



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
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
786087BA3, 786087BB1, 786087BC9, 786087BD7, 786087BE5, 786087BF2, 786087BG0, 786087BH8, 786087BJ4, 786087BK1, 786087BL9, 786087BM7, 786087BN5, 786087BP0, 786087BQ8, 786087BR6
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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

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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Relationship to Issuer: Dissemination Agent

Certification Authorized By:

/s/ Claudia Lara

Name: Claudia Lara

Title: Debt Analyst

Entity: Sacramento, CA, City of Sacramento

Digital Assurance Certification

Filing Certificate

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

Transmission Details: P21340996

Date & Time Stamp: 02/07/2024

Document: Other Event-based Disclosures: Fitch Affirms Rating with Stable Outlook on Wastewater Revenue Bonds February 6, 2024

DAC Bond Coversheet: Yes

Transmitted to: MSRB-EMMA

Total CUSIPs associated with this Filing: 29

Filing made on Series: 2020, 2019

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: 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: 786087BA3, 786087BB1, 786087BC9, 786087BD7, 786087BE5, 786087BF2, 786087BG0, 786087BH8, 786087BJ4, 786087BK1, 786087BL9, 786087BM7, 786087BN5, 786087BP0, 786087BQ8, 786087BR6

No missing CUSIPs for this bond issue

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**ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING AFFIRMED**

Dated: February 6, 2024

NOTICE IS HEREBY GIVEN that on February 6, 2024, Fitch Ratings (“Fitch”) affirmed the “AA” long-term rating with a stable outlook for the City of Sacramento’s Wastewater Revenue Bonds, Series 2019 and Wastewater Revenue Refunding Bonds, Series 2020.

The credit report from Fitch is attached.

City of Sacramento



Brian Wong
Debt Manager

Attachment: Fitch credit report - City of Sacramento Wastewater Revenue Bonds, Series 2019 and City of Sacramento Wastewater Revenue Refunding Bonds, Series 2020

06 FEB 2024

Fitch Affirms Sacramento, CA's Wastewater Revs at 'AA'; Outlook Stable

Fitch Ratings - Austin - 06 Feb 2024: Fitch Ratings has affirmed the 'AA' rating on the following city of Sacramento, CA (the city) wastewater system (the system) obligations:

--\$26.4 million wastewater revenue refunding bonds, series 2020;

--\$23.3 million wastewater revenue bonds, series 2019.

Fitch has also assessed the system's Standalone Credit Profile (SCP) at 'aa'. The SCP represents the credit profile of the system on a standalone basis irrespective of its relationship with, and the credit quality of the city (Issuer Default Rating [IDR] AA/Stable).

The Rating Outlook is Stable.

The 'AA' wastewater revenue bond rating along with the 'aa' SCP reflect the system's 'Very Strong' financial profile in the context of its 'Very Strong' revenue defensibility assessed at 'aa' and a 'Strong' operating risk profile assessed at 'a'. The system's leverage, measured as net adjusted debt to adjusted funds available for debt service (FADS), was very low at 1.0x in fiscal 2023 and is projected to increase to 6.8x over the next five years in Fitch's Analytical Stress Test (FAST) stress case, but maintain comfortable headroom within the rating category.

The operating risk profile is supported by the limited operating risk associated with a separated sewer system (SSS), but reflects uncertainty around the total cost and funding source(s) of comprehensive capital needs of the combined sewer system (CSS) outlined in the Long-Term Control Plan (LTCP) related to flood control and overflows. These costs are to be shared with the storm drainage system but in recent years the system has covered most of the costs. The CSS conveys wastewater and stormwater flows to the Sacramento Regional County Sanitation District (SRCSD; IDR A+/Stable) for treatment and was built well over 100 years ago.

A storm drainage property-related fee was adopted in 2022 to support storm drainage improvements and has been charged to customers since July 2022. These revenues are currently being withheld due to a lawsuit challenging the validity of the fee; however, the Superior Court of California, County of Sacramento (Sacramento Superior Court) issued a final order on Dec. 22, 2023 in favor of the city. If no appeal is received after 60 days, the city will be able to utilize the accumulated storm drainage property related fees on eligible costs such as the CSS, reducing the storm drainage system's reliance on system revenues.

SECURITY

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

KEY RATING DRIVERS

Revenue Defensibility - 'aa'

Favorable Service Area, Affordable Rates for a Significant Majority of the Population: 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. Fitch considers the monthly residential sewer bill, inclusive of wholesaler pass-through rates, affordable for about 79% of the service area population based on standard monthly usage of 6,000 gallons.

The favorable service area is characterized by midrange income levels, a moderate unemployment rate relative to the nation and midrange customer growth. Customer growth registered a five-year CAGR of 0.5% as of fiscal 2023. Income levels are about 5% higher than the national median as of 2022. The unemployment rate registered 4.1% in fiscal 2022, which was approximately 14% more than the national average.

Operating Risk - 'a'

Very Low Operating Cost Burden, Elevated Investment Needs Supported by Robust Capital Investment: In fiscal 2023, the system had a very low operating cost burden of \$5,685 per million gallons (mg), supportive of the operating risk assessment. The life cycle ratio was very low at 31% in fiscal 2023. Capex to depreciation is robust, registering a five-year average of 390% from fiscal 2019 to fiscal 2023. Planned capital spending for the next five years should generally outpace historical depreciation, supporting a continued very low life cycle ratio.

The system's planned capex for 2024-2028 totals \$78.4 million and includes storm drainage capital costs, focusing primarily on rehab and replacement of the CSS. Until the court's decision is finalized, Fitch assumes that the system will continue to handle all necessary costs. Funding is anticipated to be primarily derived from system revenues including development impact fees and existing funds on hand. No new debt is expected in the upcoming five years.

Financial Profile - 'aa'

Significantly Increasing Leverage: The system had exceptionally low leverage of 1.0x as of fiscal 2023 since available cash nearly equates to adjusted debt. The liquidity profile is neutral to the overall assessment with current days cash on hand of 743 and coverage of full obligations (COFO) of 4.8x. Fitch-calculated total debt service coverage was 5.4x in fiscal 2023.

The FAST considers the potential trend of key ratios in a base case and stress case over a five-year period. The stress case is designed to impose capital costs 10% above expected base case levels and evaluate potential variability in projected key ratios. The FAST reflects Fitch's view of a reasonable scenario, which is generally informed by publicly available and/or management provided information

with respect to capital expenditures, user charges and rate of revenue and expenditure growth.

In the base case scenario, inclusive of costs related to the CSS, the leverage ratio is expected to increase to 5.9x through fiscal 2028. In the stress case, the leverage ratio is projected to increase to 6.8x over the five-year horizon. Liquidity is expected to remain neutral to the assessment over the five-year horizon.

Asymmetric Additional Risk Considerations

No asymmetric additive risk considerations affected this rating determination.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Sustained trend of leverage of 7.0x or more through Fitch's base and stress cases, assuming revenue defensibility and operating risk assessments remain unchanged.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Stabilization of leverage that approximates 5.0x or less through Fitch's base and stress cases, assuming revenue defensibility and operating risk assessments remain unchanged;

--No appeal received by the Sacramento Superior Court, allowing the city to utilize the accumulated storm drainage property fees on eligible CSS costs, reducing the reliance on system revenues.

PROFILE

The system provides wastewater collection and conveyance services through two systems: the CSS in the oldest parts of the city, and an SSS elsewhere. Fitch's analysis is based on the enterprise reporting for the wastewater fund only. The system serves about 60% of the residents within the city while the remaining 40% of city residents are served by Sacramento Area Sewer District (IDR AA+/Stable). The city serves as the state capital, with over 500,000 residents.

The SSS's primary task is to collect sewage and convey the sewage to SRCSD. SRCSD treats flows from the system under a master interagency agreement, which was renegotiated and finalized in June 2021 with a 50-year term. Under contract, the system is allowed to send SRCSD up to 60 mgd of flows, which is well in excess of the 17 mgd of flows conveyed in fiscal 2023.

Fitch considers the system a related entity of the city 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. However, as a result of being a related entity, the issue rating could become constrained by a decline in the general credit quality of the city.

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

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

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Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Sacramento (CA) [Sewer]			
<ul style="list-style-type: none"> Sacramento (CA) /Sewer LT Revenues/ 1 LT 	AA	Affirmed	AA

RATINGS KEY OUTLOOK WATCH

POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub.12 Jan 2024\) \(including rating assumption sensitivity\)](#)

[U.S. Water and Sewer Rating Criteria \(pub.03 Mar 2023\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Sacramento (CA) EU Endorsed, UK Endorsed

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