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**S&P Global**

Ratings

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**Millbrae Public Financing  
Authority, CA COP Outlook  
Revised To Positive On Very  
Strong All-In Coverage**

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CENTENNIAL (S&P Global Ratings) Feb. 13, 2018--S&P Global Ratings revised its outlook to positive from stable and affirmed its 'AA-' long-term rating on Millbrae Public Financing Authority, Calif.'s outstanding certificates of participation (COPs). At the same time, S&P Global Ratings assigned its 'AA-' rating to the authority's 2018 wastewater revenue bonds.

The authority is issuing its 2018 wastewater revenue bonds to finance the acquisition and construction of certain improvements to the wastewater system of the city of Millbrae.

"The positive outlook reflects the one-in-three chance that we could raise the rating if the wastewater system continues to post very strong all-in coverage metrics by implementing timely rate increases," said S&P Global Ratings credit analyst Alexandra Rozgonyi. "We believe the upcoming permit renewal cycle for the national pollutant discharge elimination system will provide better clarity relating to future regulatory requirements within the two-year outlook horizon. In addition, we expect the updated rate study to provide additional clarity in regard to future rate increases after 2020, debt plans, and future funding for capital improvements."

The rating reflects our view of the wastewater system's extremely strong enterprise risk profile and strong financial risk profile, which incorporate our analysis of projected very strong all-in coverage metrics and management's history of timely rate increases to support capital improvements needed to comply with the Baykeeper Consent Decree.

The enterprise risk profile reflects our view of the wastewater system's:

Service area in the strong San Francisco-Oakland-Hayward metropolitan statistical area;

Good market position despite higher-than-average system rates, which we believe are offset by the service area's very strong income metrics and low county poverty rate;

Very low industry risk as a monopolistic service provider of an essential public utility; and

Good operational management assessment, represented by management's capital improvements to adhere to environmental regulations and timely rate increases, which have been supported by council.

The financial risk profile reflects our view of the wastewater system's:

Very strong all-in coverage of about 2.23x in fiscal 2017, which we expect to stay very strong at above 1.60x during the next five years; Very strong liquidity, with about \$10 million of cash and investments for fiscal 2017, equivalent to about 644 days of operating expenses; Large capital plan that consists of projects to meet consent decree requirements, with a high pro forma debt-to-capitalization ratio of about 82.7%, which includes the expected 2020 and 2022 bond issuances; and Good financial management represented by long-term financial and capital planning.

We could revise the outlook back to stable if all-in coverage does not meet management-provided projections or if cash is unexpectedly spent down to fund unforeseen capital projects.

As of June 2017, the city has about \$33 million of outstanding COPs and loan obligations.

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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on the S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column.

Primary Credit Analyst: Alexandra Rozgonyi, Centennial (1) 303-721-4824;  
[alexandra.rozgonyi@spglobal.com](mailto:alexandra.rozgonyi@spglobal.com) (mailto:alexandra.rozgonyi@spglobal.com)

Secondary Contact: Tim Tung, San Francisco (415) 371-5041;  
[tim.tung@spglobal.com](mailto:tim.tung@spglobal.com) (mailto:tim.tung@spglobal.com)

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