



Municipal Market Disclosure Information Cover Sheet

This Filing Applies to:

1. City of Sacramento Wastewater Revenue Refunding Bonds, Series 2020 (Federally Taxable), \$27,970,000, Dated: July 1, 2020
786087BT2, 786087BU9, 786087BV7, 786087BW5, 786087BX3, 786087BY1, 786087BZ8, 786087CA2, 786087CB0, 786087CC8, 786087CD6, 786087CE4, 786087CF1, 786087CG9, 786087CH7, 786087CJ3
2. City of Sacramento, Wastewater Revenue Bonds, Series 2019, \$25,960,000, Dated: April 10, 2019
786087AX4, 786087AY2, 786087AZ9, 786087BA3, 786087BB1, 786087BC9, 786087BD7, 786087BE5, 786087BF2, 786087BG0, 786087BH8, 786087BJ4, 786087BK1, 786087BL9, 786087BM7, 786087BN5, 786087BP0, 786087BQ8, 786087BR6
3. City of Sacramento, Wastewater Revenue Bonds, Series 2013, \$30,855,000, Dated: June 27, 2013
786087AG1, 786087AH9, 786087AJ5, 786087AK2, 786087AL0, 786087AM8, 786087AN6, 786087AP1, 786087AQ9, 786087AR7, 786087AS5, 786087AT3, 786087AU0, 786087AV8, 786087AW6

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

Fitch Affirmation of Wastewater Revenue Bonds, Series 2013 and 2019, and Wastewater Revenue Refunding Bonds, Series 2020 Ratings

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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Relationship to Issuer: Dissemination Agent

Authorized By:

Name: Brian Wong

Title: Debt Manager

Entity: Sacramento, CA, City of

Digital Assurance Certification

Filing Certificate

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

Transmission Details: P21104858

Date & Time Stamp: 03/16/2021

Document: Other Event-based Disclosures: Fitch Affirmation of Wastewater Revenue Bonds, Series 2013 and 2019, and Wastewater Revenue Refunding Bonds, Series 2020 Ratings

DAC Bond Coversheet: Yes

Transmitted to: MSRB-EMMA

Total CUSIPs associated with this Filing: 50

Filing made on Series: 2020, 2019, 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

1. Issue: City of Sacramento Wastewater Revenue Refunding Bonds, Series 2020 (Federally Taxable), \$27,970,000, Dated: July 1, 2020
 CUSIP: 786087BT2, 786087BU9, 786087BV7, 786087BW5, 786087BX3, 786087BY1, 786087BZ8, 786087CA2, 786087CB0, 786087CC8, 786087CD6, 786087CE4, 786087CF1, 786087CG9, 786087CH7, 786087CJ3
 No missing CUSIPs for this bond issue
2. Issue: City of Sacramento, Wastewater Revenue Bonds, Series 2019, \$25,960,000, Dated: April 10, 2019
 CUSIP: 786087AX4, 786087AY2, 786087AZ9, 786087BA3, 786087BB1, 786087BC9, 786087BD7, 786087BE5, 786087BF2, 786087BG0, 786087BH8, 786087BJ4, 786087BK1, 786087BL9, 786087BM7, 786087BN5, 786087BP0, 786087BQ8, 786087BR6
 No missing CUSIPs for this bond issue
3. Issue: City of Sacramento, Wastewater Revenue Bonds, Series 2013, \$30,855,000, Dated: June 27, 2013
 CUSIP: 786087AG1, 786087AH9, 786087AJ5, 786087AK2, 786087AL0, 786087AM8, 786087AN6, 786087AP1, 786087AQ9, 786087AR7, 786087AS5, 786087AT3, 786087AU0, 786087AV8, 786087AW6

No missing CUSIPs for this bond issue

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Sacramento CA 95814

John Colville ~ City Treasurer

Phone 916-808-5168
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Via Email

**ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING AFFIRMED**

Dated: March 16, 2021

NOTICE IS HEREBY GIVEN that on March 14, 2021, Fitch Ratings (Fitch) affirmed the "AA" long-term rating with a stable outlook for various series of City of Sacramento Sewer (aka Wastewater) Revenue Bonds. The rating affirmation impacts the following series of bonds:

- Wastewater Revenue Bonds, Series 2013
- Wastewater Revenue Bonds, Series 2019
- Wastewater Revenue Refunding Bonds, Series 2020

In addition, Fitch assessed the City sewer system's Standalone Credit Profile as "aa." Attached to this notice is the report from Fitch, including the full analysis for the ratings.

City of Sacramento



Brian Wong
Debt Manager

Attachment: Fitch Ratings Report for the City of Sacramento's Sewer Revenue Bonds



RATING ACTION COMMENTARY

Fitch Affirms Sacramento, California's Sewer Revs at 'AA'; Outlook Stable

Sun 14 Mar, 2021 - 8:02 PM ET

Fitch Ratings - Austin - 14 Mar 2021: Fitch has affirmed the 'AA' rating on the following city of Sacramento, CA (the city) sewer system (the system) obligations:

--Approximately \$55.7 million sewer system revenue bonds, series 2013, 2019, and 2020.

Fitch has also assessed the system's Standalone Credit Profile (SCP) at 'aa'.

The Rating Outlook is Stable.

ANALYTICAL CONCLUSION

The affirmation of the 'AA' bond rating and 'aa' SCP assessment reflect the system's exceptionally low but climbing leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), in the context of strong revenue defensibility and very strong operating risks, assessed at 'a' and 'aa', respectively.

Factored into the revenue defensibility assessment is the fixed rate paid by system customers to the regional wastewater service provider, Sacramento Regional County Sanitation District (SRCSD; Issuer default Rating [IDR] AA-/Stable). The very strong

operating risks profile is supported by the limited operating risk associated with a sanitary sewer collection system (SSS). However, a portion of the system includes a combined sewer system (CSS), which was built well over 100 years ago and conveys wastewater and stormwater. Additional capital costs related to the CSS are expected to be ongoing, although there is some uncertainty as to the level of costs to be borne by the system.

Currently, leverage is exceptionally low at 0.6x (fiscal 2020), supported by very strong capital contributions related to redevelopment in the city's downtown corridor. However, financial margins are expected to narrow over the next few years given rising debt costs related to recent borrowings and anticipated flat rates, with leverage showing yoy growth through fiscal 2025. Depending on the level of capital spending necessary related to the CSS, leverage may exceed 4x by fiscal 2025 under Fitch's scenario analysis.

CREDIT PROFILE

The system provides wastewater collection and conveyance services through two systems: the CSS in the oldest parts of the city, and a SSS elsewhere. The SSS serves about 60% of the public collection system within the city. The city serves as the state capital, with about 500,000 residents. The SSS's primary task is to collect sewage and transport it to SRCSD. SRCSD treats flows from the system under a master interagency agreement, which was recently renegotiated and expected to be finalized in June 2021 with a 50-year term. The remaining 40% of city residents are served by Sacramento Area Sewer District (IDR: AA+/Stable).

Fitch considers the system a related entity of the City of Sacramento, CA (IDR: AA-/Stable) given the relationship of the system services as individual enterprise funds of the city. The rating on the sewer revenue bonds is not currently constrained by the credit quality of the city.

Coronavirus Considerations

The outbreak of coronavirus has thus far not had a material impact on the system's operations or financial performance. However, Fitch's ratings remain forward-looking in nature, and the agency will continue to monitor developments related to the severity and duration of the virus outbreak, as well as revise expectations for future performance as appropriate.

KEY RATING DRIVERS

Revenue Defensibility 'a'

Strong Rate Flexibility Considers Wholesaler Rates; Mature Service Area

The system provides service to about 60% of the city. Rates include payments made to regional sewer service provider that are billed directly to customers. The customer base is diverse and largely residential. Despite several years of above average rate increases, rates remain affordable for a large portion of the population. No additional rate increases are expected over near term.

Operating Risks 'aa'

Very Strong Operating Risk Profile; Ongoing Capital Investment Needs

The system has a very low operating cost burden, well under Fitch's \$6,500 per million gallons (mg) of flow threshold. The life cycle ratio is favorable, supported by a history of strong capital investment. The system faces ongoing capital need related to the CSS.

Financial Profile 'aa'

Very Low Leverage Expected to Increase

The very strong finance profile is expected to tighten due to increased debt costs and no planned rate increases. Leverage is expected to increase over next several years.

ASYMMETRIC ADDITIVE RISK CONSIDERATIONS

No asymmetric additive risk considerations affected this rating determination.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to positive rating action/upgrade:

--Suspension of upward trend and stabilization of leverage that approximates 5x through Fitch's base and stress cases, assuming revenue defensibility and operating risk assessments remain unchanged.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

--Sustained trend of leverage that approximates 8x or more through Fitch's base and stress cases, assuming revenue defensibility and operating risk assessments remain unchanged;

--Trend of rate adjustments that result in utility costs that are high for a large segment of customers.

BEST/WORST CASE RATING SCENARIO

International scale credit ratings of Sovereigns, Public Finance and Infrastructure issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of three notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit [<https://www.fitchratings.com/site/re/10111579>].

SECURITY

The bonds are secured by a senior lien on the city's net sewer system revenues after payment of maintenance and operations expenses.

REVENUE DEFENSIBILITY

The system's revenue defensibility is assessed at 'a' reflecting monopolistic service and favorable service area characteristics. Rates are also affordable, but Fitch takes into consideration rates charged on the customer base by SRCSD but are part of the total cost of sewer service. The customer base is diverse and largely residential. The city council has independent rate authority, although typical of California credits, rates are subject to challenges under Proposition 218, which allows ratepayers to roll back rates if a majority submits a written protest. Despite the lack of planned rate increases through at least fiscal 2025, the system continues to evaluate the need for future rate adjustments to support system needs.

Service area characteristics are favorable, reflecting average income levels and unemployment. Growth, while still midrange, has been seen improvement with the five-year total customer compound annual growth count at 1.3% in 2020, indicative of yoy customer gains. The area is seeing some uptick in growth and residents from the San Francisco Bay area moving to the region. The State of California is the dominant local economic force and employer in the city. While the state provides a solid fundamental base for local economic activity, the concentration of state employment in the city leaves Sacramento vulnerable to changes in the state's budget position and employment levels. The 10 largest retail accounts, which are primarily comprised of governmental entities, and account for less than 7% of revenues, reflect modest customer concentration.

Residential rates are flat fees based on the number of rooms in a home, creating great revenue predictability and stability. Fiscal 2020 combined sewer rates result in a monthly bill of \$68.65 (including a \$37 fixed rate for SRCSD), which are affordable for about 74% of the population. The city council has shown strong rate discipline in recent years, adopting a four-year rate package of 9% annual increases from fiscal 2017 to 2020. Over this same period SRCSD rates grew to \$37, up from \$32 in fiscal 2015. No additional rate adjustments are planned through at least fiscal 2025. Further, SRCSD has frozen rates through June 2022. As such, Fitch expects rates to remain affordable for a large portion of the population.

OPERATING RISKS

The operating risks profile is very strong, assessed at 'aa'. The very low operating cost burden reflects the low level of operational risk associated with collection and transportation of sewer flows to SRCSD. The operating cost burden has averaged \$3,378 per mg for the past five years, well under Fitch's \$6,500 per mg threshold for the 'aa' assessment. Under contract, the system is allowed to send SRCSD up to 60 mg a day of flows.

Included within Fitch's calculation of operating cost burden is the system's transfer to the general government. The utility tax transfer approved by voters and levied on the city's water, sewer, stormwater and solid waste enterprises may be higher or lower than 11% on one or more of the enterprises provided that the total tax paid by all of the enterprises does not exceed 11% of the total gross revenues received from user fees and charges of all of the enterprises combined. The city currently levies 11% on each of the enterprises.

The system's fiscal 2021-2025 capital improvement plan (CIP) totals \$32 million and will be funded from existing bond proceeds, paygo sources and impact fees. Management informed Fitch that the CIP does not include projects related to the system's LTCP and it continues to evaluate different options to address capital needs shared between the system and stormwater system. The life cycle ratio has been declining, bolstered by strong capital investment. Fiscal 2020 life cycle ratio registered 33%, down from 35% in fiscal years 2016-2018. Capex to depreciation has exceeded depreciation with the five-year average capex to depreciation of 284% in fiscal 2020.

The system retains some operating risks related to operation of the older CSS during major storms, when flows exceed the capacity of SRCSD treatment facilities. This risk can manifest into additional long-term capital needs to address sanitary sewer overflows. During wet weather, the system stores wastewater until flows decrease and can be handled by the treatment plant. The system releases untreated or minimally treated sewage into the Sacramento River during extreme weather events.

Regulatory oversight has centered on capital investments to reduce the frequency of untreated releases and system outflows and the system's LTCP is focused on these projects. Future regulatory action could also increase capital demands on the system. The city's wastewater discharges flow into a river that provides much of the state's drinking water supplies and into an ecosystem that has been under considerable environmental stress. The responsibility for the CSS is shared with the stormwater enterprise fund as the two enterprise funds jointly use pipes and facilities within the CSS. Historically, funding of improvements has been allocated between the stormwater system and the system.

However, if sufficient funds are not generated by the stormwater system, the system would be relied upon to handle all necessary costs.

FINANCIAL PROFILE

The system's financial profile is assessed at 'aa', with leverage that has steadily declined over the past five years, registering at 0.6x in fiscal 2020. Liquidity, while neutral to the financial profile assessment, is strong, with a five-year average current days cash on hand (DCOH) of 674. Further, the five-year average coverage of full obligations (COFO) totals 4.6x including connection fee revenues and 3.3x, excluding connection fee revenues. Unrestricted cash and investments equaled \$59 million, or 835 current DCOH, for fiscal 2020 and COFO registered 7.7x. Strong fiscal 2020 financial performance was boosted by robust connection fee revenues related to redevelopment and those funds will go to support capital spending. Financial performance is expected to moderate somewhat over the next five years as rates remain flat. Fitch-calculated COFO is expected to moderate closer to 1.5x by fiscal 2025.

Fitch Analytical Stress Test (FAST)

The five-year forward look provided by FAST considers the potential trend of key ratios in a base case and a stress case. The stress case is designed to impose capital costs 10% above expected base case levels and evaluate potential variability in projected key ratios. Management's forecast informed Fitch's base case and took into consideration conservative revenue assumptions related to the ongoing pandemic. The FAST also takes into consideration the system's \$32 million CIP, which will be funded from cash reserves and existing bond proceeds. Further, the CIP did not include costs associated with the system's LTCP. As such Fitch made additional assumptions related to potential costs surrounding the LTCP that normalizes spending at levels in line with amounts experienced over the previous five years. Factoring in these assumptions leverage grows YOY, increasing to 3.7x and 4.5x in the base and stress cases, respectively, in fiscal 2025.

ASYMMETRIC ADDITIVE RISK CONSIDERATIONS

No asymmetric additive risk considerations affected this rating determination.

SOURCES OF INFORMATION

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by information from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[U.S. Water and Sewer Rating Criteria \(pub. 03 Apr 2020\) \(including rating assumption sensitivity\)](#)

[Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 23 Feb 2021\) \(including rating assumption sensitivity\)](#)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

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Sacramento (CA)

EU Endorsed, UK Endorsed

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Infrastructure and Project Finance

North America

United States
