

RatingsDirect®

Summary:

San Francisco International Airport; Joint Criteria

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Summary:

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Credit Profile

US\$134.905 mil second ser var rt rev bnds ser 2018C due 05/01/2058		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	New
US\$150.0 mil second ser var rt rev bnds ser 2018B due 04/30/2048		
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	New

Rationale

S&P Global Ratings has assigned its 'AA+/A-1' rating and 'A+' underlying rating (SPUR) to the San Francisco City and County Airport Commission's second series variable-rate revenue bonds, series 2018B and 2018C (the bonds), issued for San Francisco International Airport (SFO). The outlook on the SPUR is stable.

The 'AA+' long-term component of the rating on the bonds reflects the application of our joint criteria, assuming low-correlation between SFO (A+) and the irrevocable direct-pay letter of credit (LOC) provided by Barclays Bank PLC (A/A-1) with respect to the series 2018B bonds, and Sumitomo Mitsui Banking Corp. (A/A-1) with respect to the series 2018C bonds. The long-term component addresses the likelihood that bondholders will receive interest and principal payments when due if they don't exercise the put option. The 'A-1' short-term component of the rating reflects our short-term issuer credit rating on each of the respective banks. The short-term component addresses the likelihood that bondholders will receive interest and principal payments if they do exercise the put option.

Each LOC fully supports all bond payment obligations when the bonds are in the weekly interest mode. Therefore, our rating applies only during the covered mode. If the bonds are converted to a non-covered rate mode, we would likely lower our rating (see the "Structural analysis" section below).

(For more information on SFO, see our analysis published May 4, 2018, on RatingsDirect.)

Transaction highlights

The debt is variable rate with a bondholder option to demand repayment before the bonds mature (the put or tender option). Bondholders may exercise the put option at any time during the covered modes with appropriate notice to the trustee. Those bondholders exercising the put option will receive a price equal to par plus accrued interest funded with remarketing proceeds that the trustee holds and, in the event of a failed remarketing, with the amounts available under each LOC.

Structural analysis

When evaluating the bonds, we consider various risk factors.

LOC coverage for the covered modes

Each LOC covers 51 days of interest accruals at a maximum interest rate and the entire bond principal amount. We believe the LOC's coverage will pay interest and principal while the bonds are in the covered-rate mode, even

assuming maximum interest rate accruals.

- Maximum bond rate: 12%.
- First interest payment date: July 2, 2018.
- Covered mode interest payment date: Weekly.
- LOC interest reinstatement period: Fifth calendar day.
- Remedy for non-reinstatement: At the bank's direction, the trustee will cause a mandatory tender of the bonds on a day that is not more than 10 days after receipt of bank notice.
- Interest accrual for covered mode(s): The accrual period begins on an interest payment date and continues up to but excluding the next interest payment date.

Interest rate mode changes

In addition to covered modes, the transaction documents provide that the bonds may be converted to uncovered modes in the form of daily, commercial paper, term, index interest rate, and fixed interest rate. While the bonds are in the uncovered modes, except for the daily and index interest rate forms, a put option is not available. We do not believe there is any mode conversion-related risk of a put option loss or an interest shortfall, because the bonds are subject to a mandatory tender at par plus accrued interest before the rate mode changes.

The transaction terms don't provide for the bonds to operate in multiple modes.

LOC termination

The transaction structure is such that the LOCs could terminate before the bonds mature. If this happens, the bond documents call for the trustee to declare a date to repay the bonds in full before termination. Therefore, we believe LOC termination risk is addressed. Each LOC is set to expire on June 3, 2022 (unless extended or earlier terminated).

LOC provider replacement

The transaction documents provide that the obligor may replace each LOC provider with appropriate notice to bondholders. The bonds are subject to mandatory tender on the substitution date.

In our view, the conditions for replacing the LOC mitigate any risk that we might downgrade the bonds as a consequence of the LOC provider being replaced.

Additional bonds

The transaction terms do allow for the issuance of additional bonds; however, they don't expressly provide for additional bond issuances under the same series.

Ratings sensitivity

In view of the bond structure, upgrades or downgrades to the covered-mode bond can result from, among other things, upgrades or downgrades to the LOC providers or amendments to the transaction's terms. We will maintain a rating on the bonds as long as they are in the covered mode and the LOCs have not expired or otherwise been terminated. If either of these conditions changes, we will likely revisit our rating on the bonds.

Other call provisions

During the covered mode, bonds are subject to mandatory and optional redemptions. In all cases, the redemption price will at least equal par plus accrued interest, and are covered by the LOC providers.

Outlook

The stable outlook on the SPUR reflects our view of the stable outlook on SFO.

Ratings Detail (As Of May 21, 2018)

San Francisco Intl Arpt second ser var rt rev bnds ser 2018B due 04/30/2048		
<i>Long Term Rating</i>	AA+/A-1	Rating Assigned
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Rating Assigned
San Francisco Intl Arpt second ser var rt rev bnds ser 2018C due 05/01/2058		
<i>Long Term Rating</i>	AA+/A-1	Rating Assigned
<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Rating Assigned

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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