City of
SACRAMENTO
Office of the City Treasurer

915 I Street, HCH 3rd Floor
Sacramento CA 95814

Russell Fehr ~ City Treasurer

Phone 916-808-5168
Fax 916-808-5171

ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING AFFIRMED

Dated: February 12, 2015

NOTICE IS HEREBY GIVEN that on February 10, 2015, Standard and Poor's Financial Services LLC ("S&P") affirmed the long-term and underlying rating of "BBB+" with a stable outlook for the Sacramento City Financing Authority 2013 Special Tax Refunding Revenue Bonds (Westlake and Regency Park) Series A debt issue.

The rating report from S&P is attached.

City of Sacramento

Janelle Gray
Debt Manager

Attachment: Sacramento City Financing Authority 2013 Special Tax Refunding Revenue Bonds (Westlake and Regency Park) Series A Report

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

RatingsDirect®

Summary:

Sacramento City Financing Authority, California Sacramento Community Facilities District No. 2000-01 & 2001-03 (Westlake & Regency Park); Special Assessments

Primary Credit Analyst:
Kate R Burroughs, San Francisco (1) 415-371-5081; kathleen.burroughs@standardandpoors.com

Secondary Contact:
Sarah Sullivant, New York 415-371-5051; sarah.sullivant@standardandpoors.com

Table Of Contents

Summary:

Sacramento City Financing Authority, California Sacramento Community Facilities District No. 2000-01 & 2001-03 (Westlake & Regency Park); Special Assessments

Credit Profile		
Sacramento City Fincg Auth, California		
Sacramento Comnty Facs Dist No. 2000-01 & 2001-03 (Westlake & Regency Park), California		
Sacramento City Fincg Auth (Sacramento CFD #2000-01 & 2001-03 (Westlake & Regency Park)) spl tax rev rfdg bnds		
Long Term Rating	BBB+/Stable	Affirmed
Sacramento City Fincg Auth (Sacramento CFD #2000-01 & 2001-03 (Westlake & Regency Park)) spl tax (AGM)		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services affirmed its 'BBB+' long-term rating and underlying rating (SPUR) on Sacramento City Financing Authority, Calif.'s series 2013A special tax refunding revenue bonds, issued on behalf of Sacramento Community Facilities District No. 2000-01 & 2001-03 (Westlake & Regency Park). The outlook is stable.

The rating reflects our view of the district's:

- Moderate to moderately low overall value-to-lien (VTL) ratios at 21 to 1 in Westlake and 16 to 1 in Regency Park;
- Moderate to moderately high effective tax rates at 1.57% in Westlake and 1.73% in Regency Park for average single-family residences; and
- Relatively high unemployment at 8%.

In our opinion, the above credit factors are partly mitigated by the districts':

- Large and diverse tax bases, which are mostly built out and primarily residential;
- Strong tax collections with low delinquency levels during the past five years, which have mostly been covered by the county Teeter Plan; and
- Closed parity liens except for refunding purposes.

The bonds have a Marks-Roos Joint Exercise of Powers Act financing structure. They are secured by a first lien on annual debt service payments from two separate community facilities districts (CFDs), Westlake and Regency Park, which we believe have similar creditworthiness. In turn, each CFD's annual debt service payments to the authority are secured by Mello-Roos special tax revenues collected within the respective CFD. Special taxes levied in one CFD cannot be used to pay local debt service for another. We understand that each district has an individual debt service reserve fund, that is not cross-collateralized. We understand that each reserve is required equal to the lowest of that district's maximum annual debt service (MADS), 125% of average annual debt service, or 10% of the principal, which is $845,000 for Westlake and $1.5 million for Regency Park. Debt service for Regency Park is two years longer than that of Westlake, with the Regency Park portion maturing in fiscal 2028 and Westlake's portion maturing in fiscal 2026. The liens are closed at both the CFD and authority levels except for refunding purposes. We understand proceeds were used to refund the outstanding special tax bonds for each CFD.

The bonds are protected by the covenant to pursue foreclosure if the delinquent taxes on any single parcel property exceed $1,000 for the prior fiscal year or if total delinquent taxes from the entire CFD overall exceed 5% of total taxes of the fiscal year's actual levy.

Both districts are largely developed primarily residential communities located within the City of Sacramento. We understand that there has been essentially no development in the area in recent years and that the area that contains both districts has been mapped by the Federal Emergency Management Agency (FEMA) as a Zone AE, which puts the districts under a de facto building moratorium, where any new buildings must be about 20 feet above ground in the area. However, we understand that FEMA has approved the city's request to be upgraded to an A99 map revision to remove these restrictions, and that the appeals period has passed with no appeals issued. We understand that the city anticipates that FEMA will issue its letter of final determination in March 2015, indicating that the updated flood insurance rate map will become effective in three months. Therefore, we understand that city management anticipates accepting building permits around mid-March and that the new maps will become effective in June 2015, in which case phased-in development would restart shortly after.

Sacramento is the capital of California and is the oldest incorporated city in the state. The city is located in Northern California about halfway between San Francisco and Lake Tahoe. Residents in the city have relatively average income levels and unemployment levels, with median household effective buying income at 95% of the national level, and the city's unemployment rate was 8.0% in November 2014.

Westlake CFD

Westlake is 92% built out on 331 gross acres and encompasses 1,500 parcels. After several years of declines, assessed value (AV) on taxable property in Westlake increased in fiscals 2014 and 2015 by 8.7% and 16.6%, respectively, to $455 million. While the payment of special taxes is unrelated to AV, it gives an indication of the performance of the tax base. The direct VTL is 62-to-1, which we consider good; however, the overall VTL, including overlapping general obligation debt, is only moderate in our view at 21 to 1. We calculate that about 12% of special tax comes from parcels with an overall VTL of less than 10 to 1, and 76% of the special tax is from parcels with an overall VTL of between 10 to 1 and 20 to 1. In our view, the tax base is diverse, with the top 10 special tax generators in fiscal 2014 accounting for 14.2% of the total levies. The largest special taxpayer is Landsource Holding Co. LLC, which is a real estate developer that owns 153 vacant residential parcels in the district.

The average effective tax rate for Westlake is moderate, in our view, at 1.57%. In our view, the tax base has performed reasonably well through the current housing downturn. The highest tax delinquency in recent history for Westlake was 8.4% in fiscal 2009, and most recently, in fiscal 2014, the district reported a very low 0.83% delinquency. The majority of delinquencies have been covered by the county Teeter Plan, with only three foreclosures initiated in Westlake since fiscal 2008.

We understand the district has historically levied at less than the maximum tax rate, however it levies at a rate that is sufficient to pay the principal and interest on debt service as well as administrative expenses. Including the 2% escalators and the legally allowable 10% increase due to delinquencies, we calculate the legal maximum coverage to be about 1.1x each year during the life of the bonds. With these limitations, we calculate that Westlake could withstand a permanent delinquency of 16.8% during the life of the bonds.

Regency Park CFD

Regency Park is 96% built out on 464 gross acres and encompasses 2,282 parcels. AV on taxable property in Regency Park has followed similar patterns to Westlake, increasing in fiscals 2014 and 2015 by 9.4% and 16.2%, respectively, after several years of declines. The direct VTL is 40 to 1, which we consider good; however, the overall VTL, including overlapping general obligation debt is moderately low at 16 to 1. In our view, the tax base is diverse, with the top 10 special tax generators in fiscal 2014, accounting for only 5.2% of the total levies.

The average effective tax rate is 1.73% for Regency Park, which we consider moderately high. In our view, the tax base has performed well through the current housing downturn, with the highest tax delinquency in the past five years for Regency Park at only 2.7% in fiscal 2008. Most recently, in fiscal 2014, the district reported a low 0.57% delinquency. All of the delinquencies have been covered by the county Teeter Plan, with no foreclosures initiated since 2008.

We understand the district has historically levied at less than the maximum tax rate, however it currently levies at a rate that is sufficient to pay the principal and interest on debt service as well as administrative expenses. Including the 2% escalators and the legally allowable 10% increase due to delinquencies, we calculate the legally maximum coverage to be about 1.1x annually during the life of the bonds. With these limitations, we calculate that Westlake could withstand a permanent delinquency of 16.3% during the life of the bonds.

Outlook

The stable outlook reflects our view of the districts' moderate to moderately low overall VTLs, combined with the districts' large sizes and relative buildout. Also reflected in the outlook are the closed parity liens, ensuring that coverage cannot be reduced by additional parity debt service. If AV in the districts would grow such that debt ratios improved, we could raise the rating. Conversely if AV were to significantly decline or overlapping debt were to significantly increase, lowering VTL and increasing the tax rate, we could lower the rating, however given the districts' development status, combined with its strong tax collections and participation in the county Teeter Plan, we do not anticipate lowering the rating within the two-year horizon of the outlook.

Related Criteria And Research

Related Criteria

USPF Criteria: Special-Purpose Districts, June 14, 2007

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.