

August 28, 2009

Summary:

**Sacramento Financing Authority,
California
Sacramento; Appropriations**

Primary Credit Analyst:

Paul Dyson, San Francisco (1) 415-371-5079; paul_dyson@standardandpoors.com

Secondary Credit Analyst:

Matthew Reining, San Francisco (1) 415-371-5044; matthew_reining@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Research

Summary:

Sacramento Financing Authority, California Sacramento; Appropriations

Credit Profile

Sacramento Fincg Auth, California

Sacramento, California

Sacramento Fin Auth lse rev rfdg bnds ser 1993B (MBIA) (National) (SEC MKT)

Unenhanced Rating A(SPUR)/Stable Rating Assigned

Sacramento Fin Auth (Sacramento)

Long Term Rating A/Stable Affirmed, Removed from CreditWatch

Sacramento Fin Auth (Sacramento) lse rfdg ser 1993A (AMBAC)

Unenhanced Rating A(SPUR)/Stable Rating Assigned

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services revised the rating outlook to stable on Sacramento Financing Authority (known now as Sacramento City Financing Authority), Calif.'s \$95.48 million lease revenue refunding bonds, series 1993B. Standard & Poor's affirmed its 'A' rating on those bonds. At the same time, Standard & Poor's assigned its 'A' rating and underlying rating (SPUR) and stable outlook to the authority's \$130.425 million lease revenue refunding bonds, series 1993A.

On Aug. 5, 2009, the rating on the 1993B bonds was placed on CreditWatch with negative implications following a review of the 1993B lease agreement, which provides for 12 months of rental interruption insurance. Standard & Poor's current lease rating criteria requires 24 months of coverage. However, on Aug. 25, 2009, the city council approved an amendment to both the series 1993A and 1993B facilities lease agreements, each dated Aug 1, 1993, between the city and the authority, to include a full 24 months of rental interruption insurance.

The ratings reflect our view of:

- The city's covenant to budget and appropriate lease payments,
- Annual appropriation risk, and
- The city's general creditworthiness.

We understand that the authority's 1993A and 1993B lease revenue refunding bonds were issued to refund various outstanding bonds previously issued by the city and the authority. Both series of bonds are payable from lease payments made by the city to the authority under two separate facilities leases, relating to various public facilities and improvements. Under the leases, the city covenants to budget and appropriate lease payments over the life of the bonds. Additional lease provisions include a fully funded debt service reserve fund funded at maximum annual debt service. The authority assigns substantially all of its right to the trustee, including its right to receive lease payments. The city may abate lease payments in the event of damage to or loss of use of the project. Lease provisions include two full years of rental interruption insurance to mitigate the risk of abatement.

For more information on the city's issuer credit rating, its general creditworthiness, and authority lease ratings, see the full analysis published June 22, 2009, on RatingsDirect.

Outlook

The stable outlook reflects our expectation that city management will maintain reserves near levels projected for fiscals 2009 and 2010 without further significant drawdowns. The outlook additionally reflects our view of the city's ability to make budget adjustments as needed to alleviate slower or negative revenue growth. While we note that the city has implemented several cost-cutting measures -- some of which are recurring in nature -- in 2009 (and proposed for 2010), we believe additional reductions and/or revenue enhancement will likely be required to curb falling revenue. We believe the state's budget crisis will present the city with additional financial challenges, but we understand that the city's internal liquidity sources could be tapped, if necessary, on a temporary basis for budgetary relief.

Related Research

USPF Criteria: "Appropriation-Backed Obligations," June 13, 2007

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.

Copyright © 2009, Standard & Poors, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscribers or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.7280 or by e-mail to: research_request@standardandpoors.com.