

## Sacramento, CA, City of

### Municipal Market Disclosure Information Cover Sheet

**Type of Filing:**

**RATING CHANGE**

Fitch Affirms Rating with Positive Outlook, January 26, 2026

**Date of Filing:**

01/26/2026

| <b><u>Certification Authorized by</u></b>                                  | <b><u>Disclosure Dissemination Agent Contact</u></b>  |
|--|---|
| Name: Brian Wong<br>Title: Debt Manager<br>Entity: Sacramento, CA, City of | DAC<br>315 East Robinson Street, Suite 300, Orlando, FL 32801-1674<br>407 515 - 1100<br>emmaagent@dacbond.com |

This information is also available on DAC's website: [www.dacbond.com](http://www.dacbond.com)

**Signature of Issuer:** Brian Wong /s/

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**This Filing Applies to:**

1. City of Sacramento Wastewater Revenue Refunding Bonds, Series 2020 (Federally Taxable), \$27,970,000, Dated: July 1, 2020

**CUSIPS:** 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

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

**Digital Assurance Certification**

## Filing Certificate

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

Transmission Details: P11448701

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|   |   |
|---|---|
| Date & Time Stamp:                        | 01/26/2026  |
| Document:                                 | Rating Change: Fitch Affirms Rating with Positive Outlook, January 26, 2026 |
| DAC Bond Coversheet:                      | Yes   |
| Transmitted to:                           | MSRB-EMMA   |
| Total CUSIPs associated with this Filing: | 25  |
| 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

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- Issue: City of Sacramento Wastewater Revenue Refunding Bonds, Series 2020 (Federally Taxable), \$27,970,000, Dated: July 1, 2020

CUSIP: 786087BY1, 786087BZ8, 786087CA2, 786087CB0, 786087CC8, 786087CD6, 786087CE4, 786087CF1, 786087CG9, 786087CH7, 786087CJ3

No missing CUSIPs for this bond issue

- Issue: City of Sacramento, Wastewater Revenue Bonds, Series 2019, \$25,960,000, Dated: April 10, 2019

CUSIP: 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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Sacramento CA 95814

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**ADDITIONAL (VOLUNTARY) DISCLOSURE  
RATING AFFIRMED**

Dated: January 26, 2026

NOTICE IS HEREBY GIVEN that on January 26, 2026, Fitch Ratings ("Fitch") affirmed the long-term rating of "AA" and revised the outlook to "positive" for the following Wastewater bond issues:

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

City of Sacramento

A handwritten signature in black ink, appearing to be "Brian Wong", written over a faint circular stamp.

Brian Wong  
Debt Manager

Attachment: Fitch Rating Press Release – City of Sacramento's Wastewater System

## RATING ACTION COMMENTARY

# Fitch Revises Sacramento, CA's Wastewater Revs Outlook to Positive; Affirms 'AA' Rating

Mon 26 Jan, 2026 - 10:17 AM ET

Fitch Ratings - Austin - 26 Jan 2026: Fitch Ratings has affirmed the currently outstanding Sacramento, CA's (the city) parity wastewater revenue bonds at 'AA'.

Fitch assesses the city's wastewater system's (the system) Standalone Credit Profile (SCP) at 'aa'. The SCP represents the credit profile of the system irrespective of the city's credit quality (Issuer Default Rating [IDR] AA+/ Stable).

The Rating Outlook has been revised to Positive from Stable.

## RATING ACTIONS

| ENTITY / DEBT ↕                            | RATING ↕ |                            | PRIOR ↕                        |
|--|----------|----------------------------|--------------------------------|
| Sacramento (CA)<br>[Sewer]                 |          |                            |                                |
| Sacramento (CA)<br>/Sewer Revenues/1<br>LT | LT       | AA Rating Outlook Positive | AA Rating<br>Outlook<br>Stable |
|  | Affirmed |                            |                                |

## VIEW ADDITIONAL RATING DETAILS

The Positive Outlook reflects Fitch's expectation that the recently settled litigation will allow the city to access accumulated cash reserves and continue to assess an approved stormwater property fee that will supplement funding for the combined sewer system (CSS)

expenditures. The CSS has elevated capital needs that the wastewater system historically largely funded.

In 2022, voters approved the stormwater property fee, but the city had been unable to access these funds due to a legal dispute. In 2025, an appellate court agreed with the city and these funds are now available for the CSS's capital needs. Access to these funds should alleviate pressure on the wastewater system's revenue and cash flow requirements, and result in sustained extremely low leverage, but also allow the CSS to address critical infrastructure upgrades.

## **SECURITY**

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

## **KEY RATING DRIVERS**

### **Revenue Defensibility - 'aa'**

#### **Monopolistic Retail Provider**

The city retains the legal authority to adjust wastewater rates as needed without external oversight. Fitch considers the monthly residential sewer bill affordable for around 80% of the service area population, based on standard monthly usage of 6,000 gallons. The favorable service area is characterized by average income levels, a moderate unemployment rate relative to the nation and midrange customer growth.

Customer growth registered a five-year compound annual growth rate of 0.3% as of fiscal 2025. Income levels are considered midrange given they are slightly above the national median. The unemployment rate averaged about 20% above the national level between 2020 and 2024 and is considered midrange.

### **Operating Risk - 'a'**

#### **Capital Supported by Current Charges**

The system's operating cost burden is low at slightly over \$8,400 per million gallons in fiscal 2025. The operating cost burden peaked in fiscal 2025 due in part by sinkhole repairs as well as growing salary and material costs, countered by lower flow levels. Fitch expects the cost

burden per million gallons to fluctuate but remain low and supportive of the assessment. The life cycle ratio is very low.

Fitch considers the system's capital needs as elevated, particularly within the CSS where planned projects will address regulatory concerns. However, access to funding from the stormwater property fee could alleviate the wastewater system's cost pressures and result in an improved operating risk assessment in time.

### **Financial Profile - 'aaa'**

#### **Leverage to Remain Exceptionally Low**

The wastewater system's leverage ratio has improved in recent years and was exceptionally low at 0.6x at fiscal YE 2025, with available cash nearly equal to adjusted debt. The liquidity profile is neutral to the overall assessment, with nearly two years of current days cash on hand and coverage of full obligations (COFO) above 1.0x. Fitch-calculated total debt service coverage measured 4.3x in fiscal 2025.

The Fitch Analytical Stress Test (FAST) considers the potential trend of key ratios in a base case and stress scenario over a five-year period.

The stress scenario 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 expenditure, user charges and rate of revenue and expenditure growth. The scenario further reflects continued collection and use of the stormwater property fee and no longer includes contributions from the wastewater system to cover the CSS operating or capital costs.

Under the stress scenario, which is considered the rating case, leverage is expected to increase but remain below 2.0x, which supports the Positive Outlook. The liquidity profile 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 leverage above 4.0x or more through Fitch's rating case, assuming revenue defensibility and operating risk assessments remain unchanged;
- Stormwater capital costs far exceeding the stormwater property fee collections, leading to sustained support from the wastewater system.

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

- Sustained leverage below 5.0x through Fitch's rating case, assuming revenue defensibility and operating risk assessments remain unchanged;
- Evidence that collection of the stormwater property fee provides adequate financial support for the stormwater system's needs, leading to very limited support from the wastewater system.

## **PROFILE**

The system provides wastewater collection and conveyance services through two systems: the CSS in the oldest parts of the city, and a sewer collection system elsewhere. Fitch's analysis is based on the enterprise reporting for the wastewater fund only, as those are revenues pledged to repayment of the bonds. 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+/Positive).

The city serves as the state capital, with over 500,000 residents. The system's primary task is to collect sewage and transport it to the Sacramento Area Sewer District [SASD]). SASD treats flows from the system under a master interagency agreement, which was amended and restated in June 2021 with a 50-year term.

## **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,

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**APPLICABLE CRITERIA**

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 10 Jan 2025\) \(including rating assumption sensitivity\)](#)

[U.S. Water and Sewer Rating Criteria \(pub. 24 Feb 2025\) \(including rating assumption sensitivity\)](#)

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Sacramento (CA)

EU Endorsed, UK Endorsed

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