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Fitch to Take Actions on Sacramento Municipal Utility District, CA Sub Rev Rfdg Bonds, 2023 Series C.

Fitch Ratings-New York-18 June 2025: On the effective date of June 26, 2025, Fitch Ratings will revise the basis of the long-term rating to 'AAA' from 'AA' for the Sacramento Municipal Utility District, CA's subordinated electric revenue refunding bonds 2023 series C. Fitch will also downgrade the bonds' short-term rating to 'F1' from 'F1+'. The Rating Outlook is Stable for the long-term rating.

The rating action is in connection with: (i) the substitution of the Standby Bond Purchase Agreement (SBPA) previously provided by TD Bank (AA-/F1+/Negative) with a substitute LOC to be issued by PNC Bank, National Association (A+/F1/Stable); and (ii) the mandatory tender of the bonds, which will occur on June 26, 2025.

KEY RATING DRIVERS

The long-term rating will now be determined using Fitch's dual-party pay criteria and will be based jointly on the underlying rating assigned to those bonds by Fitch (currently rated 'AA'), and the rating assigned by Fitch to the PNC Bank (A+), which will provide the substitute LOC as support for the bonds. The short-term 'F1' rating will be based solely on the substitute LOC. For information about the underlying credit rating see Fitch's press release dated May 23, 2025, available at 'www.fitchratings.com'.

Fitch's dual-party pay criteria consider the likelihood of the failure of both a rated obligor and a bank LOC provider. The methodology results in a long-term rating that is up to two notches higher than the stronger of the two credits if the following conditions are met: (1) both entities have a rating of 'A' or higher; (2) the transaction is structured such that payments from both the municipal issuer and the bank are in the flow of funds and both entities would have to fail to perform before the bonds defaulted; and (3) the interest rate modes to be covered by Fitch's rating provide for either a mandatory purchase at the end of each interest rate period, or a purchase demand option. A one- or two-notch uplift will apply to the long-term rating depending on the frequency of the purchase demand option or the duration of the interest rate period which concludes with a mandatory tender.

The bonds provide holders with a tender option upon advance notice in the interest rate modes rated by Fitch. Fitch will apply a two-notch uplift, resulting in a long-term rating of 'AAA' for the bonds.

Pursuant to the substitute LOC, the bank is obligated to make regularly scheduled payments of principal of and interest on the bonds in addition to payments due upon maturity, and redemption, as well as purchase price for tendered bonds. The substitute LOC has a stated expiration date of June 23, 2028, unless extended or earlier terminated, and provides full and sufficient coverage of principal plus an amount equal to 52 days of interest at a maximum rate of 12% based on a year of 365 days and purchase price for tendered bonds, while in the weekly and daily rate modes. The remarketing agent for the bonds is PNC Capital Markets LLC.

RATING SENSITIVITIES

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

The long-term rating is tied to the long-term rating assigned to the bonds and the long-term rating that Fitch maintains on the bank providing the substitute LOC. Changes to one or both of these ratings may affect the long-term rating assigned to the bonds. If either the underlying bond rating or the bank rating were downgraded to 'A-' or lower, the dual-party pay criteria could no longer be applied, and the long-term rating assigned to the bonds would then be adjusted to the higher of the bank rating and the underlying bond rating.

The short-term rating is exclusively tied to the short-term rating that Fitch maintains on the bank providing the substitute LOC and will reflect all changes to that rating.

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

The long-term rating is the highest long-term rating assigned by Fitch and cannot be upgraded.

The short-term rating is exclusively tied to the short-term rating that Fitch maintains on the bank providing the substitute LOC and will reflect all changes to that rating.

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