--Interim Certifications Regarding Ability to Meet Financial Obligations” below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing school districts to use a dual budget adoption option. Instead, all school districts must be on a single budget cycle. A budget is only readopted if it is disapproved by the county office of education, or as needed.

The county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Trustees and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments, will determine if the budget includes the expenditures necessary to implement the local control and accountability plan and determine if the budget includes a combined assigned and unassigned ending fund balance that exceeds the minimum recommended reserve for economic uncertainties. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than August 20, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget has been disapproved.

For a district whose budget has been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to Education Code Section 42127.1. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Interim Certifications Regarding Ability to Meet Financial Obligations. Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The

county superintendent reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that is deemed unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Under California law, any school district and office of education that has a qualified or negative certification in any fiscal year may not issue, in that fiscal year or in the next succeeding fiscal year, certificates of participation, tax anticipation notes, revenue bonds or any other debt instruments that do not require the approval of the voters of the district, unless the applicable county superintendent of schools determines that the district's repayment of indebtedness is probable.

District's Budget Approval/Disapproval and Certification History. In the past five years, each of the District's interim reports has been certified as positive, and each of its budgets has been approved by the County Superintendent. The District's budget for fiscal year 2018-19 is expected to be approved by the Board on June 28, 2018.

Copies of the District's budget, interim reports and certifications may be obtained upon request from the Superintendent's Office at 1651 16th Street, Santa Monica, California 90404; telephone: (310) 450-8338. The District may impose charges for copying, mailing and handling.

District's Fiscal Year 2017-18 Budget and Fiscal Year 2017-18 Second Interim Projections. The following table shows the income and expense statements for the District's General Fund for fiscal year 2017-18 (adopted budget and second interim projections).

[2017-18 Estimated Actuals and 2018-19 Budget to be added following June 28, 2018 Board approval]

REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE⁽¹⁾
Fiscal Year 2017-18 (Adopted Budget and Second Interim Report)
Santa Monica-Malibu Unified School District

	Adopted Budget 2017-18	Second Interim Projections Fiscal Year 2017-18
<u>Revenues</u>		
LCFF ⁽²⁾	\$94,312,523	\$99,312,253
Federal Revenues	4,287,353	4,426,274
Other State Revenues	4,772,217	4,772,217
Other Local Revenues	52,786,008	53,525,960
Total Revenues	156,157,831	162,036,704
<u>Expenditures</u>		
Certificated Salaries	66,441,006	66,398,579
Classified Salaries	30,012,606	31,078,401
Employee Benefits	38,136,008	38,056,569
Books & Supplies	6,138,553	6,529,097
Contract Services & Operating Exp.	16,366,506	17,165,243
Capital Outlay	1,573,724	2,246,136
Other Outgo (Excluding Indirect Costs)	218,000	173,389
Other Outgo – Transfers of Indirect Costs	(607,265)	(606,509)
Total Expenditures	158,279,138	161,040,905
Excess of Revenues Over/(Under) Expenditures	(2,121,307)	995,799
<u>Other Financing Sources (Uses)</u>		
Operating Transfers In	--	--
Operating Transfers Out	2,303,995	2,290,830
Contributions	--	--
Total Other Financing Sources/(Uses)	(2,303,995)	(2,290,830)
Net Change in Fund Balance	(4,425,302)	(1,295,031)
Fund Balance, July 1	31,220,582	31,220,582
Fund Balance, June 30	\$26,795,280	\$29,925,551

(1) Totals may not foot due to rounding.

(2) LCFF commenced in fiscal year 2013-14.

Source: Santa Monica-Malibu Unified School District.

District Reserves. The District's ending fund balance is the accumulation of surpluses from prior years. This fund balance is used to meet the State's minimum required reserve of 4% of expenditures, plus any other allocation or reserve which might be approved as an expenditure by the District in the future. The District maintains an unrestricted reserve that meets or exceeds the State's minimum requirements.

In connection with legislation adopted in connection with the State's fiscal year 2014-15 Budget ("**SB 858**"), the Education Code was amended to provide that, beginning in fiscal year 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, the governing board must provide the information for review at the annual public hearing on its proposed budget. In addition, SB 858 included a provision, which became effective upon the passage of Proposition 2 at the November 4, 2014 statewide election, which limits the amount of reserves which may be maintained at the school district level. Specifically, the legislation, among other things, enacted Education Code Section 42127.01, which became operative December 15, 2014, and provides that in any fiscal year immediately after a fiscal year in which a transfer is made to the State's Public School System Stabilization Account (the Proposition 98 reserve), a school district may not adopt a budget that contains a reserve for economic uncertainties in excess of twice the applicable minimum recommended reserve for economic uncertainties established by the State Board (for school districts with ADA over 400,000, the limit is three times the amount). Exemptions can be granted by the County Superintendent under certain circumstances.

Effective January 1, 2018, Senate Bill 751, which was signed by the Governor on October 11, 2017, amends Section 42127.01 of the Education Code to raise the reserve cap to no more than 10% of a school district's combined assigned or unassigned ending general fund balance. In addition, the amendment provides that the reserve cap will be effective only if there is a minimum balance of 3% in the Proposition 98 reserve referenced in the preceding paragraph. Basic aid school districts and small districts with 2,500 or fewer ADA are exempted from the reserve cap contained in Education Code Section 42127.01.

The District cannot predict if or when the reserve cap enacted by SB 751 will be triggered, or when or how any additional changes to legal provisions governing the reserve cap would impact its reserves and future spending.

Attendance - LCFF Funding

Funding Trends Under LCFF. As previously described, prior to fiscal year 2013-14, school districts in the State derived most State funding based on a formula which considered a revenue limit per unit of ADA. With the implementation of the LCFF, commencing in fiscal year 2013-14, school districts receive base funding based on ADA, and may also be entitled to supplemental funding, concentration grants and funding based on an economic recovery target. The following table sets forth total LCFF funding per ADA for the District for fiscal years 2013-14 through 2017-18 (Projected).

ADA AND LCFF FUNDING Fiscal Years 2013-14 through 2017-18 (Projected) Santa Monica-Malibu Unified School District

Fiscal Year	ADA⁽¹⁾	Total LCFF Funding
2013-14	10,817	\$69,622,777
2014-15	10,785	89,411,347
2015-16	10,705	84,050,735
2016-17	10,476	91,388,861
2017-18 ⁽²⁾	10,488	99,312,253

(1) P-2 as compiled by District and 2016-17 Budgeted.

(2) Projected in the District's Second Interim Report.

Source: Santa Monica-Malibu Unified School District.

Unduplicated Count. The District's unduplicated pupil count for fiscal year 2016-17 for purposes of calculating entitlement under the LCFF for supplemental funding and concentration grant funding is approximately 28.9 percent. This percentage is used to provide supplemental funding under LCFF, but the District does not qualify for concentration grant funding under LCFF because the percentage is under 55 percent.

Revenue Sources

The District categorizes its general fund revenues into four sources, being the LCFF, Federal Revenues, Other State Revenues and Local Revenues. Each of these revenue sources is described below.

LCFF Sources. District funding is provided by a mix of (1) local property taxes and (2) State apportionments of funding under the LCFF. Generally, the State apportionments will amount to the difference between the District's LCFF funding entitlement and its local property tax revenues.

Beginning in fiscal year 1978-79, Proposition 13 and its implementing legislation provided for each county to levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes and prescribed how levies on county-wide property values are to be shared with local taxing entities within each county.

The principal component of local revenues is the school district's property tax revenues, i.e., the district's share of the local 1% property tax, received pursuant to Sections 75 and following and Sections 95 and following of the California Revenue and Taxation Code. Section 42238(h) of the Education Code of the State itemizes the local revenues that are counted towards the base revenue limit before calculating how much the State must provide in equalization aid. Historically, the more local property taxes a district received, the less State equalization aid it is entitled to.

Federal Revenues. The federal government provides funding for several District programs, including special education programs, programs under No Child Left Behind, the Individuals With Disabilities Education Act, and specialized programs such as Drug Free Schools.

Other State Revenues. Other State Revenues consist primarily of apportionments for mandated costs reimbursements, special education master plan, and State lottery apportionments.

Other Local Revenues-Parcel Taxes and Sales Taxes. In addition to its share of local property taxes, the District receives additional local revenues from items such as interest earnings, leases and rentals.

Furthermore, the District receives substantial local revenues from voter-approved parcel taxes, a portion of voter-approved City of Santa Monica sales tax revenues, and joint facilities use agreements, as more fully described below.

Parcel Tax Measure - Measure R: In February 2008, the District successfully passed Measure R with a 73% affirmative vote, whereby District voters authorized a \$346 per parcel tax, subject to annual inflation and with no sunset provision. The proceeds from Measure R generate approximately \$11.7 million annually for the District.

City Sales Tax Measure (2010): In November 2010, the voters in the City of Santa Monica successfully passed Measure Y, authorizing an additional 0.5% transaction use tax in the City of Santa Monica. Measure YY was a companion advisory measure, asking voters if half of the revenue generated by Measure Y should to education funding, which was also approved. Currently. Measure Y generates \$8 million annually for the District and has no termination date.

City Sales Tax Measure (2010): In November 2016, the voters in the City of Santa Monica successfully passed Measure GSH, authorizing an additional 0.5% transaction use tax in the City of Santa Monica. Measure GS was a companion advisory measure, asking voters if half of the revenue generated by Measure GSH should to education funding, which was also approved. Currently. Measure GS generates \$8 million annually for the District and has no termination date.

Master Facilities Use Agreements. The District is party to master facilities use agreements (the “**Agreements**”) with the City of Santa Monica and the City of Malibu. The Agreements provide approximately \$8.8 million in revenue to the District annually and are set to expire on June 30, 2022, although the Agreements may be renegotiated and extended.

District Retirement Systems

Qualified employees of the District are covered under multiple-employer defined benefit pension plans maintained by agencies of the State. Certificated employees are members of the State Teachers’ Retirement System (“**STRS**”) and classified employees are members of the Public Employees’ Retirement System (“**PERS**”). Both STRS and PERS are operated on a Statewide basis. *The information set forth below regarding the STRS and PERS programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not to be construed as a representation by either the District or the Underwriters.*

Implementation of GASB Nos. 68 and 71. Commencing with fiscal year ended June 30, 2015, the District implemented the provisions of GASB Statement Nos. 68 and 71 which require certain new pension disclosures in the notes to its audited financial statements commencing with the financial statements for fiscal year 2014-15. Statement No. 68 generally requires the District to recognize its proportionate share of the unfunded pension obligation for STRS and PERS by recognizing a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. See “APPENDIX B - AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2017” for further information.

STRS. All qualified California full-time and part-time public school teachers from pre-kindergarten through community college and certain other employees of the public school system are eligible to participate in the STRS Pension Plans, multiple-employer, cost-sharing defined benefit plans administered by STRS. Benefit provisions under the plans are established by the Teachers’ Retirement Law (California Education Code Section 22000 et seq), as enacted and amended by the California Legislature. The benefit terms of the plans may be amended through legislation. The District’s contributions to STRS for recent fiscal years are set forth in the following table.

STRS Contributions
Santa Monica-Malibu Unified School District

Fiscal Year	Amount
2011-12	\$4,641,990
2012-13	4,495,038
2013-14	4,728,018
2014-15	5,351,836
2015-16	6,904,034
2016-17	6,814,032
2017-18 ⁽¹⁾	9,529,344

(1) Projected.
Source: The District.

Historically, employee, employer and State contribution rates did not vary annually to account for funding shortfalls or surpluses in the STRS plan. In recent years, the combination of investment earnings and statutory contributions were not sufficient to pay actuarially required amounts. As a result, the STRS defined benefit program showed an estimated unfunded actuarial liability of approximately \$107.3 billion as of June 30, 2017 (the date of the last actuarial valuation). In connection with the State's adoption of its fiscal year 2014-15 Budget, the Governor signed into law Assembly Bill 1469 ("**AB 1469**"), which represents a legislative effort to address the unfunded liabilities of the STRS pension plan. AB 1469 addressed the funding gap by increasing contributions by employees, employers and the State. In particular, employer contribution rates are scheduled to increase through at least fiscal year 2020-21, from a contribution rate of 8.25% in fiscal year 2013-14 to 19.1% in fiscal year 2020-21. Thereafter, employer contribution rates will be determined by the STRS board to reflect the contribution required to eliminate unfunded liabilities by June 30, 2046.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, and 2017-18 were 10.73%, 12.58%, and 14.43%, respectively. Projected employer contribution rates for school districts in the State (including the District) for fiscal year 2018-19 through fiscal year 2020-21 are set forth in the following table.

PROJECTED EMPLOYER CONTRIBUTION RATES (STRS)
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Projected Employer Contribution Rate⁽¹⁾
2018-19	16.28%
2019-20	18.13
2020-21	19.10

(1) Expressed as a percentage of covered payroll.
Source: AB 1469

PERS. The District contributes to the School Employer Pool under the PERS Retirement System, a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by PERS. Plan membership consists of non-teaching and non-certificated employees of public schools (K-12), community college districts, offices of education, charter and private schools (elective) in the State. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law. Contributions to PERS are made by employers and employees. Each fiscal year, the District is required to

contribute an amount based on an actuarially determined employer rate. The District's employer contributions to PERS for recent fiscal years are set forth in the following table.

PERS Contributions
Santa Monica-Malibu Unified School District

Fiscal Year	Amount
2011-12	\$2,530,071
2012-13	2,691,403
2013-14	2,781,066
2014-15	3,032,057
2015-16	3,288,624
2016-17	3,288,625
2017-18 ⁽¹⁾	4,503,147

(1) Projected.

Source: *The District*.

Like the STRS program, the PERS program has maintained an unfunded liability in recent years. The PERS unfunded liability, on a market value of assets basis, was approximately \$23.6 billion as of June 30, 2017 (the date of the last actuarial valuation). To address such unfunded liability, the PERS board has taken a number of actions. In April 2013, for example, the PERS board approved changes to the PERS amortization and smoothing policy intended to reduce volatility in employer contribution rates. In addition, in April 2014, PERS set new contribution rates, reflecting new demographic assumptions and other changes in actuarial assumptions. In November 2015, PERS adopted a funding risk mitigation policy intended to incrementally lower its discount rate – its assumed rate of investment return – in years of good investment returns, help pay down the pension fund's unfunded liability, and provide greater predictability and less volatility in contribution rates for employers. In December 2016, PERS voted to lower its discount rate from the current 7.5% to 7.0% over the next three years according to the following schedule.

PERS Discount Rate
Fiscal Years 2017-18 through 2019-20

<u>Fiscal Year</u>	<u>Discount Rate</u>
2017-18	7.375%
2018-19	7.250
2019-20	7.000

Source: *PERS*.

The new rates and underlying assumptions, which are aimed at eliminating the unfunded liability of PERS in approximately 30 years, were implemented for school districts beginning in fiscal year 2016-17, with the costs spread over 20 years and the increases phased in over the first five years.

However, on February 13, 2018, the Board of Administration voted to shorten the period over which PERS will amortize actuarial gains and losses from 30 years to 20 years for new pension liabilities, effective for the June 30, 2019 actuarial valuations. Amortization payments for all unfunded accrued liability bases will be computed to remain a level dollar amount throughout the amortization period, and certain 5-year ramp-up and ramp-down periods will be eliminated. As a result of the shorter amortization period, the contributions required to be made by employers may increase beginning in fiscal year 2020-21.

The District's employer contribution rates for fiscal years 2015-16, 2016-17, and 2017-18 were 11.847%, 13.888%, and 15.500%, respectively. Projected employer contribution rates for school districts in the State (including the District) for fiscal year 2018-19 through fiscal year 2020-21 are set forth in the following table.

PROJECTED EMPLOYER CONTRIBUTION RATES (PERS)
Fiscal Years 2018-19 through 2020-21

Fiscal Year	Projected Employer Contribution Rate⁽¹⁾
2018-19	18.062%
2019-20	20.800
2020-21	23.500

(1) Expressed as a percentage of covered payroll.
Source: PERS

California Public Employees' Pension Reform Act of 2013. On September 12, 2012, the Governor signed into law the California Public Employees' Pension Reform Act of 2013 ("PEPRA"), which impacted various aspects of public retirement systems in the State, including the STRS and PERS programs. In general, PEPRA (i) increased the retirement age for public employees depending on job function, (ii) capped the annual pension benefit payouts for public employees hired after January 1, 2013, (iii) required public employees hired after January 1, 2013 to pay at least 50% of the costs of their pension benefits (as described in more detail below), (iv) required final compensation for public employees hired after January 1, 2013 to be determined based on the highest average annual pensionable compensation earned over a period of at least 36 consecutive months, and (v) attempted to address other perceived abuses in the public retirement systems in the State. PEPRA applies to all public employee retirement systems in the State, except the retirement systems of the University of California, and charter cities and charter counties whose pension plans are not governed by State law. PEPRA's provisions went into effect on January 1, 2013 with respect to new State, school, and city and local agency employees hired on or after that date; existing employees who are members of employee associations, including employee associations of the District, have a five-year window to negotiate compliance with PEPRA through collective bargaining.

PERS has predicted that the impact of PEPRA on employees and employers, including the District and other employers in the PERS system, will vary, based on each employer's current level of benefits. As a result of the implementation of PEPRA, new members must pay at least 50% of the normal costs of the plan, which can fluctuate from year to year. To the extent that the new formulas lower retirement benefits, employer contribution rates could decrease over time as current employees retire and employees subject to the new formulas make up a larger percentage of the workforce. This change would, in some circumstances, result in a lower retirement benefit for employees than they currently earn.

With respect to the STRS pension program, employees hired after January 1, 2013 will pay the greater of either (1) fifty percent of the normal cost of their retirement plan, rounded to the nearest one-quarter percent, or (2) the contribution rate paid by then-current members (i.e., employees in the STRS plan as of January 1, 2013). The member contribution rate could be increased from this level through collective bargaining or may be adjusted based on other factors. Employers will pay at least the normal cost rate, after subtracting the member's contribution.

The District is unable to predict the amount of future contributions it will have to make to PERS and STRS as a result of the implementation of PEPRA, and as a result of negotiations with its employee associations, or, notwithstanding the adoption of PEPRA, resulting from any legislative changes regarding the PERS and STRS employer contributions that may be adopted in the future.

Additional Information. Additional information regarding the District's retirement programs is available in Note 11 to the District's audited financial statements attached hereto as APPENDIX B. In addition, both STRS and PERS issue separate comprehensive financial reports that include financial statements and required supplemental information. Copies of such reports may be obtained from STRS and PERS, respectively, as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; and (ii) PERS, 400 Q Street, Sacramento, California 95811. More information regarding STRS and PERS can also be obtained at their websites, www.calstrs.com and www.calpers.ca.gov, respectively. *The references to these Internet websites are shown for reference and convenience only and the information contained on such websites is not incorporated by reference into this Official Statement. The information contained on these websites may not be current and has not been reviewed by the District or the Underwriters for accuracy or completeness.*

Other Post-Employment Benefit Obligation

Plan Description. The District administers a single-employer defined benefit other postemployment benefit ("OPEB") plan (the "**Plan**") that provides medical, dental, and vision insurance benefits to eligible retirees and their spouses. The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 (certificated) or age 50 (classified) with at least 10 years of service. The District provides medical benefits at the same level they are receiving at the time of retirement for a period of up to 5 years or to age 65, whichever occurs first. In addition, all retirees over the age of 65 receive a lifetime monthly supplement of \$125 per month. As of the July 1, 2015 actuarial study, there were 383 retirees and beneficiaries receiving benefits, 1,363 active Plan members, and 1 participating employer.

Contribution Information. The contribution requirements of Plan members and the District are established and may be amended by the District and District's bargaining units. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2016-17, the District contributed \$2,088,830 to the Plan, of which \$800,000 was considered prefunding to the trust. After the latest valuation report, in fiscal year 2015-16, the District established a plan or equivalent that contains an irrevocable transfer of assets dedicated to providing benefits to retirees in accordance with the terms of the Plan and that are legally protected from creditors.

Annual OPEB Cost and Net OPEB Obligation. For the year ended June 30, 2017, the District's annual OPEB cost is calculated based on the annual required contribution for the employer ("**ARC**"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

A summary of the District's OPEB obligation, as shown in the District's audited financial statements as of June 30, 2017, is as follows:

OPEB OBLIGATION AS OF JUNE 30, 2017
Santa Monica-Malibu Unified School District

Annual required contribution	\$4,254,125
Interest on net OPEB obligation	528,428
Adjustment to annual required contribution	<u>(764,066)</u>
Annual OPEB cost (expense)	4,018,487
Contributions for the fiscal year	<u>(2,088,830)</u>
Change in net OPEB obligation	1,929,657
Net OPEB obligation- July 1, 2016	<u>13,210,698</u>
Net OPEB obligation- June 30, 2016	\$15,140,355

Source: District Audited Financial Statement.

The District's annual OPEB cost for the year, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal years 2014-15 through 2016-17 is as follows:

OPEB COST HISTORY
Santa Monica-Malibu Unified School District

Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net Ending OPEB Asset
2015	\$2,587,991	43%	\$10,341,922
2016	4,096,513	40	13,210,698
2017	4,018,487	52	15,140,355

Source: District Audited Financial Statement.

Funded Status and Funding Progress. A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	\$ --	\$36,397,922	\$36,397,922	0.00%	\$96,835,810	38%

Existing Debt Obligations

Outstanding General Obligation Bonds. The District currently has outstanding general obligation and refunding bonds secured by voter-approved *ad valorem* taxes, which are summarized as of June 30, 2017 in the following table.

**SUMMARY OF OUTSTANDING
GENERAL OBLIGATION BOND INDEBTEDNESS*
Santa Monica-Malibu Unified School District**

Series	Issue Date	Maturity Date	Interest Rate	Original Principal Amount	Outstanding Principal Amount
1998 Refunding Bonds	6/18/1998	8/1/2028	3.75%-5.25%	\$68,145,000	\$8,820,000
Election 1998, Series 1999	5/26/1999	8/1/2023	3.20%-5.38%	38,000,034	14,390,711
Election 1998, Series 1999 Accreted Interest	--	--	--	--	23,610,911
2006 Refunding Bonds	2/23/2006	8/1/2025	3.50%-4.15%	3,285,000	--
Election 2006, Series A	10/2/2007	8/1/2032	4.00%-5.50%	60,000,000	825,000
Election 2006, Series B	7/23/2009	8/1/2019	1.50%-5.00%	11,875,000	4,335,000
Election 2006, Series C	7/14/2010	7/1/2023	3.00%-5.00%	10,690,000	3,555,000
Election 2006, Series C-1	7/14/2010	7/1/2035	5.80%-6.63%	54,310,000	--
2013 Refunding Bonds	1/8/2013	8/1/2032	2.00%-5.00%	45,425,000	44,525,000
Election 2006, Series D	3/19/2013	7/1/2037	0.17%-5.00%	82,995,327	60,385,000
Election 2006, Series D Accreted Interest	--	--	--	--	--
Election 2012, Series A	7/29/2014	7/1/2037	1.00%-3.70%	30,000,000	7,730,000
Election 2012, Series B	7/1/2015	7/1/2040	1.00%-3.70%	60,000,000	47,820,000
2015 Refunding Bonds	11/10/2015	8/1/2034	3.25%-5.00%	47,915,000	47,915,000
2016 Series A Refunding Bonds	10/11/2016	7/1/2035	1.00%-4.00%	28,190,000	28,190,000
2016 Series B Refunding Bonds	10/11/2016	7/1/2032	3.00%	660,000	660,000
2016 Series C Refunding Bonds	10/11/2016	7/1/2035	2.00%-4.00%	52,140,000	52,140,000
Election 2012, Series C	6/21/2017	7/1/2042	3.125%-5.00%	60,000,000	60,000,000
TOTAL				<u>\$653,630,361</u>	<u>\$344,901,622</u>

*As of June 30, 2017.

Source: District Audited Financial Statement.

Additional General Obligation Bonds; Possible Bond Elections. In addition to the Series D Bonds described in this Official Statement, and the other outstanding general obligation bonds which are summarized in the foregoing table, the District expects to issue the balance of the Authorization in one or more series in the future.

The Board of Education of the District has also undertaken proceedings for the formation of school facilities improvement districts within the District, one with respect to the Malibu schools area and the other with respect to the Santa Monica schools area. The District Board of Education is expected to consider the calling of bonds elections within each school facilities improvement district, seeking authorization from the voters located therein for the purpose of financing the acquisition, construction and improvement of school facilities within the respective school facilities districts.

Investment of District Funds

In accordance with Government Code Section 53600 *et seq.*, the County Treasurer manages funds deposited with it by the District. The County is required to invest such funds in accordance with California Government Code Sections 53601 *et seq.* In addition, counties are required to establish their own investment policies which may impose limitations beyond those required by the Government Code. See Appendix G for information regarding the County's investment policy and quarterly report.

Effect of State Budget on Revenues

Public school districts in the State are dependent on revenues from the State for a large portion of their operating budgets. School districts in the State generally receive the majority of their operating revenues from various State sources. The primary source of funding for school districts in the State is LCFF funding, which is derived from a combination of State funds and local property taxes (see “—Education Funding Generally” and “—Attendance —Revenue Limit and LCFF Funding” above). State funds typically make up the majority of a district’s LCFF funding. School districts in the State also receive funding from the State for some specialized programs such as special education.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS” below), the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process. The District cannot predict how education funding may further be changed in the future, or the state of the economy which in turn can impact the amounts of funds available from the State for education funding. See “STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS” below.

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STATE FUNDING OF EDUCATION; RECENT STATE BUDGETS

State Funding of Education

General. The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55% of their operating revenues from various State sources. The primary source of funding for school districts are revenues under the LCFF, which are a combination of State funds and local property taxes (see “DISTRICT FINANCIAL INFORMATION - Education Funding Generally” above). State funds typically make up the majority of a district’s LCFF allocation, although Basic Aid school districts derive most of their revenues from local property taxes. School districts also receive substantial funding from the State for various categorical programs.

The following information concerning the State’s budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. Neither the District, the Underwriters or the County is responsible for the information relating to the State’s budgets provided in this section. Further information is available from the Public Finance Division of the State Treasurer’s Office.

The Budget Process. The State’s fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the “**Governor’s Budget**”). Under State law, the annual proposed Governor’s Budget cannot provide for projected expenditures in excess of projected revenues and balances available from prior fiscal years. Following the submission of the Governor’s Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the State Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a majority vote of each house of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each house of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (including for K-14 education) must be approved by a majority vote in each house of the Legislature, unless such appropriations require tax increases, in which case they must be approved by a two-thirds vote of each house of the Legislature, and be signed by the Governor. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

Certain information about the State budgeting process and the State budget (the “**State Budget**”) is available through several State of California sources. A convenient source of information is the State’s website, where recent official statements for State bonds are posted.

The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District or the Underwriters and is not incorporated herein by reference.

- The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State budgets.
- The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2017-18 State budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 55 at the November 8, 2016 statewide election, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget: Significant Change in Education Funding. As described previously herein, the 2013-14 Budget and its related implementing legislation enacted significant reforms to the State's system of K-12 education finance with the enactment of the LCFF. Significant reforms such as the LCFF and other changes in law may have significant impacts on the District's finances.

2017-18 Adopted State Budget

On June 27, 2017, the Governor signed the 2017-18 State budget (the "**2017-18 State Budget**") into law. The 2017-18 State Budget calls for the spending of \$125.1 billion from the general fund, \$54.9 billion from special funds and \$3.3 billion from bond funds. The 2017-18 State Budget includes a funding increase of \$3.1 billion for K-14 education, an expanded tax credit for low-wage workers and puts an additional \$1.8 billion into the State's budget stabilization reserve, bringing the rainy-day fund balance to \$8.5 billion, or 66% of the constitutional target. Significant features of the 2017-18 State Budget include:

- total funding of \$92.5 billion for K-12 education programs, including an increase in funding of \$1.4 billion to continue the State's transition to LCFF, bringing the formula to 97% of full implementation;
- an increase of \$877 million in one-time discretionary grants to provide school districts, charter schools and county offices of education with funds to be used for items such as deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology, and the implementation of new educational standards;

- an increase in \$7 million to support county offices of education, which funding requires county superintendents of schools to summarize how the county offices of education will support school districts and schools within the county;
- \$1.8 billion to pay down past budgetary borrowing and State employee pension liabilities;
- a \$6 billion supplemental payment to PERS, on top of the actuarially determined annual contribution of \$5.2 billion, through a loan from the State's Surplus Money Investment Fund, which will reduce unfunded liabilities, stabilize the State's contribution rate and save \$11 billion over the next twenty years;
- \$2.8 billion for STRS, which contribution is consistent with the funding strategy of putting STRS on a sustainable path forward and eliminating its current unfunded liability in approximately 30 years;
- new appropriations of \$2.8 billion, distributed evenly between State and local transportation authorities, to implement the Road Repair and Accountability Act of 2017;
- \$84.9 million to address issues from the State's recent drought emergency, including \$41.9 million to extend the fire season and expand the State's firefighting capabilities to reduce the fire risk from climate change, the recent drought and tree mortality; and
- an increase of \$31.5 million to repair and maintain the aging infrastructure of the State's park system.

2018-19 State Budget

Proposed State Budget. On January 10, 2018, the Governor released the proposed State budget for fiscal year 2018-19 (the "**2018-19 Proposed Budget**"). The 2018-19 Proposed Budget, despite projecting a one-time surplus and assuming continued expansion of the State economy, proposed a \$3.5 billion deposit in order to fully fund the State's "Rainy Day Fund" in order to soften the magnitude of any future budget cuts. The 2018-19 Proposed Budget includes \$131.7 billion in general fund spending and reserves of \$1.2 billion. The 2018-19 Proposed Budget revises the Proposition 98 minimum funding guarantee for school districts, community college districts, and other state agencies that provide direct elementary and secondary instructional programs for kindergarten through grade 14 to \$78.3 billion, reflecting a year-to-year increase of \$3.1 billion from fiscal year 2017-18. This includes an approximately \$3 billion investment to fully implement the LCFF two years earlier than originally projected. Ongoing Proposition 98 per-pupil expenditures in fiscal year 2018-19 are set at \$11,614, an increase of \$465 per-pupil over the revised level for fiscal year 2017-18.

May Revision. On May 11, 2018, the Governor released his May Revision to the 2018-19 Proposed Budget (the "**May Revision**"). The May Revision projects \$137.6 billion in general fund revenue and \$137.6 billion in general fund spending, and directs \$3.2 billion into the State's traditional reserve fund. The May Revision maintains the January proposal to fully fund the Rainy Day Fund, which is projected to have a balance of \$9.4 billion at the end of the 2017-18 fiscal year, and projected to grow to \$13.8 billion at the end of the 2018-19 fiscal year. The Governor continues to focus on one-time spending initiatives, while focusing on the core priorities of

increasing K-12 education funding, combating homelessness, investing in infrastructure, and fighting climate change.

In particular, with respect to K-12 education funding, \$74.8 billion of funding is provided for education under Proposition 98, representing an increase of \$68 million from the 2018-19 Proposed Budget. The May Revision maintains the 3% increase in funding for higher education, and also provides each university system with \$100 million in one-time funding for deferred maintenance purposes. The May Revision includes \$359 million of new spending on homelessness programs, and a \$312 million proposal to assist counties with mental health services. Two billion dollars is budgeted for infrastructure funding, including \$1 billion for deferred maintenance, and \$1 billion for improvements to flood control, courts, higher education, and other state facilities. Finally, the May Revision proposes \$96 million to implement the “Forest Carbon Plan” and to take other actions to protect California’s forests against the threat of wildfires. This \$96 million is in addition to the \$160 million proposed in the cap-and-trade expenditure plan to support forest improvements and fire protection.

LAO Commentary. On May 12, 2018, the LAO released its report on the May Revision entitled, “The 2018-19 Budget: The May Revision” (the “**LAO Report on the May Revision**”). The LAO notes that compared to January 2018, estimated revenues and transfers have increased by a combined \$7.6 billion across fiscal years 2016-17 through 2018-19, which the LAO notes are primarily driven by higher revenues from personal income taxes and, to a lesser extent, the corporate tax. However, the increased revenues are largely offset by formula-driven constitutional spending requirements for education, outstanding debt and Medi-Cal. As of the May Revision, the LAO estimates that the Governor had \$4.1 billion in discretionary resources to allocate, which were allocated to reserves and largely one-time spending purposes.

The LAO’s initial assessment of the May Revision suggests that there are reasons to believe the State’s General Fund could be in a considerably better condition than suggested by the May Revision. The reasons provided by the LAO are that (1) the LAO predicts higher revenue and transfer estimates than the administration’s predictions, by \$2.6 billion between fiscal years 2016-17 and 2018-19, largely due to the LAO’s projections of high capital gains in 2017 and 2018, and high wages and salaries in 2019, and (2) constitutionally required education spending under Proposition 98 is likely to be lower than suggested by the May Revision due to ADA assumptions which are higher than the LAO predicts, and higher local property tax revenues. In addition, the LAO recommends that the Legislature scrutinize the Medi-Cal Budget and its underlying assumptions which likely result in high end estimates of the costs of deferred claims. Finally, the LAO comments that the total reserve balance shown in the May Revision (\$17 billion) is slightly higher than proposed in January and that the Governor uses available discretionary revenues for spending on largely one-time purposes, both of which are tools used to plan for a recession. The LAO notes that a mild recession occurring after 2018-19 might not require many actions such as spending cuts or revenue increases to bring the budget into balance, but a moderate or severe recession would still require many billions of dollars in actions over many years to bring the budget back into balance.

[To come: 2018-19 Adopted State Budget disclosure, following approval by Governor]

Availability of 2017-18 State Budget and 2018-19 Proposed Budget (May Revision)

The complete 2017-18 State Budget and the 2018-19 Proposed Budget (including the May Revision) are available from the California Department of Finance website at www.ebudget.ca.gov. The District can take no responsibility for the continued accuracy of this internet

address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Bonds.

Disclaimer Regarding State Budgets

The execution of the foregoing 2017-18 State Budget and future State budgets may be affected by numerous factors, including but not limited to: (i) shifts in costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risks associated with proposed spending reductions, (iv) rising health care costs and/or other unfunded liabilities, such as pension or other post-employment retirement benefits, and (v) numerous other factors, all or any of which could cause the revenue and spending projections included in such budgets to be unattainable. The District cannot predict the impact that the 2017-18 State Budget, or subsequent state budgets, will have on its own finances and operations. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property in the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

The State has not entered into any contractual commitments with the District, the County, the Underwriters or the Owners of the Bonds to provide State budget information to the District or the owners of the Bonds. Although they believe the sources of information listed below are reliable, neither the District nor the Underwriters assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

Uncertainty Regarding Future State Budgets

The District cannot predict what actions will be taken in future years by the State legislature or the Governor to address the State's current or future revenues and expenditures or possible future budget deficits. Future State budgets will be affected by national and State economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its own budgets.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

Principal of and interest on the Series D Bonds are payable from the proceeds of an *ad valorem* tax levied by the County for the payment thereof. Articles XIII A, XIII B, XIII C, and XIII D of the State Constitution, Propositions 62, 98, 111 and 218, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the District to levy taxes and spend tax proceeds for operating and other purposes, and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the District to levy taxes for payment of the Series D Bonds. The tax levied by the County for payment of the Series D Bonds was approved by the District's voters in compliance with Article XIII A and all applicable laws.

Constitutionally Required Funding of Education

The State Constitution requires that from all State revenues, there shall be first set apart the moneys to be applied by the State for the support of the public school system and public institutions of higher education. School districts receive a significant portion of their funding from State appropriations. As a result, decreases and increases in State revenues can significantly affect appropriations made by the State Legislature to school districts.

Article XIII A of the California Constitution

Basic Property Tax Levy. On June 6, 1978, California voters approved Proposition 13 ("Proposition 13"), which added Article XIII A to the State Constitution ("Article XIII A"). Article XIII A limits the amount of any *ad valorem* tax on real property to 1% of the full cash value thereof, except that additional *ad valorem* taxes may be levied to pay debt service on (i) indebtedness approved by the voters prior to July 1, 1978, (ii) (as a result of an amendment to Article XIII A approved by State voters on June 3, 1986) on bonded indebtedness for the acquisition or improvement of real property which has been approved on or after July 1, 1978 by two-thirds of the voters on such indebtedness (which provided the authority for the issuance of the Series D Bonds), and (iii) (as a result of an amendment to Article XIII A approved by State voters on November 7, 2000) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. Article XIII A defines full cash value to mean "the county assessor's valuation of real property as shown on the 1975-76 tax bill under full cash value, or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership have occurred after the 1975 assessment". This full cash value may be increased at a rate not to exceed 2% per year to account for inflation.

Article XIII A has subsequently been amended to permit reduction of the "full cash value" base in the event of declining property values caused by damage, destruction or other factors, to provide that there would be no increase in the "full cash value" base in the event of reconstruction of property damaged or destroyed in a disaster and in other minor or technical ways.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIII A.

Legislation Implementing Article XIII A. Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. Under current law, local agencies are no

longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the “taxing area” based upon their respective “situs.” Any such allocation made to a local agency continues as part of its allocation in future years.

Inflationary Adjustment of Assessed Valuation. As described above, the assessed value of a property may be increased at a rate not to exceed 2% per year to account for inflation. On December 27, 2001, the Orange County Superior Court, in *County of Orange v. Orange County Assessment Appeals Board No. 3*, held that where a home’s taxable value did not increase for two years, due to a flat real estate market, the Orange County assessor violated the 2% inflation adjustment provision of Article XIII A, when the assessor tried to “recapture” the tax value of the property by increasing its assessed value by 4% in a single year. The assessors in most California counties, including the County, use a similar methodology in raising the taxable values of property beyond 2% in a single year. The State Board of Equalization has approved this methodology for increasing assessed values. On appeal, the Appellate Court held that the trial court erred in ruling that assessments are always limited to no more than 2% of the previous year’s assessment. On May 10, 2004 a petition for review was filed with the California Supreme Court. The petition has been denied by the California Supreme Court. As a result of this litigation, the “recapture” provision described above may continue to be employed in determining the full cash value of property for property tax purposes.

Article XIII B of the California Constitution

Article XIII B (“**Article XIII B**”) of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year under the provisions of Article XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. “Proceeds of taxes” include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years. However, in the event that a school district's revenues exceed its spending limit, the district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be transferred and allocated to the State School Fund under Section 8.5 of Article XVI of the State Constitution.

Unitary Property

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions ("**unitary property**"). Under the State Constitution, such property is assessed by the State Board of Equalization ("**SBE**") as part of a "going concern" rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the counties by SBE, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

Articles XIIC and XIID of the California Constitution

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIIC and XIID (respectively, "**Article XIIC**" and "**Article XIID**"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIIC establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIIC further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4.

On November 2, 2010, Proposition 26 was approved by State voters, which amended Article XIIC to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

Article XIID deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIIC or XIID will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

While the provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District (thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District), the District does not believe that Proposition 218 will directly impact the revenues available to pay debt service on the Series D Bonds.

Proposition 98

On November 8, 1988, California voters approved Proposition 98, a combined initiative constitutional amendment and statute called the “Classroom Instructional Improvement and Accountability Act” (the “**Accountability Act**”). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State’s appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as “K-14 school districts”) at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school

districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K 14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIII B surplus. The maximum amount of excess tax revenues which could be transferred to K 14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

Proposition 111

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("**Proposition 111**") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California *per capita* personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIII B are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over \$15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

Recalculation of Appropriations Limit. The Article XIII B appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the “**first test**”) or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIII B by reference to *per capita* personal income) and enrollment (the “**second test**”). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in *per capita* State general fund revenues from the prior year is less than the annual growth in California per capita personal income (the “**third test**”). Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and *per capita* State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a “credit” to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Proposition 39

On November 7, 2000, California voters approved an amendment (commonly known as “**Proposition 39**”) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1 percent limit in order to repay the bonds and (2) changes existing statutory law regarding charter school facilities. As adopted, the constitutional amendments may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, community college districts, including the District, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1 percent of the value of property. Prior to the approval of Proposition 39, property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to acquire or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement authorized by Proposition 39 applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 places certain limitations on local school bonds to be approved by 55 percent of the voters. These provisions require that the tax rate levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for an elementary school district or high school district), or \$25 (for a community college district), per \$100,000 of taxable property value. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor.

Proposition 1A and Proposition 22

On November 2, 2004, California voters approved Proposition 1A, which amended the State constitution to significantly reduce the State’s authority over major local government

revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-thirds approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Under Proposition 1A, beginning in 2008-09, the State may shift to schools and community colleges a limited amount of local government property tax revenue if certain conditions are met, including: (i) a proclamation by the Governor that the shift is needed due to a severe financial hardship of the State, and (ii) approval of the shift by the State Legislature with a two-thirds vote of both houses. Under such a shift, the State must repay local governments for their property tax losses, with interest, within three years. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amended the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, a constitutional initiative entitled the “Local Taxpayer, Public Safety, and Transportation Protection Act of 2010,” approved on November 2, 2010, superseded many of the provision of Proposition 1A. This initiative amends the State Constitution to prohibit the State Legislature from diverting or shifting revenues that are dedicated to funding services provided by local government or funds dedicated to transportation improvement projects and services. Under this proposition, the State is not allowed to take revenue derived from locally imposed taxes, such as hotel taxes, parcel taxes, utility taxes and sales taxes, and local public transit and transportation funds. Further, in the event that a local governmental agency sues the State alleging a violation of these provisions and wins, then the State must automatically appropriate the funds needed to pay that local government. Proposition 22 was intended to, among other things, stabilize local government revenue sources by restricting the State’s control over local property taxes. Proposition 22 did not prevent the California State Legislature from dissolving State redevelopment agencies pursuant to AB 1X26, as confirmed by the decision of the California Supreme Court decision in *California Redevelopment Association v. Matosantos* (2011).

Because Proposition 22 reduces the State’s authority to use or reallocate certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget, such as reducing State spending or increasing State taxes, and school and college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State’s general fund.

Proposition 30 and Proposition 55

Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “**Proposition 30**”), temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposed an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017. This excise tax was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending

December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,000 for joint filers and over, \$340,000 but less than \$408,000 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,000 for single filers (over \$600,000 but less than \$1,000,000 for joint filers and over \$408,000 but less than \$680,000 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases are included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See “-Proposition 98” and “-Proposition 111” above. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the “EPA”). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than \$200 per unit of ADA and no community college district will receive less than \$100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

The California Children’s Education and Health Care Protection Act of 2016, also known as Proposition 55, was a proposed constitutional amendment initiative that was approved on the November 8, 2016 general election ballot in California. Proposition 55 extends the increases to personal income tax rates for high-income taxpayers that were approved as part of Proposition 30 through 2030, instead of the scheduled expiration date of December 31, 2018. Tax revenue received under Proposition 55 is to be allocated 89% to K-12 schools and 11% to community colleges. Proposition 55 did not extend the temporary State Sales and Use Tax increase enacted under Proposition 30, which expired as of January 1, 2017.

California Senate Bill 222

Senate Bill 222 (“**SB 222**”) was signed by the California Governor on July 13, 2015 and became effective on January 1, 2016. SB 222 amended Section 15251 of the California Education Code and added Section 52515 to the California Government Code to provide that voter approved general obligation bonds which are secured by *ad valorem* tax collections are secured by a statutory lien on all revenues received pursuant to the levy and collection of the property tax imposed to service those bonds. SB 222 provides that said lien shall attach automatically and is valid and binding from the time the bonds are executed and delivered. The lien is enforceable against the issuer, its successors, transferees, and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for any further act. The effect of SB 222 is the treatment of general obligation bonds as secured debt in bankruptcy due to the existence of a statutory lien.

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 98, 22, 26, 30 and 39 were each adopted as measures that qualified for the ballot under the State’s initiative process. From time to time other initiative measures could be adopted

further affecting District revenues or the District's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT
FOR FISCAL YEAR ENDED JUNE 30, 2017**

APPENDIX C

GENERAL INFORMATION ABOUT THE CITY OF SANTA MONICA, THE CITY OF MALIBU, AND THE COUNTY OF LOS ANGELES

*The following information is included only for the purpose of supplying general information regarding the City of Santa Monica (“**Santa Monica**”), the City of Malibu (“**Malibu**”) and Los Angeles County (the “**County**”). This information is provided only for general informational purposes, and provides prospective investors limited information about this region and its economic base. The Series D Bonds are not a debt of Santa Monica, Malibu, the County, the State of California (the “**State**”) or any of its political subdivisions, and none of Santa Monica, Malibu, the County, the State or any of its political subdivisions (other than the District) is liable therefor.*

Santa Monica. Santa Monica is located approximately 16 miles west of the City of Los Angeles. Santa Monica was incorporated in 1886 and encompasses 8 square miles, with a population of over 92,000. Santa Monica’s City Council is made up of seven members elected at-large for staggered four-year terms. Every two years, after each election, the City Council selects one of its members to serve as Mayor and another to serve as Mayor Pro Tempore.

Malibu. Malibu is located approximately 45 miles west of the City of Los Angeles. The City was incorporated in 1991 and encompasses 20 square miles, with a population of over 12,000. Malibu’s City Council is made up of five-members elected at-large to serve four-year terms, and the Mayor’s Office is rotated annually among all councilmembers.

The County. Located along the southern coast of California, the County covers about 4,080 square miles. It measures approximately 75 miles from north to south and 70 miles from east to west. The County includes Santa Catalina and San Clemente Islands and is bordered by the Pacific Ocean and Ventura, San Bernardino and Orange Counties.

Almost half of the County is mountainous and some 14% is a coastal plain known as the Los Angeles Basin. The low Santa Monica mountains and Hollywood Hills run east and west and form the northern boundary of the Basin and the southern boundary of the San Fernando Valley. The San Fernando Valley terminates at the base of the San Gabriel Mountains whose highest peak is over 10,000 feet. Beyond this mountain range the rest of the County is a semi-dry plateau, the beginning of the vast Mojave Desert.

According to the Los Angeles County Regional Planning Commission, the 86 incorporated cities in the county covered about 1,344 square miles or 27% of the total county. About 16% of the land in the county was devoted to residential use and over two-thirds of the land was open space and vacant.

Population

The table on the following page lists population estimates for Santa Monica, Malibu, the County, and the State as of January 1 each year for the last five calendar years.

**CITY OF SANTA MONICA, CITY OF MALIBU,
LOS ANGELES COUNTY AND STATE OF CALIFORNIA
Population Estimates
Calendar Years 2014 through 2018**

	2014	2015	2016	2017	2018
City of Santa Monica	90,793	91,671	91,729	92,305	92,416
City of Malibu	12,884	12,927	12,935	12,939	12,957
Los Angeles County	10,088,458	10,149,661	10,180,169	10,231,271	10,283,729
State of California	38,568,628	38,912,464	39,179,627	39,500,973	39,809,693

Source: California Department of Finance, Demographic Research Unit.

Employment and Industry

The seasonally adjusted unemployment rate in the County decreased over the month to 4.4 percent in April 2018 from a revised 4.5 percent in March 2018 and was below the rate of 4.8 percent one year ago. Civilian employment increased by 1,000 to 4,912,000 in April 2018, while unemployment declined by 1,000 to 228,000 over the month. The civilian labor force decreased by 1,000 over the month to 5,141,000 in April 2018. (All of the above figures are seasonally adjusted.) The unadjusted unemployment rate for the County was 4.0 percent in April 2018.

The table below lists employment by industry group for the County for the past five years for which data is available.

**LOS ANGELES-LONG BEACH-GLENDALE MD (LOS ANGELES COUNTY)
Annual Average Civilian Labor Force, Employment and Unemployment,
Employment by Industry
(March 2017 Benchmark)**

	2013	2014	2015	2016	2017
Civilian Labor Force	4,967,800	5,004,200	5,002,600	5,055,000	5,123,000
Employment	4,483,300	4,591,100	4,671,600	4,789,300	4,882,100
Unemployment	484,400	413,100	331,000	265,600	240,900
Unemployment Rate	9.8%	8.3%	6.6%	5.3%	4.7%
<u>Wage and Salary Employment:</u> ⁽¹⁾					
Agriculture	5,500	5,200	5,000	5,300	5,800
Mining and Logging	3,400	3,100	2,900	2,500	2,200
Construction	114,600	118,500	126,200	133,900	137,700
Manufacturing	375,600	371,100	367,800	360,300	350,100
Wholesale Trade	218,700	222,500	225,600	225,200	224,500
Retail Trade	405,800	413,100	419,300	421,500	422,500
Trans., Warehousing, Utilities	157,500	163,400	171,500	182,300	191,800
Information	197,000	198,800	207,500	229,200	214,500
Financial and Insurance	138,300	134,500	135,600	138,100	137,400
Real Estate, Rental & Leasing	74,700	76,700	80,000	81,600	83,700
Professional and Business Services	584,800	591,700	593,800	603,200	613,400
Educational and Health Services	702,100	720,700	741,100	767,600	794,300
Leisure and Hospitality	438,900	464,100	486,600	510,000	523,900
Other Services	145,700	150,500	151,000	153,300	154,100
Federal Government	47,200	46,700	47,400	47,700	48,000
State Government	83,600	85,300	87,400	89,900	92,500
Local Government	420,500	424,200	433,700	439,100	444,900
Total All Industries ⁽²⁾	4,113,600	4,189,800	4,282,300	4,390,800	4,441,400

(1) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(2) May not add due to rounding.

Source: State of California Employment Development Department.

Major Employers

The following table lists the largest manufacturing and non-manufacturing employers within the County as of June 2018, in alphabetical order.

LOS ANGELES COUNTY Largest Employers June 2018

Employer Name	Location	Industry
AHMC Healthcare Inc	Alhambra	Health Care Management
American Honda Motor Co Inc	Torrance	Automobile-Manufacturers
Cedar-Sinai Medical Ctr	West Hollywood	Hospitals
Century Plaza Towers	Los Angeles	Office Buildings & Parks
Crowne Plaza-Commerce Casino	Commerce	Hotels & Motels
Edd	Los Angeles	State Government-General Offices
JET Propulsion Laboratory	Pasadena	Research Service
Kaiser Permanente Los Angeles	Los Angeles	Hospitals
LAC & USC Medical Ctr	Los Angeles	Hospitals
Long Beach City Hall	Long Beach	Government Offices-City, Village & Twp
Los Angeles County Sheriff	Monterey Park	Government Offices-County
Los Angeles Intl Airport-Lax	Los Angeles	Airports
Los Angeles Police Dept	Los Angeles	Police Departments
Nestle USA Inc	Glendale	Food Products & Manufacturers
Paramount Special Events	Los Angeles	Motion Picture Producers & Studios
Radford Studio Ctr Inc	Studio City	Government-Operators-Nonresidential Bldg
Security Industry Specialist	Culver City	Security Systems Consultants
Sony Pictures Entertainment	Culver City	Motion Picture Producers & Studios
UCLA Health System	Los Angeles	Physicians & Surgeons
University of Ca Los Angeles	Los Angeles	Schools-Universities & Colleges Academic
University of Ca Los Angeles	Los Angeles	Schools-Universities & Colleges Academic
University of Southern Califor	Los Angeles	Schools-Universities & Colleges Academic
Vxi Global Solutions	Los Angeles	Call Centers
Walt Disney Co	Burbank	Motion Picture Producers & Studios
Warner Bros Studio	Burbank	Television Program Producers

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2018 2nd edition.

Commercial Activity

Summaries of historic taxable sales within Santa Monica, Malibu, and the County during the past five years in which data is available are shown in the following tables. Annual figures are not yet available for calendar year 2017.

Total taxable sales during the calendar year 2016 in Santa Monica were reported to be \$3,273,178,692, a 1.11% increase over the total taxable sales of \$3,236,937,360 reported during the calendar year 2015.

CITY OF SANTA MONICA
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2012 through 2016
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	3,340	\$2,256,205	4,712	\$2,949,297
2013	3,489	2,309,281	4,860	3,046,641
2014	3,556	2,369,902	4,902	3,150,659
2015 ⁽¹⁾	3,512	2,452,622	5,354	3,236,937
2016	3,346	2,457,171	5,153	3,237,178

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the calendar year 2016 in Malibu were reported to be \$313,302,938 a 5.40% increase over the total taxable sales of \$296,393,038 reported during calendar year 2015.

CITY OF MALIBU
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2012 through 2016
(Dollars in Thousands)

	Retail Stores		Total All Outlets	
	Number of Permits	Taxable Transactions	Number of Permits	Taxable Transactions
2012	530	\$217,147	747	\$244,135
2013	542	242,856	759	271,580
2014	571	268,802	807	296,208
2015	567 ⁽¹⁾	267,734	881	296,393
2016	556	283,572	871	313,303

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Total taxable sales during the calendar year 2016 in the County were reported to be \$154,208,333,057, a 2.1% increase over the total taxable sales of \$151,033,781,278 reported during the calendar year 2015.

LOS ANGELES COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
Calendar Years 2012 through 2016
(Dollars in Thousands)

	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2012	180,359	\$95,318,603	266,414	\$135,295,582
2013	179,370	99,641,174	263,792	140,079,708
2014	187,408	104,189,819	272,733	147,446,927
2015	112,657 ⁽¹⁾	108,147,021	310,063	151,033,781
2016	196,929	109,997,043	311,295	154,208,333

(1) Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Effective Buying Income

Effective buying income ("EBI") is designated by Sales and Marketing Management Magazine as personal income less personal tax and non-tax payments. Personal income is the aggregate of wages and salaries, other labor income (such as employer contributions to private pension funds), proprietor's income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, personal interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local, non-tax payments (such as fines, fees, penalties), and personal contributions for social insurance. Effective buying income is a bulk measure of market potential. It indicates the general ability to buy and is essential in comparing, selecting and grouping markets on that basis.

The following table summarizes the Household Effective Buying Income for Santa Monica, Malibu, the County, the State of California and the United States for the period 2013 through 2017.

CITY OF SANTA MONICA, CITY OF MALIBU, LOS ANGELES COUNTY, CALIFORNIA AND UNITED STATES Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2013	City of Santa Monica	\$3,620,620	\$51,185
	City of Malibu	698,313	84,283
	Los Angeles County	205,133,995	45,013
	California	858,676,636	48,340
	United States	6,982,757,379	43,715
2014	City of Santa Monica	\$3,955,085	\$56,169
	City of Malibu	760,793	92,301
	Los Angeles County	214,247,274	46,449
	California	901,189,699	50,072
	United States	7,357,153,421	45,448
2015	City of Santa Monica	\$4,415,110	\$62,387
	City of Malibu	811,003	96,159
	Los Angeles County	231,719,110	48,950
	California	981,231,666	53,589
	United States	7,757,960,399	46,738
2016	City of Santa Monica	\$4,708,891	\$65,424
	City of Malibu	821,404	94,284
	Los Angeles County	243,502,324	50,236
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2017	City of Santa Monica	\$5,176,286	\$73,156
	City of Malibu	864,163	97,042
	Los Angeles County	261,119,300	54,720
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735

Source: The Nielsen Company (US), Inc.

Construction Activity

Construction activity in Santa Monica, Malibu, and the County for the past five years for which data is available is shown in the following tables.

CITY OF SANTA MONICA Total Building Permit Valuations Calendar Years 2013 through 2017 (valuations in thousands)

	2013	2014	2015	2016	2017
<u>Permit Valuation</u>					
New Single-family	\$16,602.1	\$33,684.4	\$33,009.1	\$57,966.9	\$53,399.5
New Multi-family	4,583.9	14,759.3	4,687.5	3,383.0	29,750.4
Res. Alterations/Additions	<u>29,832.1</u>	<u>40,958.0</u>	<u>55,715.8</u>	<u>85,225.6</u>	<u>60,483.5</u>
Total Residential	51,018.2	89,401.7	93,412.4	146,575.5	143,633.4
 New Commercial	 7,061.8	 556,832.0	 134,312.0	 46,854.4	 300,000.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	51.9	6,221.1	6,252.2	2,810.7	1,045.5
Com. Alterations/Additions	<u>66,355.8</u>	<u>556,832.0</u>	<u>118,095.8</u>	<u>71,518.1</u>	<u>178,501.3</u>
Total Nonresidential	73,469.5	1,119,885.1	258,660.0	121,183.2	479,546.8
 <u>New Dwelling Units</u>					
Single Family	33	46	50	35	49
Multiple Family	<u>47</u>	<u>65</u>	<u>18</u>	<u>5</u>	<u>125</u>
TOTAL	80	111	68	40	174

Source: Construction Industry Research Board, Building Permit Summary.

CITY OF MALIBU Total Building Permit Valuations Calendar Years 2013 through 2017 (valuations in thousands)

	2013	2014	2015	2016	2017
<u>Permit Valuation</u>					
New Single-family	\$13,241.5	\$12,193.0	\$16,935.0	\$18,758.9	\$35,883.3
New Multi-family	0.0	0.0	0.0	0.0	0.0
Res. Alterations/Additions	<u>20,910.1</u>	<u>11,195.1</u>	<u>5,358.8</u>	<u>13,199.0</u>	<u>16,634.3</u>
Total Residential	34,151.5	23,388.1	22,293.8	31,957.9	52,517.6
 New Commercial	 3,610.5	 252.0	 4,400.0	 1,244.0	 3,411.0
New Industrial	0.0	0.0	0.0	0.0	0.0
New Other	2,272.2	2,135.3	1,800.2	7,587.0	3,677.9
Com. Alterations/Additions	<u>18,666.8</u>	<u>2,276.0</u>	<u>670.0</u>	<u>7,676.0</u>	<u>7,111.0</u>
Total Nonresidential	24,549.5	4,663.3	6,870.2	16,507.0	14,199.9
 <u>New Dwelling Units</u>					
Single Family	10	10	17	9	17
Multiple Family	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	10	10	17	9	17

Source: Construction Industry Research Board, Building Permit Summary.

LOS ANGELES COUNTY
Total Building Permit Valuations
Calendar Years 2013 through 2017
(valuations in thousands)

	2013	2014	2015	2016	2017
<u>Permit Valuation</u>					
New Single-family	\$1,523,457.5	\$1,744,290.3	\$1,897,829.7	\$2,162,018.2	\$2,352,614.8
New Multi-family	1,953,088.6	2,290,197.5	2,843,749.2	2,774,294.3	3,257,833.4
Res. Alterations/Additions	<u>1,267,408.4</u>	<u>1,474,930.2</u>	<u>1,641,457.3</u>	<u>1,639,294.3</u>	<u>1,757,904.1</u>
Total Residential	4,743,954.5	5,509,417.9	6,383,036.1	6,575,607.5	7,368,352.3
 New Commercial	 1,788,462.0	 2,229,307.8	 1,695,869.8	 1,728,443.4	 2,196,089.2
New Industrial	155,035.2	120,740.5	85,937.1	138,408.6	134,534.3
New Other	338,223.4	1,041,249.8	1,157,838.0	791,078.1	563,679.3
Com. Alterations/Additions	<u>2,171,248.4</u>	<u>3,266,273.2</u>	<u>2,705,727.5</u>	<u>2,880,916.6</u>	<u>3,143,200.2</u>
Total Nonresidential	4,452,969.0	6,657,571.3	5,645,372.4	2,657,930.1	6,037,503.0
 <u>New Dwelling Units</u>					
Single Family	3,607	4,358	4,487	4,780	5,456
Multiple Family	<u>13,243</u>	<u>14,349</u>	<u>18,405</u>	<u>15,589</u>	<u>17,023</u>
TOTAL	16,850	18,707	22,892	20,369	22,479

Source: Construction Industry Research Board, Building Permit Summary.

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Board of Education
Santa Monica-Malibu Unified School District
1651 16th Street
Santa Monica, California 90404

OPINION: \$_____ Santa Monica-Malibu Unified School District
(Los Angeles County, California)
General Obligation Bonds, Election of 2012, Series D

Members of the Board of Education:

We have acted as bond counsel to the Santa Monica-Malibu Unified School District (the "District") in connection with the issuance by the District of \$_____ principal amount of Santa Monica-Malibu Unified School District (Los Angeles County, California) General Obligation Bonds, Election of 2012, Series D, dated the date hereof (the "Bonds") under the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, and Resolution No. _____ adopted by the Board of Education of the District (the "Board") on June 28, 2018 (the "Bond Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Board contained in the Bond Resolution and in the certified proceedings and other certifications furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, under existing law, as follows:

1. The District is a duly created and validly existing school district with the power to issue the Bonds, and to perform its obligations under the Bond Resolution and the Bonds.
2. The Bond Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable upon the District in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the District, and are valid and binding general obligations of the District.
4. The Board of Supervisors of Los Angeles County is required under the laws of the State of California to levy an *ad valorem* tax upon the property in the District, unlimited as to rate or amount, for the payment of principal and interest on the Bonds.
5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax,

although, in the case of tax years beginning prior to January 1, 2018, for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest earned by a corporation prior to the end of its tax year in 2018 is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended, relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

A Professional Law Corporation

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT
(Los Angeles County, California)
General Obligation Bonds
Election of 2012, Series D

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Disclosure Certificate”) is executed and delivered by the Santa Monica-Malibu Unified School District (the “District”) in connection with the execution and delivery of the captioned bonds (the “Bonds”). The Bonds are being executed and delivered pursuant to a resolution adopted by the Board of Education of the District on June 28, 2018 (the “Bond Resolution”). U.S. Bank National Association, Los Angeles, California, as agent for the Treasurer-Tax Collector of Los Angeles County is initially acting as paying agent for the Bonds (the “Paying Agent”).

The District hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth above and in the Bond Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4.

“*Annual Report Date*” means the date not later than nine months after the end of each fiscal year of the District (currently June 30th), the first being March 31, 2019.

“*Dissemination Agent*” means Isom Advisors, a Division of Urban Futures Inc., or any subsequent third-party dissemination agent designated in writing by the District and which has filed with the District and the Paying Agent a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a).

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule.

“Official Statement” means the final official statement executed by the District in connection with the issuance of the Bonds.

“Paying Agent” means U.S. Bank National Association, Los Angeles, California, as agent for the Treasurer-Tax Collector of Los Angeles County, or any successor thereto.

“Participating Underwriters” means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing not later than March 31, 2019 with the report for the 2017-18 Fiscal Year, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A, with a copy to the Paying Agent and Participating Underwriters.

(c) With respect to each Annual Report, the Dissemination Agent shall:

- (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and
- (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, the following information:

- (i) State funding received by the District for the last completed fiscal year;
- (ii) Average daily attendance of the District for the completed fiscal year;
- (iii) Outstanding District indebtedness;
- (iv) Summary financial information on revenues, expenditures and fund balances for the District's general fund, reflecting adopted budget for the current fiscal year;
- (v) The assessed valuation of taxable property within the District for the current fiscal year;
- (vi) Secured tax levy collections and delinquencies within the District for the last completed fiscal year, except to the extent the Teeter Plan, if adopted by Los Angeles County, applies to both the 1% general purpose *ad valorem* property tax levy and to the tax levy for general obligation bonds of the District;
- (vii) The twenty largest local taxpayers in the District in terms of their secured assessed valuations for the current fiscal year; and
- (viii) Such further information, if any, as may be necessary to make the statements made pursuant to (a) and (b) of this Section 4, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional paying agent or the change of name of a paying agent, if material.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Bond Resolution.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), and (a)(14) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event's occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days' written notice to the District and the Paying Agent.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Bond Resolution for amendments to the Bond Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be filed in the same manner as for a Listed Event under Section 5(c).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent.

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent will have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bondholders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

Date: September __, 2018

**SANTA MONICA-MALIBU UNIFIED
SCHOOL DISTRICT**

By: _____
Name: _____
Title: _____

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Santa Monica-Malibu Unified School District (the "District")

Name of Bond Issue: \$_____ Santa Monica-Malibu Unified School District
(County of Los Angeles, California) General Obligation Bonds,
Election of 2012, Series D

Date of Issuance: September 6, 2018

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of September 6, 2018. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

DISSEMINATION AGENT

By: _____
Its: _____

cc: Paying Agent and Participating Underwriters

APPENDIX F

DTC AND THE BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Series D Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Series D Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the District nor the Paying Agent take any responsibility for the information contained in this Section.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series D Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Series D Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series D Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. “DTC will act as securities depository for the securities (in this Appendix, the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding

company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from District or Paying Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to District or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

10. The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that District believes to be reliable, but District takes no responsibility for the accuracy thereof.

APPENDIX G

LOS ANGELES COUNTY INVESTMENT POLICY AND INVESTMENT REPORT