City of
SACRAMENTO
Office of the City Treasurer

915 I Street, HCH 3rd Floor
Sacramento CA 95814

John Colville ~ City Treasurer

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

ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING AFFIRMED

Dated: June 1, 2017

NOTICE IS HEREBY GIVEN that on May 30, 2017, Standard and Poor's Global Ratings ("S&P") affirmed the long term rating of "BBB+" with a stable outlook for the City of Sacramento North Natomas Westlake Community Facilities District No. 2000-01 and the City of Sacramento North Natomas Regency Park Community Facilities District No. 2001-03 debt issues.

The rating report from S&P is attached.

City of Sacramento

Brian Wong
Debt Manager

Attachment: S&P Press Release – Westlake and Regency Park CFDs

S&P Global
Ratings

RatingsDirect®

Various Special Assessment District Ratings Affirmed; Special Assessments

Primary Credit Analyst:
Satomi D Suzuki, San Francisco (1) 415-371-5018; satomi.suzuki@spglobal.com

Secondary Contact:
Jean C Lee, San Francisco +1 415.371.5057; jean.lee@spglobal.com

Table Of Contents

Rationale

Outlook

Related Research

Various Special Assessment District Ratings Affirmed; Special Assessments

Credit Profile		
Jurupa Pub Fincg Auth superior lien (Comnty Fac Dist Rfdg Prog) (AGM)		
Unenhanced Rating	A-(SPUR)/Stable	Affirmed
Moorpark Comntys Facs Dist No. 2004-1 (AGM)		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed
Orange County Comnty Facs Dist No. 2004-1 (Ladera Ranch) SPCLASMT		
Long Term Rating	BBB/Stable	Affirmed
Palmdale Sch Dist Comnty Fac Dist 90-1 spl tax (AGM)		
Unenhanced Rating	BBB(SPUR)/Stable	Affirmed
Poway Unif Sch Dist Pub Fincg Auth, California		
Poway Unif Sch Dist, California		
Poway Unif Sch Dist Pub Fincg Auth (Poway Unif Sch Dist) subord spl tax (BAM)		
Unenhanced Rating	BBB-(SPUR)/Stable	Affirmed

Rationale

S&P Global Ratings affirmed its long-term ratings and underlying ratings (SPURs) on certain special assessment bonds. The outlook is stable.

The bonds are secured by a pledge of special taxes levied in accordance with the district's rate and method of apportionment within each supporting community facilities district (CFD), reassessment district, or assessment district to pay principal, interest, any replenishment amount necessary for the reserve fund, as well as administrative expenses. Providing additional security, the bonds are secured by a debt service reserve (DSR) fund that is cash or surety funded.

The affirmed bond series are as follows:

- Jurupa Public Financing Authority, Calif., series 2010A;
- Moorpark Community Facilities District No. 2004-1, Calif., series 2014A;
- Orange County Community Facilities District No. 2004-1 (Ladera Ranch), Calif., series 2014A;
- Orange Community Facilities District No. 06-1, Calif., series 2015;
- Palmdale School District Community Facilities District 90-1, Calif., series 2011A, 2012A, and 2012B;
- Poway Unified School District, Calif., series 2014;
- Poway Unified School District Public Financing Authority, Calif., series 2013;
- Riverside Unified School District Financing Authority, Calif., series 2015;
- Sacramento Community Facilities District No. 2001-01 and 2001-03 (Westlake & Regency Park), Calif., series 2013A;
- Sulphur Springs Union School District Community Facilities District District 2002-1, Calif., series 2012A, 2013A, and 2014A; and

- West Sacramento Finance Authority, Calif., series 2016A.

Outlook

The stable outlook reflects our view of each district's economic base, overall value-to-lien (VTL), and affordability metrics. The outlook further reflects the district's debt service coverage and ability to withstand delinquency. We expect the underlying credit characteristics to remain stable in the next two years.

Upside scenario

Accordingly, changes in these underlying credit characteristics of the supporting district(s) could lead us to raise the rating on the respective bonds.

Downside scenario

Conversely, changes in these underlying credit characteristics of the supporting district(s) could lead us to lower the rating on the respective bonds.

Various Special Assessment Districts

Issuer	State	Rating	Outlook	Comment
Jurupa Public Financing Authority	CA	A-	Stable	Primary credit strengths include the district's senior-subordinate debt structure that provides additional coverage at the senior level, primarily residential, and fully built-out tax base. The senior series 2010A bonds are secured by a first lien on annual debt service payments from eight separate CFDs (Nos. 1, 3, 5, 6, 10, 14, 24, and 29), made to the authority. In turn, each of the participating local CFDs' annual debt service payments to the authority are secured by Mello-Roos special tax revenues collected within the respective CFD. The senior series 2010A bonds have a single fully cash-funded debt service fund held at the authority level, from which any of the eight participating CFDs can draw. The liens are closed at the authority and local levels, except for that at CFD No. 14, which has an additional bonds test (ABT) of 1.1x with a VTL test of at least 9 to 1 for all parcels within the district. We calculate that with the use of the DSR, the district can withstand a permanent delinquency rate of 28.6%, which would cover its top 10 taxpayers, or 19.9% of its tax base. The districts consist mostly of residential units, which account for 2,328 parcels spread across a combined 2,969 acres. CFD No. 1 is the largest, at 2,394 acres, and is composed primarily of industrial units. The combined districts' average overall VTL ratio is about 20 to 1, which we consider to be adequate. Taxpayer concentration is present in CFD No. 1, as the leading five taxpayers account for 48.2% of the special tax revenues. This concentration is due mainly to the district's industrial nature, in our view. The overall VTL ratio, which includes overlapping debt, is adequate at 20 to 1. The CFDs also have varying effective tax rates, ranging from 1.26% to 1.82% based on the type of dwelling. Delinquency rates are adequate, at 2.04% on average, with a high of 5.35% in CFD No. 1. Assessed value (AV) stood at $3.1 billion in 2017, and Jurupa's median household effective buying income (EBI) is strong, at 131% of the national level.

Various Special Assessment Districts (cont.)

Issuer	State	Rating	Outlook	Comment
Moorpark Community Facilities District No. 2004-1	CA	BBB+	Stable	CFD 2004-1 is primarily developed with 665 residential parcels across 456 acres within the city's boundaries. Primary credit strengths include the district's very strong local economy, with median household EBI at 174% of the national average; very diverse taxpayer base, with the top 10 special taxpayers accounting for 5.0% of the total levy; and strong senior maximum annual debt service (MADS) coverage of 1.66x. Partly offsetting those factors are the CFD's moderately high effective tax rate of 1.75% and relatively small size. The CFD's overall VTL, including overlapping debt, is estimated at 17 to 1, a level we consider moderate. The CFD levied $803,192 for fiscal 2017, providing 1.66x MADS coverage on the senior 2014A bonds. The CFD also has outstanding series 2014B bonds, which are unrated and subordinate to the series 2014A bonds. The fiscal 2017 special tax levy provides 1.04x debt service coverage on the senior and subordinate debt combined. We calculate that the CFD can withstand a permanent delinquency of about 13.2% of special taxes through the life of the bonds before debt service payments would suffer a shortfall. The delinquency rate in fiscal 2016 was 1.96%. We understand that additional bonds may be issued for refunding purposes only, and the indenture does not allow for the refunding of subordinate debt on parity with the senior debt.
Orange County Community Facilities District No. 2004-1 (Ladera Ranch)	CA	BBB	Stable	The 645-acre district consists of 963 parcels subject to the special tax. Primary credit strengths include the district's residential nature and nearly built-out status, with 96% of the levy coming from structures that are owner occupied. The tax base is very diverse, in our view, with the top 10 taxpayers representing less than 5% of the tax base. In addition, we calculate that with the use of the DSR, the district can withstand a permanent delinquency rate of 14.8%, which would cover its top 10 taxpayers. Residents have access to employment opportunities in Orange County, and income levels are well above average, with median household EBI at 169% of the national level. We calculate the average effective tax rate to be moderate, in our view, at 1.53%, and given the very strong incomes, we feel this rate is affordable. These strengths are offset by the district's moderately low overall VTL ratio, which includes overlapping debt, of about 14 to 1 and adequate coverage of 1.0x in fiscal 2017. The district has no additional special tax bonding authorization remaining, so we are not concerned with potential dilution of coverage as a result of additional bond issuance. AV has been trending upwards, totaling $1.3 billion, and delinquency rates are higher than average, at 2.4% in fiscal 2016.
Orange Community Facilities District No. 06-1	CA	BBB	Stable	Primary credit strengths include the district's fully built-out and residential nature and annual assessment payment delinquency rate of less than 1% in fiscal 2016. In addition, we calculate that with the use of the DSR, the district can withstand a permanent delinquency rate of 13%, which would cover its top 10 taxpayers, which represent less than 3% of the tax base. These strengths are offset by the district's relatively small size and low overall VTL (including overlapping debt) of about 9 to 1 and moderately high effective tax rate of 1.7%. The district levied $1.3 million in fiscal 2017, providing 1.0x coverage. The maximum special tax escalation is 2% per year to match an increasing debt service schedule and can be raised only 10% on residential parcels to account for delinquencies. The 74-acre district consists of 597 parcels subject to the special tax, and AV has been trending upward, totaling $292.6 million in 2017. District residents have access to employment opportunities in Orange and Los Angeles counties, and we consider income levels to be strong, at 138% of the national level. Additional bonds may be issued for refunding purposes only.
Palmdale School District Community Facilities District 90-1	CA	BBB	Stable	Palmdale School District CFD 90-1 is entirely residential and primarily built out, at 97% developed. Primary credit strengths include the district's good overall VTL of 20 to 1. Offsetting these strengths are the district's high effective tax rate of 2.1%, adequate MADS coverage of 1x, and provisions allowing the issuance of additional debt, with an ABT of 1.0x MADS coverage on developed properties. We calculate that with the use of the DSR, the district can withstand 5.6% in permanent delinquencies and meet the ABT, and still pay debt service through final maturity. The district issued its 2017A special tax bonds ($16.2 million) and 2017B special tax refunding bonds ($13.8 million) in May 2017, and we understand it has about $200 million in bond authorization remaining. Furthermore, we calculate the district could cover the loss of the top 10 taxpayers for the life of the 2017 bonds and all developed parcels with overall VTL ratios of less than 5 to 1 before the DSR would be exhausted. We understand that the district typically levies well above annual debt service, with 1.66x annual coverage for fiscal 2017, as it utilizes its excess revenue to fund pay-as-you-go projects.

Various Special Assessment Districts (cont.)

Issuer	State	Rating	Outlook	Comment
Poway Unified School District	CA	BBB-	Stable	Primary credit strengths include a large, residential tax base, with over 9,000 parcels, and a strong economic base. The effective tax rate, on average, is moderate, at 1.6%, but ranges between 1.3%-2.0% in the CFDs. The overall VTL is adequate at 15 to 1 in fiscal 2017, with CFD No. 14's the weakest, at 8 to 1. The subordinate bonds have a Marks-Roos Joint Exercise of Powers Act financing structure. They are secured by a lien on annual installment payments to the authority from 10 separate CFDs within CFDs Nos. 15, 14, 13, 12, 10, 9, 8 (Improvement Area B), 6, 4, and 2. Installment payments are made from available Mello-Roos special tax revenues, net of administrative fees and senior debt service amounts, collected within the CFDs. The financing structure for the subordinate 2014 bonds allows for a pooled coverage stabilization reserve fund held by the fiscal agent, which provides excess funds should any shortfalls occur as a result of delinquency or a deficiency in any local CFD's available special tax revenue. Currently, 41.5% of developed units are located within CFD No. 6, and it provides 40% of 2017 annual special tax revenues, making it the largest single contributor to the revenue base. Another 17% of special tax revenues come from CFD No. 14; 11% from CFD No. 10; and 10% or less from each CFD Nos. 2, 4, 8 (Improvement Area B), 9, 12, 13, and 15. Approximately five of the 10 participating CFDs are more than 90% built out, with the primary exceptions of CFDs 8 (Improvement Area B), 15, and 13, which are 20%, 49%, and 63% built out, respectively. The authority has pledged future special tax revenues from undeveloped parcels in the combined CFDs as security for the bonds, although the district does not currently tax the undeveloped parcels and projected revenues from undeveloped parcels have not been included in our coverage calculations. We note CFD No. 9 is the smallest district, with 63 parcels, although it is fully built out. The district may issue additional parity debt subject to the requirement that pledged revenues provide at least 1.2x debt service coverage for the life of the bonds. At the 1.2x ABT, we estimate the district can withstand a 19.2% maximum delinquency before coverage falls below 1.0x.
Poway Unified School District Public Financing Authority	CA	BBB	Stable	Primary credit strengths include a fully developed, residential, and diversified tax base, a moderate effective tax rate of 1.6%, and a strong economic base. Maximum delinquency is good at 17.6%, which covers the top 10 taxpayers at 1.2% of special tax levy. The AV for the combined district stands at $1.4 billion in fiscal 2017; the overall VTL ratio is adequate, at 15 to 1, and ranges from 12 to 1 to 19 to 1 in the underlying districts. CFD 11 IA-A and CFD 11 IA-1, which make up roughly 35% of debt service, have overall VTLs at the lower end of the range, at 12.5 to 1. Total developed parcels equal 1,522; however, the underlying districts' parcel count is small, ranging from 108 to 329. Delinquency rates ranged from 0% in CFD 2 Improvement Area 1 to 2.9% in CFD 11 Improvement Area 2, where delinquencies peaked in 2015-2016 at nine. The series 2013 revenue bonds are secured by a first lien on annual debt service payments to the authority from eight separate improvement areas or zones within Poway Unified School District CFD: CFD No. 2 (improvement area 1), CFD No. 10 (improvement areas C, D, and E), and CFD No. 11 (improvement area A, zone 1, zone 2, and zone 3). CFD No. 11 IA-A and IA-1 are coterminous. Each participating improvement area's and zone's local debt service payments to the authority are in turn secured by Mello-Roos special tax revenues collected within the respective CFD. Although special taxes levied in one area cannot be used to pay local debt service for another, excess special tax revenues beyond each area's local debt obligation are pooled into a special surplus fund at the authority level. This surplus special tax fund is available for debt service on the bonds or to replenish the cash-funded DSR to the extent that it is reduced as a result of a deficiency in the payment of any local obligation to the authority. Therefore, our analysis is based primarily on the collective credit quality of the eight improvement areas. Each local district can issue bonds on a parity with the CFD bonds for refunding purposes only, with the exception of CFD No. 11, zones 2 and 3, which can issue additional parity debt for new-money or refunding purposes, provided coverage on the 2013 revenue bonds does not drop below 1.10x annual debt service throughout the life of the bonds, based on the applicable rate and method.

Various Special Assessment Districts (cont.)

Issuer	State	Rating	Outlook	Comment
Riverside Unified School District Financing Authority	CA	BBB+	Stable	Primary credit strengths include a fully developed, residential, and diversified tax base, and a strong economic base. The top 10 taxpayers make up 2.21% of special tax levy, and maximum delinquency is adequate, at 13.5%, which covers the top 10 taxpayers. We consider the effective tax rate of 1.7% moderate. The AV for the combined district stands at $619.7 million in fiscal 2017; the adequate overall VTL ratio is 13 to 1 and ranges from 11 to 1 to 23 to 1 in the underlying districts. The overall VTL ratio of CFD 15 IA-2, which makes up roughly 32% of debt service, is at the lower end of the range, at 11 to 1. Total developed parcels equal 1,648; however, the underlying districts' parcel count is small, ranging from 65 to 403. Delinquency rates range from 0% in four underlying districts to 2.4% for CFD 13 IA-1 and CFD 24. The series 2015 revenue refunding 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 nine CFDs within Riverside Unified School District as follows: No. 10, No. 13 (improvement area No. 1), No. 14, No. 15 (improvement area No. 2), No. 17, No. 18, No. 21 (improvement area No. 2), No. 22, and No. 24. In turn, each participating district's annual debt service payments to the authority are secured by Mello-Roos special tax revenues collected within the respective districts. Each district's debt service obligation is several, and special taxes levied in one area cannot be used to pay debt service in another. The series 2015 bonds have a single debt service fund, held at the authority level, from which any of the nine participating areas can draw. Our analysis considers the local debt service obligations made to the authority from the underlying districts, but also takes into account the availability of the shared reserve that can be used by the authority to some extent to meet annual debt service in case of large delinquencies. The bonds are protected by a DSR established with separate accounts for each CFD proportional to its share of debt service. Funds from all CFD accounts together can be used to pay debt service should the account for any individual district be short funds to meet its own obligations. The delinquent CFD is required to replenish any shortfalls from collections in the next year. The school district covenants not to issue any additional parity debt except for refunding purposes, and no additional parity debt for any individual CFD is permitted.
Sacramento Community Facilities District No. 2001-01 and 2001-03 (Westlake & Regency Park)	CA	BBB+	Stable	The series 2013A bonds are secured by Sacramento City Financing Authority revenues supported by local obligation debt service payments. Two CFDs make up the local obligations: 2000-01 (Westlake) and 2001-03 (Regency Park) of Sacramento County. The underlying local obligations are secured by a special tax levied on propertyholders within the district as approved by district voters. Each district pays a fixed portion of the overall revenue, and there is no cross-collateralization of debt service, either through revenues or reserves. There is a cash DSR funded at the lowest of MADS, 10% of principal, or 125% of average annual debt service and established at the local obligation level. The rating is based on a weak link structure; the ratings reflect our opinion of the weaker credit quality of CFD 2001-01 (Westlake). Primary credit strengths, in our view, for Westlake include a mostly built-out (91%) and residential tax base with a low delinquency rate, as well as a moderately good overall VTL of 21 to 1. Offsetting weaknesses include a moderately concentrated tax base, with the top 10 taxpayers accounting for 14.1% of the special tax levy; a moderate effective tax rate of 1.54%; a moderate 8% of parcels with a VTL under 5 to 1; and below-average median household EBI of 91% of the national level. Additionally, we understand that Westlake's overall VTL decreased slightly due to an increase to the district's overlapping debt. Primary credit strengths of Regency Park, in our view, include a stable, residential, and mostly developed tax base; a low delinquency rate; and a diverse tax base, with the top 10 taxpayers accounting for 5.1% of the special levy. Offsetting weaknesses, in our view, include a moderate overall VTL ratio of 17 to 1 and a moderately high effective tax rate, at 1.64%. Regency Park is 98% built out on 464 gross acres and encompasses 2,285 parcels. AV on taxable property in Regency Park is $622 million for fiscal 2017. Regency Park's delinquency is low, at 1.4% for fiscal 2016 (down from a recent peak of 2.7% in fiscal 2008). The county Teeter Plan covered all of the delinquencies, and no foreclosures have been initiated since 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 18.3% during the life of the bonds and Regency Park could withstand a permanent delinquency of 17.4% during the life of the bonds.

Various Special Assessment Districts (cont.)

Issuer	State	Rating	Outlook	Comment
Sulphur Springs Union School District Community Facilities District 2002-1	CA	BBB+	Stable	CFD 2002-1 is fully developed with 1,238 residential parcels across 157 acres within the school district's boundaries. Primary credit strengths include the district's very strong local economy, with median household EBI at 141% of the national average; very diverse taxpayer base, with the top 10 special taxpayers accounting for 1.8% of the total levy; and low delinquency rates. Partly offsetting those factors are the CFD's moderately high effective tax rate of 1.72%. The CFD's overall VTL, including overlapping debt, is estimated at 16 to 1, a level we consider moderate. The CFD levied \$2.5 million for fiscal 2017, providing 1.2x annual debt service coverage. We calculate that the CFD can withstand a permanent delinquency of about 13.1% of special taxes through the life of the bonds before debt service payments would suffer a shortfall. The delinquency rate in fiscal 2016 was 0.88%, a level we consider low. We understand that additional bonds may be issued for refunding purposes only.
West Sacramento Finance Authority	CA	BBB	Stable	West Sacramento Financing Authority's 2016A bonds are secured by per-parcel Mello-Roos special taxes generated from four individual CFDs: West Sacramento CFD 17, CFD 21, CFD 23, and CFD 24 pooled by the authority using a Marks-Roos pooled financing structure to pay debt service on the series 2016A bonds and 2016B bonds. The series 2016B bonds are subordinate and are not rated by S&P Global Ratings. Given the senior-subordinate structure, the series 2016A bonds have excess coverage at the authority level, providing partial cross-collateralization. Our analysis is based on the credit quality of all four CFDs, which are cross-collateralized. Primary credit strengths include the authority's mature and mostly residential tax base, along with low delinquency rates of less than 2% in all CFDs. Other credit strengths include good 1.36x debt service coverage and a relatively low number of properties whose overall VTL ratios are less than 5 to 1. We calculate the district could cover all developed parcels with overall VTL ratios of less than 5 to 1 for the life of the bonds before the DSR would be exhausted. The strengths are offset by the district's moderately low 11 to 1 overall VTL ratio and high 1.99% effective tax rate. Based on the Mello-Roos law limitation on the district's ability to increase the current annual levy by 10% on residences above the amount that would have been levied due to delinquencies or defaults, we calculate that the authority can withstand 13% delinquencies annually until the DSR fund is exhausted. The district's special taxpayers are moderately concentrated, in our opinion, with the top 10 taxpayers responsible for 31% of the special tax levy. We calculate the authority bonds could withstand the loss of the leading 10 taxpayers for at least 10 years before the DSR is completely diminished. In our view, median household effective EBI is good, at 101% of the national level.

Related Research

Special Assessment Bond Ratings Are Trending Up As The U.S. Economic Recovery Continues, March 28, 2016

Ratings Detail (As Of May 30, 2017)

Orange Comnty Fac Dist No. 06-1 spl tax (AGM)		
Unenhanced Rating	BBB(SPUR)/Stable	Affirmed
Orange Comnty Fac Dist No. 06-1 SPCLASMT		
Long Term Rating	BBB/Stable	Affirmed
Palmdale Sch Dist Comnty Fac Dist 90-1 spl tax bnds		
Long Term Rating	BBB/Stable	Affirmed
Poway Unif Sch Dist Pub Fincg Auth spl tax rev bnds		
Long Term Rating	BBB/Stable	Affirmed
Riverside Unified School District Financing Authority spl assessments (BAM)		
Unenhanced Rating	BBB+(SPUR)/Stable	Affirmed

Ratings Detail (As Of May 30, 2017) (cont.)		
Sulphur Springs Un Sch Dist Comnty Facs Dist 2002-1 special tax rfdg bnds		
Long Term Rating	BBB+/Stable	Affirmed
West Sacramento Fin Auth rfdg spl tax rev bnds ser 2016A due 09/01/2038		
Long Term Rating	BBB/Stable	Affirmed
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.