

**STANDARD
& POOR'S**

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 40228752

September 3, 2010

Sacramento Suburban Water District
3701 Marconi Drive, Suite 100
Sacramento, CA 95821
Attention: Mr. Robert Roscoe, General Manager

Re: *Sacramento Suburban Water District, California, Adjustable Rate Refunding Revenue
Certificates Of Participation, Series 2008A-2*

Dear Mr. Roscoe:

Standard & Poor's has reviewed the Standard & Poor's underlying rating (SPUR) on the above-referenced obligations. After such review, we have affirmed the "AA" rating and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

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Mr. Robert Roscoe
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September 3, 2010

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

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Sincerely yours,

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cc: Mr. Jonathan Ash, Analyst
Citi | Municipal Securities Division

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Sacramento, CA 95821
Attention: Mr. Robert Roscoe, General Manager

Re: *Sacramento Suburban Water District, California, Adjustable Rate Refunding Revenue
Certificates Of Participation, Series 2008A-2*

Dear Mr. Roscoe:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have affirmed the "AAA/A-2" rating and not meaningful outlook. A copy of the rationale supporting the rating and outlook is enclosed.

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One Market
Stewart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 40271319

September 3, 2010

Sacramento Suburban Water District
3701 Marconi Drive, Suite 100
Sacramento, CA 95821
Attention: Mr. Robert Roscoe, General Manager

Re: *Sacramento Suburban Water District, California, Refunding Revenue Certificates of Participation, Series 2009B*

Dear Mr. Roscoe:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have affirmed the "AA" rating and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

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One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 40273131

September 3, 2010

Sacramento Suburban Water District
3701 Marconi Drive, Suite 100
Sacramento, CA 95821
Attention: Mr. Robert Roscoe, General Manager

Re: *Sacramento Suburban Water District, California, Variable Rate Refunding Bonds, Series 2009A*

Dear Mr. Roscoe:

Standard & Poor's has reviewed the Standard & Poor's underlying rating (SPUR) on the above-referenced obligations. After such review, we have affirmed the "AA" rating and stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

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Sacramento Suburban Water District
3701 Marconi Drive, Suite 100
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Attention: Mr. Robert Roscoe, General Manager

Re: *Sacramento Suburban Water District, California, Variable Rate Refunding Bonds, Series 2009A*

Dear Mr. Roscoe:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have affirmed the "AAA/A-1" rating and not meaningful outlook. A copy of the rationale supporting the rating and outlook is enclosed.

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Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate the rating provided hereunder and any analytical reports, including the rationale for the rating, unless you specifically request in connection with the initial rating that the rating be assigned and maintained on a confidential basis. If, however, a confidential rating or the existence of a confidential rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the rating as a public rating, including, without limitation, publishing the rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of you or at your request. Notwithstanding anything to the contrary herein, Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Ratings Services' ability to modify or refine its ratings criteria at any time as Ratings Services deems appropriate.

Information to be Provided by You. For so long as this agreement is in effect, in connection with the rating provided hereunder, you warrant that you will provide, or cause to be provided, as promptly as practicable, to Ratings Services (i) all information requested by Ratings Services in accordance with its published ratings criteria, and (ii) any other information relevant to the rating and, if applicable, surveillance of the rating, including, without limitation, information on material changes to information previously provided by you, your agents or advisors to Ratings Services, other than information you reasonably believe is not material to the rating or such surveillance. The rating, and the maintenance of the rating, may be affected by Ratings Services' opinion of the information received from you or your agents or advisors. You further warrant that all information provided to Ratings Services by you or your agents or advisors regarding the rating or, if applicable, surveillance of the rating, contains no untrue statement of material fact and does not omit a material fact necessary in order to make such information, in light of the circumstances in which it was provided, not misleading. A material breach of the warranties in this paragraph shall constitute a material breach of this Agreement. To the extent permitted by applicable law, you will be liable to Rating Services and its affiliates for all losses, damages, liabilities, judgments, costs, charges and expenses (including reasonable attorneys' fees) ("Losses") (x) resulting from a material breach of the warranties in this paragraph, including but not limited to all Losses arising from claims asserted by any third party against Ratings Services, or (y) that arise out of or relate to any claim that the information provided by you

or your agents or advisors infringes or violates the intellectual property rights of a third party, except in either case, to the extent such Losses are judicially determined to result from gross negligence or willful misconduct of Ratings Services.

Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean information that you or your agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing that such information is "Proprietary and Confidential." Notwithstanding the foregoing, information disclosed by you or your agents or advisors to Ratings Services shall not be deemed to be Confidential Information, and Ratings Services shall have no obligation to treat such information as Confidential Information, if such information (i) was known by Ratings Services or its affiliates at the time of such disclosure and was not known by Ratings Services to be subject to a prohibition on disclosure, (ii) was known to the public at the time of such disclosure, (iii) becomes known to the public (other than by an act of Ratings Services or its affiliates) subsequent to such disclosure, (iv) is disclosed to Ratings Services or its affiliates by a third party subsequent to such disclosure and Ratings Services reasonably believes that such third party's disclosure to Ratings Services or its affiliates was not prohibited, (v) is developed independently by Ratings Services or its affiliates without reference to the Confidential Information, (vi) is approved in writing by you for public disclosure, or (vii) is required by law or regulation to be disclosed by Ratings Services or its affiliates or publicly disclosed by you.

Ratings Services' Use of Information. Except as otherwise provided herein, Ratings Services shall not disclose Confidential Information to third parties. Ratings Services may use Confidential Information to assign, raise, lower, suspend, place on CreditWatch, or withdraw a rating, and assign or revise an Outlook, and may share Confidential Information with its affiliates engaged in the ratings business, provided that, in each case, the Confidential Information is not presented publicly in a way that can be attributed to you and such affiliates are bound by appropriate confidentiality obligations. Ratings Services may also use, publish and share Confidential Information with any of its affiliates or agents engaged in the ratings or other financial services businesses who are bound by appropriate confidentiality obligations ("Relevant Affiliates and Agents"), for modelling, benchmarking and research purposes, provided that, in each case, Confidential Information is not presented publicly in a way that can be attributed to you. With respect to structured finance ratings not maintained on a confidential basis, Ratings Services may publish data aggregated from Confidential Information, excluding data that is specific to and identifies individual debtors ("Relevant Data"), and share such Confidential Information with any of its Relevant Affiliates and Agents for general market dissemination of Relevant Data; you confirm that, to the best of your knowledge, there are no third parties whose rights would be adversely affected by any such publication. Ratings Services and its affiliates reserve the right to use, publish, disseminate, or license others to use, publish or disseminate any non-Confidential Information provided by you, your agents or advisors.

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Ratings Services is not an "underwriter" or "seller" as those terms are defined under applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation Sections 11 and 12(a)(2) of the U.S. Securities Act of 1933. Ratings Services has not performed the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with this engagement.

Office of Foreign Assets Control. Neither you nor the issuer (if you are not the issuer) is subject to economic, trade, or transactional sanctions imposed by the United States Government or any state government. None of you, the issuer (if you are not the issuer), or any of your or the issuer's owners, directors, officers, employees, or group companies appears on any list of known or suspected terrorists, terrorist organizations or other prohibited persons maintained by any agency of the United States Government or of any other jurisdiction in which you or the issuer or any of your or the issuer's group of companies are doing business, including but not limited to the List of Specially Designated Nationals and Blocked Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury. Neither you nor the issuer (if you are not the issuer) is owned or controlled, directly or indirectly, by any entity subject to such sanctions or appearing on such lists. For so long as this agreement is in effect, you will promptly notify Ratings Services if any of these circumstances change.

Ratings Services' Use of Confidential Ratings. Ratings Services may use confidential ratings in its analysis of the debt issued by collateralized debt obligation (CDO) and other investment vehicles. Ratings Services may disclose a

confidential rating as a confidential credit estimate to the managers of CDO and similar investment vehicles. Ratings Services may permit CDO managers to use and disseminate credit estimates on a limited basis and subject to various restrictions; however, Ratings Services cannot control any such use or dissemination.

Entire Agreement. Nothing in this Agreement shall prevent Ratings Services from acting in accordance with applicable laws, regulations and Ratings Services' policies as published from time to time. Subject to the prior sentence, this Agreement constitutes the complete and entire agreement between the parties regarding its subject matter. The terms of this Agreement supersede any other terms and conditions relating to information provided to Ratings Services by you or your agents and advisors, including without limitation, terms and conditions of websites through which you or your agents and advisors make such information available to Ratings Services, and such terms and conditions shall not apply to Ratings Services.

Limitation on Damages. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to you, your affiliates or any person asserting claims on your behalf, directly or indirectly, for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to the rating provided hereunder or the related analytic services even if advised of the possibility of such damages or other amounts except to the extent such damages or other amounts are judicially determined to result from gross negligence or willful misconduct of Ratings Services. In furtherance and not in limitation of the foregoing, Ratings Services will not be liable to you, your affiliates or any person asserting claims on your behalf in respect of any decisions alleged to be made by any person based on anything that may be perceived as advice or recommendations. In the event that Ratings Services is nevertheless held liable to you, your affiliates, or any person asserting claims on your behalf for monetary damages under this Agreement, in no event shall Ratings Services be liable in an aggregate amount in excess of three times the aggregate fees paid to Ratings Services for the rating giving rise to the cause of action during the twelve-months preceding the date the alleged claim has arisen, up to a maximum of US\$1,000,000 except to the extent such limitation is unenforceable by law. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. Neither party waives any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Termination of Agreement. This Agreement may be terminated by either party at any time upon written notice to the other party. Except where expressly limited to the term of this Agreement, these Terms and Conditions shall survive the termination of this Agreement.

No Third-Party Beneficiaries. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary of this Agreement or of the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Amendments. This Agreement may not be amended except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties irrevocably agree that the state and federal courts of New York located in the County of New York shall be

the exclusive forums for any dispute arising out of or relating to this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

Summary:

**Sacramento Suburban Water
District, California; Joint Criteria;
Water/Sewer**

Primary Credit Analyst:

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

Secondary Credit Analyst:

Gabriel Petek, CFA, San Francisco (1) 415-371-5042; gabriel_petek@standardandpoors.com

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Rationale

Outlook

Related Criteria And Research

Summary:

Sacramento Suburban Water District, California; Joint Criteria; Water/Sewer

Credit Profile		
Sacramento Suburban Wtr Dist adj Rate rfdg rev COP (Weekly Vrdos) ser 2008A-2 due 11/01/2028		
Long Term Rating	AAA/A-2	Affirmed, Removed from CreditWatch
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
Sacramento Suburban Wtr Dist rfdg rev COP ser 2009B		
Long Term Rating	AA/Stable	Affirmed
Sacramento Suburban Wtr Dist var rta rfdg ser 2009A		
Long Term Rating	AAA/A-1	Affirmed
Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'AA' rating on Sacramento Suburban Water District, Calif.'s outstanding series 2009B refunding revenue certificates of participation (COPs), and its 'AA' underlying rating (SPUR) on the district's outstanding series 2009A and 2008A-2 certificates of participation (COPs).

In addition, Standard & Poor's affirmed its 'AAA/A-1' dual rating on the district's series 2009A COPs based on our joint criteria with medium correlation between the two obligors that are required to make debt service payments on the debt: Sumitomo Mitsui Banking Corporation, as provider of a letter of credit (LOC), and the Sacramento Suburban Water District, which are severally obligated to make debt service payments on the bonds. The 'A-1' short-term component of the rating is based solely on the rating of the LOC bank. The bonds were initially issued in the weekly interest rate mode but may convert to another interest rate. While in the weekly rate, the bondholders have tender options with appropriate notice to the tender agent. Bonds may be called due to mandatory tender or optional or mandatory redemption.

Standard & Poor's also affirmed its 'AAA/A-2' dual rating on the district's series

2008A-2 COPs. The long-term component of the series 2008A-2 rating reflects our view of the strength of the joint support of the Sacramento Suburban Water District's creditworthiness and the enhancement in the form of an LOC provided by Allied Irish Banks, PLC. (A-/Negative/A-2). The joint criteria rating was derived from the low correlation table, based on our view of the low credit correlation between the district and the LOC provider. Furthermore, the short-term component of the rating is based on our view of the liquidity support provided by the LOC. The LOC is initially sized to provide coverage for all principal and interest payments and for the purchase price on certificates that are not successfully tendered for a maximum of 54 days at 12%, while certificates bear interest in the weekly mode. The LOC will provide enhancement for the bonds while they bear interest in the weekly interest rate mode. Unenhanced modes for which the certificates may bear interest include daily, weekly, short-term, long-term, or auction-rate. Certificate holders can tender their certificates while in the daily or weekly modes. The

Summary: Sacramento Suburban Water District, California; Joint Criteria; Water/Sewer

certificates are also subject to mandatory tender upon the following events:

- Conversion to another interest rate mode;
- Substitution, termination or expiration of the LOC; and
- Occurrence of an event of default under the reimbursement agreement.

The underlying and dual ratings on the district are affirmed in anticipation of the substitution of the LOC on the district's series 2008A-2 bonds, whereby the LOC provided by Allied Irish Banks, PLC is replaced with an LOC provided by Union Bank, N.A. (A+/Stable/A-1). On or about September 8, 2010, upon the delivery of a new LOC by Union Bank and our review and analysis of the bond documents, we currently believe that the rating on the bonds will likely reflect the short-term rating on Union Bank, and the long-term rating will likely reflect the joint criteria rating derived from the low correlation table, based on the low correlation between the district and Union Bank.

The 'AA' rating and underlying rating (SPUR) on the bonds reflects our view of the district's:

Broad service area that encompasses a nearly fully developed portion of Sacramento's northeastern suburbs;

Strong debt service coverage of 3.3x based on the audited 2009 period ending December 31, with no additional bonds planned;

Extremely strong cash position that provides for over three years' worth of expenditures; and

Ample water supply.

Partially offsetting the above is our view of the interest rate risk associated with the variable-rate mode of various outstanding bonds and what we consider to be a significant downturn in the regional economic base.

The COPs represent an interest in the district's net revenues.

The Sacramento Suburban Water District was formed in 2002 when two neighboring water districts, formerly known as the Northridge Water District and the Arcade Water District, consolidated. The individual districts had outstanding debt prior to consolidation that was senior to the district's bonds. All debt has been refunded and is now on parity.

Sacramento Suburban Water District serves a residential population of 158,000 in the northeastern portion of the Sacramento metropolitan area, including two service areas: the North Service Area and the South Service Area. The district includes a small section of the city of Sacramento and other communities. The area is virtually fully developed, with only a small number of parcels still available for new construction. Because the district covers a suburb of California's capital city, employment opportunities are dominated by government and consulting. Historically these sectors have demonstrated stability but the current economic downturn has impacted even these stable employers. County median household effective buying income levels are in our view strong at about 11% above the U.S. average although the county's unemployment rate was 11.3% in 2009, well above 2007 levels of 5.4%.

The district serves its customers through 44,147 water connections. Water supply consists largely of water pumped from the natural underground aquifer, with additional supply available from the Placer County Water Agency and the city of Sacramento. To take full advantage of the district's access to its groundwater basin, we understand that

the district is investigating possibilities of storing water in the ground during wet periods and making it available for dryer periods. According to the district, further expansion of this practice could provide the district with a strong alternate revenue source.

Finances and Debt

The district's finances have in our view improved greatly since the merger, and coverage has reached what we consider a very strong 3.3x debt service coverage based on audited fiscal 2009 numbers ending December 31. District projections indicate coverage remaining around 3.3x. The district's current audited unrestricted cash position is also, in our view, strong with \$51 million, or approximately three years, of cash and investments on hand. We believe this strong cash positions acts as an important hedge against variable interest rate and swap exposure. The district's internal policy requires a minimum cash position of \$50 million to fund capital needs, provide for an operations and maintenance reserve and to hedge against interest rate fluctuations as indicated above.

The district's finances are a result of several double-digit rate increases, not only in 2004 and 2006 at 18% and 16%, respectively, but three rate increases in 2007, 2008, and 2009 that combined for a 43% increase. The district's most recent rate increase was a 13% increase effective Jan. 1, 2009. The current monthly flat rate for an average single-family residence is \$49.51. The district is currently doing a rate study to determine future rate increases, but the primary driver is to determine what rates are necessary to fund capital needs.

The district has no future debt plans. With increased net revenues, the district anticipates funding its capital plan solely through current revenues rather than issuing debt. The district anticipates spending roughly \$17 million annually from fiscal 2010 through 2014. The district expects that currently projected net revenues will be sufficient to pay both debt service and cover its capital needs without any notable draws on cash.

Sacramento Suburban Water District most recently issued its 2009B COPs to refund its 2005A water revenue bonds that were issued as auction-rate debt and were synthetically fixed through an interest rate swap through 2028. When the bonds were refunded, the district maintained the swap. The district's swap portfolio has been assigned a debt derivative profile score of '2', on a four-point scale where '1' represents the lowest risk, indicating our belief that the swap does not have a meaningful impact on the district's credit quality. The costs associated with converting the bonds and keeping the swap in place are, in our view, negligible.

Outlook

The outlook reflects Standard & Poor's expectation that the district will maintain its strong coverage and cash reserves. Further strengthening the stability of the credit is our view of its good water supply and its location within the deep and diverse Sacramento County MSA.

Related Criteria And Research

USPF Criteria: Standard & Poor's Revises Criteria For Rating Water, Sewer, And Drainage Utility Revenue Bonds, Sept. 15, 2008

Criteria: Methodology And Assumptions: Approach To Evaluating Letter Of Credit-Supported Debt, July 6, 2009

Criteria: Joint Support Criteria Update, April 22, 2009

Summary: Sacramento Suburban Water District, California; Joint Criteria; Water/Sewer

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