

Bond Case Briefs

Municipal Finance Law Since 1971

San Francisco Airport to Sell \$1 Billion in Bonds for Expansion.

- **Bond sale will finance capital projects and debt repayment**
- **Fitch affirmed an A+ rating on outstanding SFO airport debt**

The San Francisco International Airport is planning to tap the muni bond market with a \$1 billion deal, becoming the latest among its peers to seek new capital.

The Bay Area airport will use proceeds of the debt sale to fund \$565 million in capital improvement projects, repay outstanding obligations, and fund reserve requirements, according to a report from Fitch Ratings published this week.

Airports had been major debt issuers in 2024, borrowing more than \$20 billion from muni investors last year, according to data compiled by Bloomberg. The deluge is expected to continue with facilities in Ohio and Texas already floating upcoming deals.

In San Francisco, air travel has recovered slower than its cohorts across the nation, though its performance is consistent with California peers, according to Fitch. "A full recovery is expected over the next few years as domestic departures ramp back up," the analysts at Fitch led by Jim Code said.

The company assigned an A+ rating to the new sale and affirmed that grade on about \$8.9 billion of the Bay Area airport's revenue bonds. It provided a stable rating outlook for all of its debt, citing its "strong operational and financial performance."

Moody's Ratings upgraded the airport's outlook to positive on Monday, signaling it may boost its credit rating. Moody's rates the airport's debt as A1, according to a report.

The raised outlook "recognizes that SFO's enplanement recovery is poised to advance with continued strength in the local economy driven by investments in the areas AI technology companies," the analysts at Moody's said in the report. "The positive outlook also reflects that SFO's service offering is tilted toward premium travelers that we expect to drive growth in the high-end segment this year, despite slow overall growth caused by weakness in low-cost travel."

The airport's capital improvement plan totals about \$11 billion through 2033 with a majority of it to be financed through bonds, according to Fitch. The airport has a bevy of projects on its agenda, including fortifying its shoreline to address flooding risks and upgrading terminals.

A representative from the airport didn't reply to phone and email messages seeking comment.

Bloomberg Markets

By Aashna Shah

January 7, 2025

