



Municipal Market Disclosure Information Cover Sheet

This Filing Applies to:

1. City of Sacramento, Water Revenue Bonds, Series 2017, \$52,610,000, Dated: June 22, 2017
786089HD7, 786089HE5, 786089HF2, 786089HG0, 786089HH8, 786089HJ4, 786089HK1,
786089HL9, 786089HM7, 786089HN5, 786089HP0, 786089HQ8, 786089HR6, 786089HS4,
786089HT2, 786089HU9, 786089HV7, 786089HW5, 786089HX3, 786089HY1

2. City of Sacramento, Water Revenue Bonds, Series 2013, \$215,195,000, Dated: March 28, 2013
786089GC0, 786089GD8, 786089GE6, 786089GZ9, 786089GF3, 786089GG1, 786089GH9,
786089HA3, 786089GJ5, 786089GK2, 786089GL0, 786089GM8, 786089GN6, 786089GP1,
786089GQ9, 786089GR7, 786089GS5, 786089GT3

TYPE OF FILING:

If information is also available on the Internet, give URL: www.dacbond.com

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)**Financial / Operating Data Disclosures****Rule 15c2-12 Disclosure**

- Annual Financial Information & Operating Data (Rule 15c2-12)
- Audited Financial Statements or CAFR (Rule 15c2-12)
- Failure to provide as required

Additional / Voluntary Disclosure

- Quarterly / Monthly Financial Information
- Change in Fiscal Year / Timing of Annual Disclosure
- Change in Accounting Standard

- Interim / Additional Financial Information / Operating Data
- Budget
- Investment / Debt / Financial Policy
- Information Provided to Rating Agency, Credit / Liquidity Provider or Other Third Party
- Consultant Reports
- Other Financial / Operating Data

Event Filing

Rule 15c2-12 Disclosure

- Principal / Interest Payment Delinquency
- Non-payment Related Default
- Unscheduled Draw on Debt Service Reserve Reflecting Financial Difficulties
- Unscheduled Draw on Credit Enhancement Reflecting Financial Difficulties
- Substitution of Credit or Liquidity Provider, or Its Failure to Perform
- Adverse Tax Opinion or Event Affecting the Tax-exempt Status of the Security
- Modification to the Rights of Security Holders
- Bond Call
- Defeasance
- Release, Substitution or Sale of Property Securing Repayment of the Security
- Rating Change
- Tender Offer / Secondary Market Purchases
- Merger / Consolidation / Acquisition and Sale of All or Substantially All Assets
- Bankruptcy, insolvency, receivership or similar event
- Successor, Additional or Change in Trustee
- Failure to Provide Event Filing Information as Required
- Financial Obligation - Incurrence and Agreement
- Financial Obligation - Event Reflecting Financial Difficulties

Additional / Voluntary Disclosure

- Amendment to Continuing Disclosure Undertaking
- Change in Obligated Person
- Notice to Investor Pursuant to Bond Documents
- Communication From the Internal Revenue Service
- Bid For Auction Rate or Other Securities
- Capital or Other Financing Plan
- Litigation / Enforcement Action
- Change of Tender Agent, Remarketing Agent or Other On-going Party
- Derivative or Other Similar Transaction
- Other Event-based Disclosures

Rating Affirmation

Asset-Backed Securities Filing

Additional / Voluntary Disclosure

- Initial Asset-Backed Securities Disclosure (SEC Rule 15Ga-1(c)(1))
- Quarterly Asset-Backed Securities Disclosure (SEC Rule 15Ga-1(c)(2)(i))
- Annual Asset-Backed Securities Disclosure (SEC Rule 15Ga-1(c)(2)(ii))
- Other Asset-Backed Securities Disclosure (e.g. notice of termination of duty to file reports pursuant to SEC Rule 15Ga-1(c)(3))

Disclosure Dissemination Agent Contact:

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State: FL

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Telephone: 407 515 - 1100

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Email Address: emmaagent@dacbond.com

Relationship to Issuer: Dissemination Agent

Authorized By:

Name: Brian Wong

Title: Debt Manager

Entity: City of Sacramento, CA

Digital Assurance Certification

Filing Certificate

DAC transmitted the Other Event-based Disclosures to EMMA/SID (if applicable) on behalf of City of Sacramento, CA under their SEC Rule 15c2-12 Continuing Disclosure Agreement.

Transmission Details: ER1018723

Date & Time Stamp:	04/01/2020
Document Name or Event Type:	Other Event-based Disclosures
Document Description:	Rating Affirmation
DAC Bond Coversheet:	Yes
Transmitted to:	MSRB-EMMA
Total CUSIPs associated with this Filing:	38
Filing made on Series:	2017, 2013

Codes: P (Prerefunded), R (Refunded), U (Unrefunded), E (Escrowed), A (Advance Refunding), D (Defeased), T (Tendered), V (Derivatives), UD (Undetermined), NLO (No Longer Outstanding)

Red: Original CUSIPs - filing missed · **Blue:** Non-Original CUSIPs - filing missed · **Green:** Outstanding CUSIPs - filing made · **Black:** Inactive CUSIPs

- Issue: City of Sacramento, Water Revenue Bonds, Series 2017, \$52,610,000, Dated: June 22, 2017
CUSIP: 786089HD7, 786089HE5, 786089HF2, 786089HG0, 786089HH8, 786089HJ4, 786089HK1, 786089HL9, 786089HM7, 786089HN5, 786089HP0, 786089HQ8, 786089HR6, 786089HS4, 786089HT2, 786089HU9, 786089HV7, 786089HW5, 786089HX3, 786089HY1
No missing CUSIPs for this bond issue
 - Issue: City of Sacramento, Water Revenue Bonds, Series 2013, \$215,195,000, Dated: March 28, 2013
CUSIP: 786089GC0, 786089GD8, 786089GE6, 786089GF3, 786089GZ9, 786089GG1, 786089GH9, 786089GJ5, 786089HA3, 786089GK2, 786089GL0, 786089GM8, 786089GN6, 786089GP1, 786089GQ9, 786089GR7, 786089GS5, 786089GT3
No missing CUSIPs for this bond issue
-

City of
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Office of the City Treasurer

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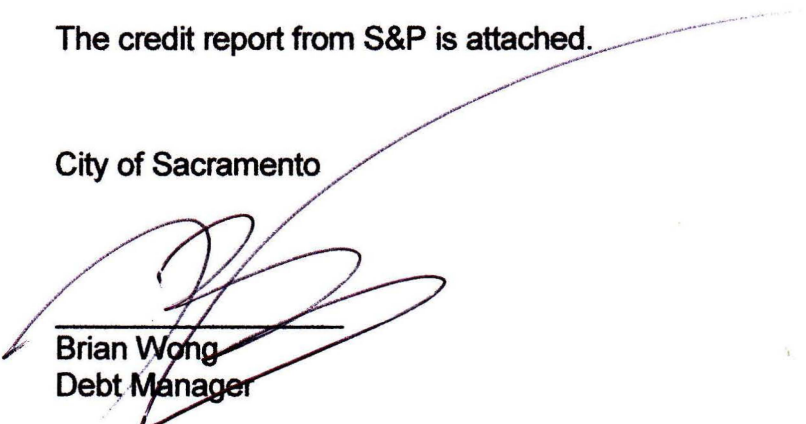
**ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING AFFIRMED**

Dated: April 1, 2020

NOTICE IS HEREBY GIVEN that on March 31, 2020, Standard and Poor's Global Ratings ("S&P") affirmed the "AA" long-term rating with a stable outlook for the City of Sacramento's Water Revenue Bonds, Series 2013 and Water Revenue Bonds, Series 2017. Additionally, S&P assigned a "AA" rating with a stable outlook to the upcoming issuance of the City of Sacramento's Water Revenue Refunding Bonds, Series 2020.

The credit report from S&P is attached.

City of Sacramento



Brian Wong
Debt Manager

Attachment: S&P credit report – City of Sacramento Water Revenue Bonds, Series 2013, City of Sacramento Water Revenue Bonds, Series 2017, and upcoming City of Sacramento Water Revenue Refunding Bonds, Series 2020

RatingsDirect®

Summary:

Sacramento, California; Water/Sewer

Primary Credit Analyst:

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Summary:

Sacramento, California; Water/Sewer

Credit Profile

US\$187.14 mil wtr rev rfdg bnnds (federally taxable) ser 2020 due 09/01/2042

<i>Long Term Rating</i>	AA/Stable	New
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Sacramento wtr

<i>Long Term Rating</i>	AA/Stable	Affirmed
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Rating Action

S&P Global Ratings assigned its 'AA' long-term rating to Sacramento, Calif.'s series 2020 water revenue refunding bonds. At the same time, S&P Global Ratings affirmed its 'AA' long-term rating on the city's outstanding series 2013 water revenue bonds and series 2017 water revenue bonds. The outlook is stable.

Net revenue of the water system secures the bonds. The series 2020 water revenue refunding bonds will have a par amount of about \$187 million to refund a portion of the city's outstanding water revenue bonds, series 2013, for debt service savings. As of March 1, 2020, the outstanding principal amount of the series 2013 bonds was \$191.8 million (including the refunded bonds), the series 2017 bonds totaled \$51 million, the outstanding principal amount owed by the city pursuant to the state funding agreement was \$6.8 million, and the outstanding principal amount of the state revolving fund (SRF) loan was \$173 million. The water system also has about \$105 million of unsecured debt issued by the Sacramento City Financing Authority through the city's master lease program; see the "Leased water assets" paragraph below for more information.

Credit overview

The rating reflects our view of the water system's very strong enterprise and financial risk profile. The city is the state's capital, and the employment base consists of government- and health care-related employment. The customer base benefits from being in the broad and diverse Sacramento-Roseville-Arden-Arcade metropolitan service area with diversifying employment opportunities, good income metrics, and a low unemployment rate. In our opinion, strong operational management is driven by significant water supply from the Sacramento River, the American River, and groundwater to meet demand through 2030, low water loss, and continued investment to maintain the integrity of the water system. The city's strong management team and history of timely water rate increases have supported continued financial strength in both the water system's extremely strong all-in coverage and unrestricted cash position.

In our opinion, given the current economic conditions, we believe the water system's revenues may decline somewhat for fiscal 2020, though ultimately we expect that management will continue to manage expenses and capital projects to maintain sound financial metrics. The water system, as of fiscal 2019, had 519 days' cash on hand, which we believe provides a significant cushion against short-term disruptions. The city has been proactive in implementing strategies for reducing the spread of COVID-19 and supporting the safety and welfare of city employees, such as implementing an expanded telecommuting policy, using WebEx and other tools for conducting virtual meetings, and relaxing the sick

leave policy. While we continue to monitor events related to COVID-19, we do not currently expect it to affect the water system's ability to maintain budgetary balance and pay debt service costs. For more information, see our article "COVID-19's Potential Effects In U.S. Public Finance Vary By Sector" (published March 5, 2020, on RatingsDirect).

The rating reflects our view of the water system's strengths:

- Robust water supply and treatment plant capacity to meet continued demand through 2030;
- Extremely strong all-in coverage at above 1.8x during the past three fiscal years, which we expect to decline to a strong level in fiscal 2022 given the assumption of no rate increases and the SRF loan principal payments that begin in 2022;
- Extremely strong unrestricted liquidity position at about \$107 million, equivalent to about 519 days of operating expenses; and
- Strong financial management practices and policies.

The rating also reflects our view of the water system's limiting factors:

- A moderate debt-to-capitalization ratio at about 45%, and
- A large water system capital plan of about \$138 million during the next five years.

The stable outlook reflects our expectation that management will continue to annually review water system rates and increase rates if needed to sustain financial metrics in line with the current rating level. The stable outlook reflects our expectation that the water system will maintain an extremely strong cash position despite the planned drawdown to fund the water system's capital plan and that all-in coverage will decline to a level we consider strong, with no planned rate increases. Our stable outlook further reflects the diverse service area economy anchored by the state capital.

Environmental, social, and governance (ESG) factors

Overall, we believe that management has mitigated most of its water system's ESG-related risk by adopting, adhering to, and adjusting operating and financial policies and procedures. Given current income indicators and county poverty rate, we do not view affordability as a social risk above peers; however, if rates significantly increase, income indicators decline, and the county poverty rate rises, rates may become less affordable.

Stable Two-Year Outlook

Downside scenario

We could lower the rating if there is a material decline in the city's economic fundamentals, such as median income metrics, or a rise in unemployment or poverty rates. We could additionally lower the rating if all-in coverage or unrestricted cash declines below projected amounts.

Upside scenario

We could raise the rating if all-in coverage and unrestricted cash are sustained at an extremely strong level or if the service area economy materially strengthens and diversifies.

Credit Opinion

Enterprise risk

The city is located in Sacramento County in the northern section of California's Central Valley at the confluence of the Sacramento and American rivers. The city is the state's capital, and the employment base consists of government- and health care-related employment. As of March 17, 2020, S&P Global Ratings forecasts a global recession this year. We will continue to monitor the city's economic conditions going forward, though we view the primarily residential customer base as providing some stability to the water system's revenue stream in the future. We view the service area's income levels to be good, based on the city's median household effective buying income (MHHEBI), which was 97% of the national median for 2018. For November 2019, the city's unemployment rate was about 3.3%, which was below the state's 3.7% and in line with the national rate.

The water system's service area is primarily residential and very diverse. The water system's retail service area is generally contiguous with the city's boundaries. The water system served about 142,800 customers in 2019, of which 92% are residential, which in our opinion provides stability to the water system's revenue stream. The top 10 customers are also very diverse, representing only 7.67% of total system revenues based on fiscal 2019 financials. The leading customer, the city of Sacramento, represented 3.28% of system revenue for the same respective period. We view the leading customers to be very stable, as they are primarily government users, such as the state of California, the city of Sacramento, and Sacramento City Unified School District.

We view the water system's market position as good, represented by affordable service rates in the context of the service area's good income metrics, and an average county poverty rate of about 14% based on the U.S. Department of Agriculture's most recent 2018 data. A typical residential bill, using our benchmark of 800 cubic feet, is about \$47.39, equivalent to about 1.15% of MHHEBI, which is affordable. The county's poverty rate as reported by the U.S. Department of Agriculture is 14% (2018), which we view as average across the nation. The city performs frequent internal rate studies and does not have future water rate increases planned, given the 10% annual rate increases implemented for 2017-2020. Management will continue to review water rates annually and assess the need for rate increases in the future.

Based on our operational management assessment, we score the water system a '2' on a six-point scale on which '1' is the strongest. The assessment of good reflects sufficient water supply and treatment plant capacity to meet demand through 2030, low water loss, and management's attention to maintaining the integrity of the system. The city's water supply comes from the Sacramento River, the American River, and groundwater. The Sacramento River Water Treatment Plant and the Fairbairn Water Treatment Plant have sufficient capacity given the average daily maximum month production was 24% and 60% of treatment plant capacity. Groundwater supply represents about 24% of total water supply, and management indicated that they have not identified contamination above permitted levels. In addition, management is aggressively pursuing a robust conjunctive use program to increase groundwater capacity. The system is currently about 97% metered with an estimated water loss (non-revenue water) of about 10%, which we consider low. Management expects to be fully metered by the end of 2021.

Financial risk

The water system's historical all-in coverage has been extremely strong, and we expect it to decline to a strong level during the next five fiscal years. Our all-in coverage metric includes the city's annual payment to the general fund of 11%. The voter-approved general fund tax is equal to 11% and has been the same since 1998. In addition, our all-in coverage metric includes unsecured debt paid by the water fund (see the "Leased water assets" paragraph below for more information). All-in coverage during the past three fiscal years was 2.1x (2019), 2.2x (2018), and 1.8x (2017), all figures we consider extremely strong. Based on our analysis of management-provided projections, we expect coverage to decline to about 1.4x in 2022 and 1.25x in 2024. The decline in all-in coverage is driven by our assumption that there will be no water rate increases and an SRF obligation that assumes the first principal payment will be payable in December 2021, one year after the estimated project completion date. The rise in debt service payments and current assumption of no rate increases result to lower all-in coverage, which we consider strong. Based on the indenture's parity coverage calculation, debt service coverage will be stay above 1.7x, which is above the rate covenant of 1.2x annual debt service for parity obligations.

The water system's liquidity position has been extremely strong during the past three fiscal years, and we expect it to decline but stay extremely strong. The water system's unrestricted cash position for fiscal 2019, based upon the audited comprehensive annual financial report's total unrestricted cash and investments, was about \$107 million, equivalent to about 519 days of operating expenses. Based on our analysis of management-provided projections, projected ending unrestricted water fund balance on a budgetary basis, cash is expected to decline to about \$77 million, or 300 days of operating expenses, by 2024, a figure we still consider extremely strong. For the water system's \$138 million capital plan, management has no future debt plans but plans to spend between \$9 million and \$25 million annually from rate revenue and unrestricted cash during the next five years. Although we believe that Proposition 218 (Article XIII C and D of the California Constitution) restricts municipalities from imposing overhead costs or franchise fees on utility enterprises to increase general fund revenues, we believe the city council could take steps to ignore such protections in times of severe financial distress. Further, general fund distress could lead to the city transferring cash from the utility, which could negatively affect the utility's liquidity assessment.

The water system's debt-to-capitalization ratio is moderate at about 45%, and the system's capital plan is sizable at about \$138 million through 2024. The capital plan is focused on rehabilitating and/or replacing critical infrastructure, including groundwater production facilities, and completing the city's water meter retrofit program. Management plans to fund the five-year capital plan from rate revenue and unrestricted cash. Management indicated no future debt plans at this point in time.

Based on our financial management assessment, we score the water system as a '1' on a six-point scale on which '1' is the strongest. In our view, financial practices and policies exist and are transparent. The city reviews the budget semiannually. The city has a formalized investment, debt, and liquidity policy. The liquidity policy is to maintain a minimum of 120 days of working capital for the water fund. The city's capital improvement program includes a comprehensive five-year plan for identifying current fiscal requirements. Additionally, the program includes a long-term, 30-year capital plan. Furthermore, the city annually updates its long-term financial plan and complies with generally accepted accounting principles.

Leased water assets

The city has a master lease program under which it has issued bonds for various purposes, including financing water system improvements. The bonds are in practice paid from water system revenues but are secured by lease payments from the city's general fund. Approximately \$105 million principal amount of master lease bonds relating to water system improvements are currently outstanding. Although water system revenue is not pledged to any lease revenue bond, water system improvements in our all-in coverage calculation because they are reoccurring obligations of the water system. We note that under the revenue bond indenture, the water system must pay operating costs and all debt service secured by water revenue, including the series 2013 and 2017 bonds, State Funding Agreement loans, and Drinking Water SRF loans, before it is permitted to pay or reimburse debt service on the lease revenue bonds associated with the water system.

Under the master lease program, the city has leased a pool of assets, including portions of its Sacramento River Water Treatment Plant. If the city were to fail to make any portion of its lease payments under the entire program, the trustee has the right to re-let a portion of the leased property, including potentially the water system assets. Any disruption in the use of the Sacramento River Water Treatment Plant, which represents about 57% of the system's sustainable capacity, could negatively affect water supply and water revenues. Therefore, in our view, under the lease revenue bond structure the water system has some exposure to the financial position of the general fund. However, given S&P Global Ratings' current rating on the city's general fund-backed debt and the water system's somewhat diversified water supply portfolio, we do not view this exposure as a key credit weakness at this time.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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