



Municipal Market Disclosure Information Cover Sheet

This Filing Applies to:

1. City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable), \$188,390,000 Dated: May 6, 2020
786089JD5, 786089JE3, 786089JF0, 786089JG8, 786089JH6, 786089JJ2, 786089JK9, 786089JL7, 786089JM5, 786089JN3, 786089JP8, 786089JQ6, 786089JR4
2. City of Sacramento, Water Revenue Bonds, Series 2017, \$52,610,000, Dated: June 22, 2017
786089HH8, 786089HJ4, 786089HK1, 786089HL9, 786089HM7, 786089HN5, 786089HP0, 786089HQ8, 786089HR6, 786089HS4, 786089HT2, 786089HU9, 786089HV7, 786089HW5, 786089HX3, 786089HY1
3. City of Sacramento, Water Revenue Bonds, Series 2013, \$215,195,000, Dated: March 28, 2013
786089GG1

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 ACFR (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

Sacramento, CA City of S&P Rating Assigned and Rating Affirmed as of October 30, 2023

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:

Name: DAC

Address: 315 East Robinson Street

Suite 300

City: Orlando

State: FL

Zip Code: 32801-1674

Telephone: 407 515 - 1100

Fax: 407 515 - 6513

Email Address: emmaagent@dacbond.com

Relationship to Issuer: Dissemination Agent

Certification Authorized By:

/s/ Brian Wong

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: P21318526

Date & Time Stamp: 10/30/2023

Document: Other Event-based Disclosures: Sacramento, CA City of S&P Rating Assigned and Rating Affirmed as of October 30, 2023

DAC Bond Coversheet: Yes

Transmitted to: MSRB-EMMA

Total CUSIPs associated with this Filing: 30

Filing made on Series: 2020, 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

1. Issue: City of Sacramento Water Revenue Refunding Bonds, Series 2020 (Federally Taxable), \$188,390,000 Dated: May 6, 2020
 CUSIP: 786089JD5, 786089JE3, 786089JF0, 786089JG8, 786089JH6, 786089JJ2, 786089JK9, 786089JL7, 786089JM5, 786089JN3, 786089JP8, 786089JQ6, 786089JR4
 No missing CUSIPs for this bond issue
 2. Issue: City of Sacramento, Water Revenue Bonds, Series 2017, \$52,610,000, Dated: June 22, 2017
 CUSIP: 786089HH8, 786089HJ4, 786089HK1, 786089HL9, 786089HM7, 786089HN5, 786089HP0, 786089HQ8, 786089HR6, 786089HS4, 786089HT2, 786089HU9, 786089HV7, 786089HW5, 786089HX3, 786089HY1
 No missing CUSIPs for this bond issue
 3. Issue: City of Sacramento, Water Revenue Bonds, Series 2013, \$215,195,000, Dated: March 28, 2013
 CUSIP: 786089GG1
 No missing CUSIPs for this bond issue
-

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Sacramento CA 95814

John Colville ~ City Treasurer

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

Via Email

**ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING ASSIGNED AND AFFIRMED**

Dated: October 30, 2023

NOTICE IS HEREBY GIVEN that on October 30, 2023, Standard and Poor's Global Ratings ("S&P") assigned the "AA" long-term rating and a "positive" outlook for the City of Sacramento Water Revenue Refunding Bonds, Series 2023. S&P also affirmed the long-term rating and revised the outlook from "stable" to "positive" for the following series of bonds:

- Water Revenue Bonds, Series 2013
- Water Revenue Bonds, Series 2017
- Water Revenue Refunding Bonds, Series 2020

City of Sacramento



Brian Wong
Debt Manager

Attachment: S&P Ratings Report for the City of Sacramento's Water Revenue Bonds

RatingsDirect®

Summary:

Sacramento, California; Water/Sewer

Primary Credit Analyst:

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Table Of Contents

Credit Highlights

Outlook

Related Research

Summary:

Sacramento, California; Water/Sewer

Credit Profile

US\$25.865 mil wtr rev rfdg bnds ser 2023 due 09/01/2042

| | | |
|-------------------------|-------------|-----------------|
| <i>Long Term Rating</i> | AA/Positive | New |
| Sacramento wtr | | |
| <i>Long Term Rating</i> | AA/Positive | Outlook Revised |

Credit Highlights

- S&P Global Ratings revised its outlook to positive and affirmed its 'AA' long-term rating on Sacramento, Calif.'s outstanding water revenue bonds.
- At the same time, S&P Global Ratings assigned its 'AA' long-term rating to the city's anticipated \$25.86 million series 2023 water revenue refunding bonds.
- The positive outlook reflects the potential for the rating to be improved within the next several years if the system maintains all-in debt service coverage (DSC) in line with historical levels (averaging 1.9x during the past three years), which would likely be dependent on its planned completion of a formal rate study. It also reflects our view of the city's moderate capital needs, relatively low leverage position, and strong water supply portfolio, compared to peers.

Security

Net revenue of the water system secures the series 2023 water revenue refunding bonds. The system will use the series 2023 bond proceeds to refund a portion of its outstanding series 2020 water revenue refunding bonds, pursuant to a tender offer, for debt service savings. Key bond provisions include a rate covenant and an additional bonds test, both of which are set at 1.20x annual debt service. As of fiscal 2022, the city's water system had \$499.3 million in total debt outstanding.

Credit overview

The rating reflects our view of the system's steady financial profile, characterized by healthy debt service coverage, ample reserves, and moderate leverage position, in addition to a diverse water supply portfolio and strong management practices and policies. The system's \$137.2 million five-year capital improvement program (CIP) is largely focused on rehabilitation and replacement projects, which we consider manageable. The city plans to fund the CIP primarily on a pay-as-you-go basis, and its long-term financial projections reflect significant draws on cash to fund projects. Despite this, we believe the system's robust cash position provides ample cushion and we expect its reserves to remain healthy as it progresses through the CIP.

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

- Residential and very diverse customer base in the broad and diverse Sacramento-Roseville-Arden-Arcade metropolitan service area with a growing regional economy and diversifying employment opportunities;

- Affordable rates in the context of the service area's income levels and poverty rate, which we expect to remain affordable during the next few years given no near-term plans to raise rates;
- Robust water supply and treatment capacity to meet long-term demand;
- Built out and experienced management team, formalized operational plans that include resiliency and contingency planning and strong rate setting practices, with a history of multi-year pre-approved rate increases and periodic formal rate studies;
- All-in DSC (which includes unsecured debt paid by the water fund) that has been at least 1.6x during the past three years and is expected to moderate over the next few years from increased debt service costs related to state revolving fund loan payments, but we expect coverage to remain healthy given no additional debt plans and the city's history of proactive rate increases;
- Robust reserves levels, with a 923 days' cash on hand (DCOH) reported at fiscal 2022 year-end, which we expect to remain robust even after planned drawdowns to cash fund its manageable CIP;
- Moderate debt-to-capitalization ratio of 45% and no debt plans for the next five years; and
- Credit supportive financial management policies and practices that include robust long-term financial and capital planning as well as formalized liquidity and debt policies.

Environmental, social, and governance

We view physical risk as elevated given the region's exposure to prolonged and persistent drought conditions. However, the city's primary water supply is surface water from the Sacramento River and the American River under five appropriative water rights permits along with pre-1914 rights, which we believe better position the city's water system in comparison to state peers. There is no cost to the city for water obtained under the appropriative rights. Diversions from the American River may be limited during extremely dry years, and its permits have a maturation date of 2030. The city's water supply portfolio also includes groundwater supply. The city maintains an Urban Water Management Plan (2020), per state regulation. It is also an active member of two local groundwater management agencies, formed under the state's Sustainable Groundwater Management Act (SGMA). We understand the city is developing a voluntary agreement on a conjunctive use program to optimize the use of groundwater and surface water based on hydrologic conditions, which would help to further reduce water supply scarcity risk.

We view governance and social factors as neutral to our credit analysis, given the city's formal policies and practices as well as water rates that we view as affordable in the context of local incomes.

Outlook

The positive outlook reflects our view that we could raise the rating during the outlook period if the system maintains its healthy debt service coverage and executes its plans to complete a formal rate study, providing more insight into the city's plans for adjusting rates and managing rising operating costs in the longer-term.

Downside scenario

We could take a negative rating action if the city materially spends down its cash reserves or if its financial performance significantly and unfavorably deviates from its historical performance.

Upside scenario

We could raise the rating if the city experiences continued economic expansion, maintains debt service coverage in line with higher rated peers while maintaining its extremely strong cash and manageable debt profile, in addition to executing on its plans to complete a formal rate study.

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 net revenues but are secured by lease payments from the city's general fund. Approximately \$86 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, debt service on the lease revenue bonds related to water system improvements is included 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 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 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 risk at this time.

Sacramento, California--Economic and financial data

| | Most recent | Fiscal year-end | | | Median (AA) |
|---|-------------|-----------------|---------|---------|-------------|
| | | 2022 | 2021 | 2020 | |
| Economic data | | | | | |
| Water customers | 147,150 | | | | 20,180 |
| Sewer customers | -- | | | | 19,840 |
| MHHEBI of the service area as % of the U.S. | 102.0 | | | | 109.0 |
| Unemployment rate (%) | 4.1 | | | | 3.6 |
| Poverty rate (%) | 13.0 | | | | 9.5 |
| Water rate (6,000 gallons or actual) (\$) | 57.2 | | | | 37.0 |
| Sewer rate (6,000 gallons or actual) (\$) | 0.0 | | | | 45.0 |
| Annual utility bill as % of MHHEBI | 1.0 | | | | 1.1 |
| Operational Management Assessment | Strong | | | | Good |
| Financial data | | | | | |
| Operating revenues (\$000s) | | 136,730 | 144,148 | 142,125 | 24,568 |
| Total operating expenses less depreciation (\$000s) | | 75,079 | 81,416 | 83,416 | 15,080 |
| S&P Global Ratings-adjusted all-in DSC (x) | | 1.6 | 2.0 | 2.0 | 2.3 |
| Unrestricted cash (\$000s) | | 189,894 | 164,345 | 116,853 | 23,872 |

Sacramento, California--Economic and financial data (cont.)

| | Fiscal year-end | | | | Median (AA) |
|--------------------------------------|-----------------|---------|---------|---------|-------------|
| | Most recent | 2022 | 2021 | 2020 | |
| Days' cash of operating expenses | | 923 | 737 | 511 | 584 |
| Total on-balance-sheet debt (\$000s) | | 499,282 | 496,231 | 443,071 | 38,873 |
| Financial Management Assessment | Strong | -- | -- | | Good |

Note: Most recent economic data available from our vendors. MHHEBI--Median household effective buying income. DSC--Debt service coverage.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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