

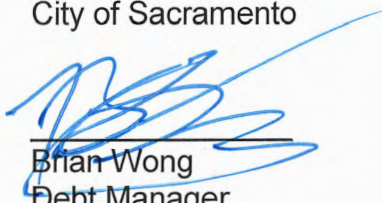
**ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING AFFIRMED**

Dated: November 23, 2015

NOTICE IS HEREBY GIVEN that on November 19, 2015, Standard & Poor's Ratings Services ("S&P") affirmed the "A-" underlying rating (SPUR) on the Sacramento City Financing Authority, California 2005 Tax Allocation Bonds, Series A & B and with a stable outlook.

Attached to this notice is the report from S&P, including the full analysis for the ratings.

City of Sacramento



Brian Wong
Debt Manager

Attachment: Sacramento Redevelopment Agency, California Sacramento City Financing Authority; Tax Increment

RatingsDirect®

Summary:

Sacramento Redevelopment Agency, California Sacramento City Financing Authority; Tax Increment

Primary Credit Analyst:

Li Yang, San Francisco (1) 415-371-5024; li.yang@standardandpoors.com

Secondary Contact:

Michael Z Stock, New York (1) 212-438-2611; michael.stock@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Sacramento Redevelopment Agency, California Sacramento City Financing Authority; Tax Increment

Credit Profile

Sacramento City Fincg Auth, California

Sacramento Redev Agy, California

Sacramento City Fincg Auth (Sacramento Redev Agy) tax alloc (Merged Downtown Project-Oak Park) (FGIC) (National)

Unenhanced Rating

A-(SPUR)/Stable

Affirmed

Sacramento City Fincg Auth (Sacramento Redev Agy) Tax Alloc Bnds (Merged Downtown Project-Oak Park) (MBIA) (MBIA of Illinois)

Unenhanced Rating

A-(SPUR)/Stable

Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services affirmed its 'A-' underlying rating (SPUR) on the Sacramento City Financing Authority, Calif.'s 2005A and B tax allocation bonds, issued on behalf of the Sacramento Redevelopment Agency. The outlook is stable.

The bonds are secured by a pledge of tax increment, including the former housing set-aside revenues, collected from two project areas--the Merged Downtown Project Area's (MDPA) and Oak Park Project Area (OPPA)--with no cross-collateralization between areas on a weak link basis. As such, based on our criteria, the rating on bonds backed by two separate revenue streams reflects our assessment of the revenue stream that we consider of lower credit quality. The rating on the bonds reflects our assessment of the MDPA, which we consider of weaker credit quality.

The rating reflects our view of the following credit factors:

- The MDPA's 430-acre project area in downtown Sacramento that has experienced good assessed value (AV) growth over the past two years, and has access to the broad and diverse Sacramento County economy;
- Adequate coverage from pledged revenues generated by the MDPA with a maximum annual debt service (MADS) of 1.38x; and
- Low base-to-total AV volatility ratio of 0.07; and
- Closed lien except for refunding purposes.

Partly offsetting these foregoing strengths is our view of the project area's high taxpayer concentration with the top ten taxpayers making up roughly 46% of incremental AV.

The MDPA is a small project area geographically, encompassing just 430 acres of primarily commercial properties in downtown Sacramento, though total AV is what we consider sizable at \$2.56 billion as of fiscal 2016. AV has increased over the past two years for the project area, reflecting a stabilization of property values after a few years of declines.

Most recently, AV grew by 3.2% in fiscal 2016. The project area's base-to-total AV volatility ratio is, in our opinion, a low 0.07, suggesting very limited sensitivity in tax-increment revenues to fluctuations in overall AV. Coverage of MADS as of fiscal 2016 reached 1.38x, which we view as adequate. The project area has diversified slightly, but remains concentrated, in our view, with the 10 leading taxpayers representing 46% of incremental value in fiscal 2016. According to our calculations, at the current coverage levels and the volatility ratio, the project area could withstand a 25% decline in overall AV (the top four taxpayers) and still achieve 1x coverage of MADS on the bonds.

The OPPA encompasses 1,305 acres in the historic Oak Park community, south of downtown. The community is home to Sacramento's first suburb, settled in the 1850s. While the area is generally less affluent than the rest of incorporated Sacramento, it has benefited recently from redevelopment activity and property appreciation. AV for the project area has increased in each of the past four fiscal years, most recently rising by 7.8% in fiscal 2016. The project area's tax base remains diverse, in our view, with the leading 10 taxpayers accounting for only 13% of incremental AV. The base-to-total AV volatility ratio is also what we consider low at only 0.11, suggesting to us limited sensitivity in tax-increment revenues to overall fluctuations in AV. Coverage of MADS attributable to the OPPA remains good, in our opinion, at 1.79x. According to our calculations, at the current coverage levels and the volatility ratio, the project area could withstand a 39% decline in overall AV (the top ten taxpayers) and still achieve 1x coverage of MADS on the bonds.

California's redevelopment agency (RDA) dissolution law requires successor agency (SA) and oversight officials to adhere to deadlines for requesting debt service payment amounts on recognized obligation payment schedules (ROPS) to receive tax revenue. Because the law limits the SA revenue to payment on enforceable obligations on its ROPS, and because it requires more proactive management than under the pre-dissolution flow of funds, we believe an SA's debt management practices after dissolution become more important to credit quality. We understand that the city SA has historically been requesting sufficient reserves on its ROPS to account for the outstanding bonds' uneven debt service payment schedule. With the State of California's recent passage of Assembly Bill (AB) 107, SAs are now required to request money for debt service annually instead of semiannually on their ROPS.

Sacramento is acting as SA to the former RDA after the state legislature and a subsequent court ruling dissolved all RDAs in California in February 2012, pursuant to Assembly Bill (AB) x1 26 and subsequent amending legislation, AB 1484. ABx1 26 and AB 1484 require SA and oversight officials to adhere to deadlines for requesting debt service payment amounts on ROPS. Because the law limits the SA revenue to payment on enforceable obligations on its ROPS and because it requires more proactive management than under the pre-dissolution flow of funds, we believe an SA's debt management practices after dissolution become more important to credit quality. The SA has received its finding of completion, which allows it to reinstate previously rejected loans, spend bond proceeds, and create a long-range property management plan. We understand the agency does not need to transfer any money back to the state Department of Finance. Additionally, we understand the lien is closed except for refunding purposes.

Sacramento, with an estimated population of 482,381, is in Sacramento County in the Sacramento-Roseville-Arden-Arcade metropolitan area, which we consider broad and diverse. The city has a projected per capita effective buying income of 86% of the national level and per capita market value of \$81,933. Overall, market value grew by 7% over the past year to \$39.5 billion in 2015. The county unemployment rate was 5.4% as of

September 2015.

Outlook

The stable outlook reflects our view of the bonds' adequate DSC that has increased in each of the past two years. The outlook also reflects our view of the MDPA's low volatility ratio. Given the agency's limited ability to issue additional debt and the past increases in project area AV, we do not anticipate changing the rating during the two-year outlook horizon.

Upside scenario

If coverage continues to strengthen, taxpayer concentration diversifies further, and the local economy improves, leading to stronger incomes that are no longer comparable with those of similarly rated peers, then we could raise the rating.

Downside scenario

However, if AV declines, substantially resulting in coverage no longer comparable with that of similarly rated peers or if taxpayer concentration worsens over the next two years, then we could lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Special-Purpose Districts, June 14, 2007

Related Research

- Revisiting The Dissolution Of California Redevelopment Agencies, June 11, 2013

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2015 Standard & Poor's Financial Services LLC, a part of McGraw Hill Financial. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription) and www.spcapitaliq.com (subscription) and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.