

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's Upgrades City of Torrance, CA Lease Revenue Obligations to Aa3 from A1

Global Credit Research - 11 Oct 2016

New York, October 11, 2016 -- SUMMARY RATING RATIONALE

Moody's Investors Service has upgraded the City of Torrance, CA's outstanding lease-backed obligation ratings. We upgraded to Aa3 from A1 the Certificates of Participation Series 2009. The rating applies to \$18 million of COPS. The Aa3 rating is one notch lower than the city's Aa2 Issuer Rating.

The one notch difference between the city's Issuer and COPS rating reflects the standard legal structure for these California abatement lease financings and "more essential" leased assets. These leased assets include the city's city hall complex. The notching also reflects certain strong legal features of California general obligation bonds that are not shared by lease-backed obligations.

The COPs benefit from a cash funded reserve fund equal to the lesser of 10% of the principal lease payments, 125% of average annual lease payments, or maximum annual lease payments. The city also maintains other standard lease provisions including two-years of rental interruption insurance.

This rating action concludes a review undertaken in conjunction with the publication on July 26, 2016 of the Lease, Appropriation, Moral Obligation, and Comparable Debt of US State and Local Governments Methodology.

Rating Outlook

The outlook on the lease obligations reflects the stable outlook on the city's Issuer rating.

Factors that Could Lead to an Upgrade

- Improvement of the general credit profile of the issuer

Factors that Could Lead to a Downgrade

- Deterioration in the general credit profile of the issuer

Legal Security

The Lease Revenue Bonds are secured by lease payments made by the City of Torrance use and occupancy of the leased assets. The leased asset is the city's city hall complex.

Methodology

The principal methodology used in this rating was Lease, Appropriation, Moral Obligation, and Comparable Debt of US State and Local Governments published in July 2016. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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