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: August 17, 2015

NOTICE IS HEREBY GIVEN that on July 31, 2015, Moody's Investors Services ("Moody's") affirmed the City of Sacramento's long-term issuer credit rating at "Aa2", with a stable outlook. In addition, Moody's also affirmed the rating and outlook of lease revenue bonds issued by the Sacramento City Financing Authority at "A2" and "Stable outlook", respectively. Moody's rates the following Sacramento City Financing Authority lease revenue bonds issues:

- 1993 Lease Revenue Refunding Bonds, Series A
- 1993 Lease Revenue Refunding Bonds, Series B
- 2002 Capital Improvement Revenue Bonds
- 2003 Capital Improvement Revenue Bonds
- 2005 Refunding Revenue Bonds
- 2006 Capital Improvement Revenue Bonds, Series A
- 2006 Capital Improvement Revenue Bonds, Series B
- 2006 Capital Improvement Revenue Bonds, Series C
- 2006 Capital Improvement Revenue Bonds, Series D
- 2006 Capital Improvement Revenue Bonds, Series E

Attached to this notice is the report from Moody's, including the full analysis for the ratings.

City of Sacramento

Brian Wong
Senior Debt Analyst

Attachment: Moody's assigns A2 to Sacramento City's (CA) Lease Revenue Bonds rating report

Moody's
INVESTORS SERVICE

Rating Action: Moody's assigns A2 to Sacramento City's (CA) Lease Revenue Bonds

Global Credit Research - 31 Jul 2015

$193.0M refunding debt affected; outstanding ratings affirmed

New York, July 31, 2015 --

Moody's Rating

Issue: 2015 Refunding Revenue Bonds (Master Lease Program Facilities); Rating: A2; Sale Amount: $193,000,000; Expected Sale Date: 08-24-2015; Rating Description: Lease Rental: Abatement

Opinion

Moody's Investors Service has assigned an A2 rating to the City of Sacramento's (CA) 2015 Refunding Revenue Bonds (Master Lease Program Facilities) totaling approximately $193.0 million. We have also affirmed the city's Aa2 Issuer Rating and the A2 rating on the city's outstanding lease revenue bonds totaling approximately $649.6 million.

SUMMARY RATING RATIONALE

The city's Aa2 Issuer Rating reflects the large and improving tax base that should continue to undergo growth in the near-term, largely fueled by positive trends in employment, housing prices, and building activity. The city's financial position remains slightly below-average for the rating category, though it has recently improved and should be stable supported by improved property and sales tax collections. Budgetary pressures remain that will make it difficult for the city to significantly improve its financial position, including the expiration of the Measure U in fiscal 2020, rising pension costs, and high annual fixed costs of debt service, pension, and OPEB payments. The city has an above-average general fund debt burden and elevated pension and OPEB obligations that are reflected in the current review.

The A2 lease-supported obligations are secured by standard, California abatement leases. The three notch distinction between the Issuer Rating represents the weaker security pledge for lease-backed obligations and the additional risk to creditors from the city's financial, operational, and economic conditions compared to a more secure general obligation pledge. The city's elevated general fund debt burden largely drives the three notch credit distinction between the Issuer Rating and the city's lease revenue bonds.

The Issuer Rating reflects what the city's general obligation bond rating would be if the city were to issuer such debt, and the strength of the voter-approved, unlimited property tax pledge securing such bonds and the well-established levy and collection practices for debt service payment.

OUTLOOK

The outlook on the city's long-term ratings is stable. The outlook recognizes the city's large and diverse tax base which is fundamentally sound and the city's financial position, which is below-average for the rating category, but should remain stable in the long-term.

WHAT COULD MAKE THE RATING GO UP

• Substantial and sustained fiscal improvement, including available reserves and general fund liquidity

• Material improvement to resident wealth

• Sustained and significant economic improvement

• Reduction of general fund-supported debt and unique debt structures and agreements

WHAT COULD MAKE THE RATING GO DOWN

• Deterioration of fiscal position

• Material economic erosion

• Further increases in general fund-supported debt

• Increased debt profile risk

OBLIGOR PROFILE

The City is located at the confluence of the Sacramento and American Rivers in the northern part of California's Central Valley, approximately 75 air miles northeast of San Francisco. As of January 1, 2014, the City had an estimated population of 480,015.

LEGAL SECURITY

The legal security for the current refunding are base rental payments paid by the city to the authority under the 2015 indenture. The assets under the Master Lease Agreement total $749.0 million, significantly above the lease principal and cushioning any abatement risk. Not less than 50% of these properties are "essential assets" necessary to provide municipal services for the city. Not more than 50% are "non-essential assets" used for leisure or cultural activities.

The current refunding benefits from 24-month rental interruption insurance and title insurance and is structured as a typical California-abatement lease. The city does not anticipate cash funding a debt service reserve fund, but may issue a surety bond for the debt service reserve requirement.

USE OF PROCEEDS

The current refunding will be used to current refund three series of Lease Revenue Bonds (2002A, 2003, and 2005) and advance refund two series of Lease Revenue Bonds (2006A and 2006C).

The current refunding will also separate out lease revenue bonds and the city's tax allocation bonds that were combined in several series when issued. Approximately $34.9 million will be refunded by the city's former Redevelopment Agency and issued as tax allocation refunding bonds to be paid from tax increment revenues.

PRINCIPAL METHODOLOGY

The principal methodology used in the issuer rating was US Local Government General Obligation Debt published in January 2014. The principal methodology used in the lease-backed rating was The Fundamentals of Credit Analysis for Lease-Backed Municipal Obligations published in December 2011. Please see the Credit Policy page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Christian Ward
Analyst
Public Finance Group
Moody's Investors Service, Inc.
One Front Street
Suite 1900
San Francisco, CA 94111
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Kenneth Kurtz
Senior Vice President
Public Finance Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A.
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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