DAC Bond®

Municipal Market Disclosure Information Cover Sheet

This Filing Applies to:

1. City of Sacramento, TOT Revenue Bonds (Convention Center Complex), $283,315,000, 2018 Senior Series A, $195,815,000, 2018 Senior Series B (Federally Taxable), $20,610,000 and 2018 Subordinate Series C, $66,890,000, Dated: November 1, 2018
786073AA4, 786073AX4, 786073AB2, 786073AY2, 786073AC0, 786073AZ9, 786073AD8, 786073BA3, 786073BB1, 786073AE6, 786073AF3, 786073BC9, 786073AG1, 786073BD7, 786073AH9, 786073BE5, 786073AJ5, 786073BF2, 786073AK2, 786073AL0, 786073BG0, 786073AM8, 786073BH8, 786073BJ4, 786073AN6, 786073AP1, 786073BK1, 786073BL9, 786073AQ9, 786073BM7, 786073AR7, 786073AS5, 786073BN5, 786073AT3, 786073BP0, 786073AU0, 786073BQ8, 786073AV8, 786073BR6, 786073BS4, 786073AW6

2. Sacramento City Financing Authority, Refunding Revenue Bonds (Master Lease Program Facilities), 2015, $183,380,000, Dated: October 14, 2015
785849WX4, 785849WB2, 785849WC0, 785849WY2, 785849WD8, 785849WE6, 785849WF3, 785849WG1, 785849WH9, 785849WJ5, 785849WZ9, 785849WK2, 785849WL0, 785849WM8, 785849WN6, 785849WP1, 785849WQ9, 785849WR7, 785849WS5, 785849WT3

3. Sacramento City Financing Authority, $218,205,000 Consisting of: Capital Improvement Revenue Bonds, 2006 Series C (300 Richards Boulevard Building Acquistion), $28,825,000 AND Taxable Capital Improvement Revenue Bonds, 2006 Series D (300 Richards Boulevard Building Acquisition), $2,430,000 AND Refunding Revenue Bonds, 2006 Series E (Master Lease Program Facilities), $186,950,000, Dated: December 12, 2006
785849UW8, 785849UX6, 785849UY4, 785849UZ1, 785849VA5, 785849VB3, 785849VC1, 785849VD9

4. Sacramento City Financing Authority, $151,135,000 Consisting of: Capital Improvement Revenue Bonds, 2006 Series A (Community Reinvestment Capital Improvement Program), $95,900,000 AND Taxable Capital Improvement Revenue Bonds, 2006 Series B (Community Reinvestment Capital Improvement Program), $55,235,000, Dated: June 15, 2006
785849TL4, 785849TM2

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

- [x] Rating Change

Moody's Affirms Long-Term Rating on Sacramento, CA, City April 24, 2020

- [ ] 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

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))

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Name: Brian Wong
Title: Debt Manager
Entity: Sacramento, CA, City of

Digital Assurance Certification

Filing Certificate

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

Transmission Details: SS1050905

Date & Time Stamp:	04/27/2020
Document Name or Event Type:	Rating Change
Document Description:	Moody's Affirms Long-Term Rating on Sacramento, CA, City April 24, 2020
DAC Bond Coversheet:	Yes
Transmitted to:	MSRB-EMMA
Total CUSIPs associated with this Filing:	71
Filing made on Series:	2018A,B,C, 2015, 2006C,D,E, 2006A,B

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

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1. Issue: City of Sacramento, TOT Revenue Bonds (Convention Center Complex), $283,315,000, 2018 Senior Series A, $195,815,000, 2018 Senior Series B (Federally Taxable), $20,610,000 and 2018 Subordinate Series C, $66,890,000, Dated: November 1, 2018

   CUSIP: 786073AA4, 786073AX4, 786073AB2, 786073AY2, 786073AC0, 786073AZ9, 786073AD8, 786073BA3, 786073AE6, 786073AF3, 786073BB1, 786073AG1, 786073BC9, 786073AH9, 786073BD7, 786073AJ5, 786073BE5, 786073AK2, 786073BF2, 786073AL0, 786073BG0, 786073AM8, 786073BH8, 786073AN6, 786073BJ4, 786073AP1, 786073BK1, 786073AQ9, 786073BL9, 786073AR7, 786073BM7, 786073AS5, 786073BN5, 786073AT3, 786073BP0, 786073AU0, 786073BQ8, 786073AV8, 786073BR6, 786073AW6, 786073BS4

   No missing CUSIPs for this bond issue

2. Issue: Sacramento City Financing Authority, Refunding Revenue Bonds (Master Lease Program Facilities), 2015, $183,380,000, Dated: October 14, 2015

   CUSIP: 785849WB2, 785849WX4, 785849WC0, 785849WY2, 785849WD8, 785849WE6, 785849WF3, 785849WG1, 785849WH9, 785849WJ5, 785849WZ9, 785849WK2, 785849WL0, 785849WM8, 785849WN6, 785849WP1, 785849WQ9, 785849WR7, 785849WS5, 785849WT3

   No missing CUSIPs for this bond issue

3. Issue: Sacramento City Financing Authority, $218,205,000 Consisting of: Capital Improvement Revenue Bonds, 2006 Series C (300 Richards Boulevard Building Acquistion), $28,825,000 AND Taxable Capital Improvement Revenue Bonds, 2006 Series D (300 Richards Boulevard Building Acquisition), $2,430,000 AND Refunding Revenue Bonds, 2006 Series E (Master Lease Program Facilities), $186,950,000, Dated: December 12, 2006

CUSIP: 785849UW8, 785849UX6, 785849UY4, 785849UZ1, 785849VA5, 785849VB3, 785849VC1, 785849VD9

No missing CUSIPs for this bond issue

4. Issue: Sacramento City Financing Authority, $151,135,000 Consisting of: Capital Improvement Revenue Bonds, 2006 Series A (Community Reinvestment Capital Improvement Program), $95,900,000 AND Taxable Capital Improvement Revenue Bonds, 2006 Series B (Community Reinvestment Capital Improvement Program), $55,235,000, Dated: June 15, 2006

CUSIP: 785849TL4, 785849TM2

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
RATINGS AFFIRMED

Dated: April 27, 2020

NOTICE IS HEREBY GIVEN that on April 24. 2020, Moody's Investor Services ("**Moody's**") affirmed the City of Sacramento's long-term issuer rating at "***Aa2***", while revising the outlook from ***positive*** to ***stable***. At the same time, Moody's also affirmed the rating and revised the outlook of lease revenue bonds issued by the Sacramento City Financing Authority and affirmed the rating and revised the outlook of transient occupancy tax bonds issued by the City of Sacramento as follows:

Sacramento City Financing Authority bond issues

- Affirmed the underlying and insured ratings of the *Lease Revenue Refunding Bonds, Series 1993A* as "***A1***"; revised outlook to ***stable***.
- Affirmed the underlying rating of the *Lease Revenue Refunding Bonds, Series 1993B* as "***Aa3***"; revised outlook to ***stable***.
- Affirmed the underlying and insured ratings of the *2006 Capital Improvement Revenue Bonds, Series B* as "**Aa3**"; revised outlook to ***stable***.
- Affirmed the underlying and insured ratings of the *2006 Refunding Revenue Bonds, Series E* as "***Aa3***"; revised outlook to ***stable***.
- Affirmed the underlying rating of the *2015 Refunding Revenue Bonds (Master Lease Program Facilities)* as "***Aa3***"; revised outlook to ***stable***.

City of Sacramento bond issues

- Affirmed the underlying rating of the *2018 Transient Occupancy Tax, Senior Series A* as "***A1***"; revised outlook to ***negative***.
- Affirmed the underlying rating of the *2018 Transient Occupancy Tax, Senior Series B* as "***A1***"; revised in outlook to ***negative.***
- Affirmed the underlying rating of the *2018 Transient Occupancy Tax, Subordinate Series C* as "***A2***" revised outlook to ***negative***.

City of Sacramento

Brian Wong
Debt Manager

Attachment: Moody's revises City of Sacramento, CA's outlooks to stable from positive for issuer and lease ratings, to negative from stable on TOT bonds; all outstanding ratings affirmed

MOODY'S
INVESTORS SERVICE

Rating Action: Moody's revises City of Sacramento, CA's outlooks to stable from positive for issuer and lease ratings, to negative from stable on TOT bonds; all outstanding ratings affirmed

24 Apr 2020

New York, April 24, 2020 -- Moody's Investors Service has revised the outlooks on the City of Sacramento, CA's issuer rating and lease-backed ratings to stable from positive, and on the city's outstanding transient occupancy tax (TOT) revenue bonds to negative from stable. Concurrently, we affirmed the city's outstanding Aa2 issuer rating; Aa3 on lease-backed obligations with more essential leased assets; A1 on the Lease Revenue Refunding Bonds Series 1993A with a leased asset we consider less essential; A1 on the 2018 TOT Revenue Bonds, Senior Series A and B; and A2 on the 2018 TOT Revenue Bonds, Subordinate Series C. This rating action affects $348 million of the city's $611 million in lease-backed obligations and the city's $283 million in outstanding TOT bonds.

RATINGS RATIONALE

The revision of the outlook to stable from positive for the city's issuer and lease ratings reflects our changed view of the city's likely revenue and reserve trajectory. Our prior expectation was for the city to maintain its strengthened position due to the increase in revenue from a new permanent transaction and use tax, which would both offset increasing pension costs and build reserves, consistent with a then new minimum reserve policy of 17% of general fund and Measure U fund expenditures. Our current expectation is that the coronavirus outbreak will significantly dampen growth of the city's general fund and Measure U revenue, eliminating previously expected surpluses, even if the coronavirus downturn proves short and the recovery relatively rapid. We expect that the city's financial position will narrow, due to rising fixed costs and non-general fund sources used to pay debt service, but remain consistent with the Aa2 rating level.

The negative outlook on the TOT revenue bond ratings reflects our view that the economic downturn resulting from the coronavirus outbreak will materially and negatively impact the city's ability to pay debt service on the bonds from current year revenue in the near term, instead using identified reserves.

The city's Aa2 issuer rating reflects the large tax base that until recently had been fueled by positive trends in employment, housing prices, and building activity, but which will be inhibited by the current economic downturn. The rating also reflects the city's currently very strong financial position, which will provide flexibility to manage expected revenue declines and rising costs. The city had anticipated $45 million in new general fund revenue in fiscal 2020, due to the voters approving an increased, permanent tax rate via the passage of Measure U. While the city will benefit by the increased tax rate, annual receipts will be lowered by the coronavirus downturn, which will also impact other revenue sources. The city's fixed costs are somewhat elevated and are likely to be an increased general fund burden, due to declines in revenue outside the general fund that has been offsetting a significant portion of the general fund debt service. The city's debt level is moderate, but pension and OPEB liabilities are elevated. Notably, the city eliminated OPEB benefits for new employees in 2015 and funded an OPEB trust.

The Aa3 lease-backed ratings are one notch lower than the Aa2 issuer rating. For a California city, Moody's typically applies a one-notch distinction from the issuer rating, reflecting a standard California abatement lease legal structure and leased assets that we view as "more essential." The Aa3 rating applies to the city's 2015 Refunding Revenue Bonds (Master Lease Program Facilities), 2006 Capital Improvement Revenue Bonds, Series B Taxable, and 2006 Refunding Revenue Bonds, Series E (Master Lease Program Facilities), which benefit from the more essential nature of the leased assets within the city's Master Lease Program; and to the city's Lease Revenue Refunding Bonds, Series 1993B, which benefit from the more essential nature of the executive airport and civic center garage, which secure the bonds.

The A1 lease-backed rating is two notches lower than the Aa2 issuer rating. Moody's typically applies a two-notch distinction from a California city's issuer rating reflecting a standard California abatement lease legal structure and leased assets that we view as "less essential." The A1 rating applies to the city's Lease Revenue Refunding Bonds, Series 1993A, which are secured by the city's convention center.

The A1 rating on the city's senior lien TOT revenue bonds reflects the economic strength of the Sacramento area, which has been the fastest growing large city in California with robust growth in travel and tourism, as well as the stabilizing influence of the state capital. While the city had demonstrated solid historical and projected demand for hotel rooms, consistent with the nature of the taxes pledged to repay the bonds, the recent state-mandated social distancing measures have resulted in a sharp drop in hotel occupancy. Favorable debt structure and strong legal provisions are key credit features, but coverage will likely decline from a strong level to somewhat above 1.0 times.

The A2 rating on the subordinate lien bonds reflects the shared features of the senior lien bonds, but the rating distinction reflects the subordinate lien pledge and weaker additional bonds test. Coverage for the subordinate bonds is very likely to drop below 1.0 times in the near term. This is offset by the city's substantial balance in its community center fund available to pay debt service during the downturn.

We regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is a key driver for these rating actions. Given its currently strong balance sheet, the City of Sacramento's lease ratings are not susceptible to immediate material credit risks related to coronavirus. However, we anticipate that previously expected growth in revenue from transient occupancy tax (TOT) will not materialize in the near term due to the economic effects of the coronavirus, materially affecting both coverage and balances available for bond debt service. The longer-term impact of coronavirus will depend on both the severity and duration of the crisis. The situation surrounding coronavirus is rapidly evolving. If our view of the credit quality of Sacramento changes, we will publish our updated opinion at that time.

RATING OUTLOOK

The stable outlook for the city's issuer rating and lease ratings reflects our view that the city's financial profile will remain consistent with the current rating level, despite a narrowed financial position resulting from expected revenue declines. Existing strong reserves combined with budget cuts will enable the city to weather the pressures on its revenue and cost pressures in the next 18 to 24 months.

The negative outlook for the city's TOT bond ratings reflects our view that the current coronavirus downturn, even if short lived, will materially affect the credit quality of the TOT bonds and if prolonged would result in further negative pressure on the credit profile.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

Issuer and lease ratings

- Increased reserves and liquidity

- Resumed growth in general fund and Measure U revenues

- Reduction of debt burden

- Reduction of unfunded pension and OPEB liabilities

- Material improvement to resident wealth measures, including median family income and full value per capita

TOT bond ratings

- Substantial growth in debt service coverage

- Restoration of hotel occupancy rates to normal levels could result in removal of the negative outlook

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

Issuer and lease ratings

- Protracted deterioration of fiscal position through deficit spending

- Material erosion of the tax base

- Material increase in general fund-supported debt

- Material growth in unfunded pension or OPEB liabilities

- Material decline in non-general fund revenue used to pay lease-backed debt, creating significant fiscal stress to the general fund, could result in widened notching

TOT bond ratings

- Protracted revenue downturn due to the coronavirus outbreak

- Substantial new debt beyond the contemplated potential third lien

- Depletion of available reserves

- Use of the debt service reserve surety

LEGAL SECURITY

The city's lease-backed obligations are secured by standard abatement leases benefiting from 24-month rental interruption insurance and surety-funded debt service reserves. The Aa3-rated bonds are secured by rental payments for use and occupancy of a variety of leased assets under a master lease agreement.

The A1-rated bonds are secured by rental payments for use and occupancy of the city's convention center.

The bonds are secured by a pledge of and lien on TOT taxes generated by the room tax on lodging businesses located within the City of Sacramento, net of a small portion of the TOT revenues used to support the general fund and the visitors' bureau, which are not pledged. The bonds are additionally secured by debt service reserve funds for each lien equal to the lesser of a standard three-prong test. The senior lien bonds have a 1.75 times maximum annual debt service (MADS) additional bonds test (ABT) and the subordinate lien bonds have a 1.15 times MADS ABT. The repayment of the bonds is also secured in part by a TOT revenue surplus account, which was established upon issuance with a current balance of $1.9 million, equal to approximately 10% of MADS.

PROFILE

Sacramento is located at the confluence of the Sacramento and American rivers in the northern Central Valley, 75 miles northeast of San Francisco (Aaa stable). The city encompasses 99 square miles and has over 500,000 residents as of 2018, making it the sixth largest city in the state. It was incorporated in 1849 and is the California (Aa2 stable) state capital and the seat of Sacramento County (A1 stable). The full-service city is governed by a nine-member city council including an elected mayor.

METHODOLOGY

The principal methodology used in the issuer rating was US Local Government General Obligation Debt published in September 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1191097. The principal methodology used in the lease ratings was Lease, Appropriation, Moral Obligation and Comparable Debt of US State and Local Governments published in July 2018 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1102364 . The principal methodology used in the transient occupancy tax revenue rating was US Public Finance Special Tax Methodology published in July 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBM_1077147 . Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security 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 credit rating action on the support provider and in relation to each particular credit 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.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1133569 .

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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