File No. 120759

Committee Item No. 1
Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee **Date** 09/19/2012

Board of Supervisors Meeting **Date** _____

Cmte	Board	
☐	☐	Motion
☒	☐	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☒	☐	Budget and Legislative Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Youth Commission Report
☐	☐	Introduction Form (for hearings)
☒	☐	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☐	☐	Form 126 – Ethics Commission
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER **(Use back side if additional space is needed)**

☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	
☐	☐	

Completed by: Victor Young **Date** September 14, 2012
Completed by: Victor Young **Date** _____

[Airport Capital Plan Bonds - $502,200,000]

Resolution approving the issuance of up to $502,200,000 aggregate principal amount of San Francisco Airport Commission Capital Plan Bonds; and approving certain related matters.

WHEREAS, The Airport Commission, by its Resolution No. 91-0210, as supplemented and amended, has authorized the issuance of San Francisco International Airport Second Series Revenue Bonds (the "Bonds") for any lawful purpose of the Airport Commission; and,

WHEREAS, The Airport Commission, by its Resolution No. 97-0146, as supplemented and amended, has authorized the issuance of San Francisco International Airport Second Series Subordinate Revenue Bonds (the "Subordinate Bonds"), for any lawful purpose of the Airport Commission; and,

WHEREAS, The Airport Commission, by its Resolution No. 08-0035, as supplemented and amended, has authorized the issuance from time to time of $718,000,000 aggregate principal amount of Bonds for the purpose of financing and refinancing the construction, acquisition, equipping and development of capital projects undertaken by the Airport which are approved by the Commission (the "Capital Plan Bonds"), including refunding outstanding Subordinate Bonds, and by its Resolution No. 12-0050 (as supplemented and amended, the "Sixteenth Supplemental Resolution"), has authorized the issuance of an additional $502,200,000 principal amount of Capital Plan Bonds which authorization requires the approval of the Board of Supervisors (the "Board"); and,

WHEREAS, This Board, by its Resolutions Nos. 229-08 (the "2008 Board Resolution") and 50-11 (the "2011 Board Resolution," and collectively with the 2008 Board Resolution, the "Prior Board Resolutions"), has approved the issuance of $718,000,000 aggregate principal amount of such Capital Plan Bonds, as well as certain Refunding Bonds, Subordinate Bonds, and Special Facilities Bonds (as defined in the Prior Board Resolutions) (collectively with the Capital Plan Bonds, the "Airport Bonds"), of which Capital Plan Bonds $614,260,000 have been issued to date and $103,740,000 remain unissued; and,

WHEREAS, Section 4.115 of the Charter provides that the Airport Commission has the exclusive authority to plan and issue airport revenue bonds for airport-related purposes, subject to the approval, amendment, or rejection of the Board of Supervisors of each issue; and,

WHEREAS, The Sixteenth Supplemental Resolution has been submitted to this Board and is on file with the Clerk of the Board in File No. 120759, which is hereby declared to be a part of this resolution as if set forth fully herein; and

WHEREAS, The interest on certain of the Airport Bonds may qualify for exclusion from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code") only if such bonds are approved as set forth in this resolution in accordance with Section 147(f) of the Code; and,

WHEREAS, This Board is the elected legislative body of the City and County of San Francisco (the "City") and is the applicable elected representative required to approve the Airport Bonds for purposes of Section 147(f) of the Code; and,

WHEREAS, A notice of public hearing with respect to the Airport Bonds to be issued by the Airport Commission in an aggregate principal amount not to exceed

$2.149 billion (the "TEFRA Notice"), was published not less than fourteen (14) days prior to the public hearing, in two newspapers of general circulation available to the residents of the City; and,

WHEREAS, A public hearing was held on June 22, 2012, pursuant to such notice and an opportunity was provided for interested persons to present arguments for and against the issuance of such Airport Bonds and the nature and location of the projects to be financed and refinanced with the proceeds thereof; and,

WHEREAS, A summary of such arguments has been presented to and is on file with the Clerk of the Board; now, therefore, be it,

RESOLVED, That the Board of Supervisors hereby declares that each of the foregoing recitals is true and correct and is a representation of the Board of Supervisors; and, be it

FURTHER RESOLVED, That the Sixteenth Supplemental Resolution, as adopted by the Airport Commission, is hereby approved; and, be it

FURTHER RESOLVED, That the additional authorized aggregate principal amount of Capital Plan Bonds shall be $502,200,000 and each reference to such authorized principal amount in the 2008 Board Resolution is hereby increased by $502,200,000; and, be it

FURTHER RESOLVED, That the time for the sale of Airport Bonds, including the Capital Plan Bonds, set forth in the 2011 Board Resolution shall be extended to June 30, 2019 from December 31, 2015; and, be it

FURTHER RESOLVED, That this Board, as the appropriate applicable elected representative, hereby approves the Airport Bonds described in the TEFRA Notice for purposes of, and in accordance with, Section 147(f) of the Code; and, be it

FURTHER RESOLVED, That the provisions of the Prior Board

Resolutions, except as modified herein, are hereby ratified, approved and confirmed.

APPROVED AS TO FORM:

DENNIS J. HERRERA
City Attorney

By _____
Deputy City Attorney

Items 1 & 2 Files 12-0759 and 12-0751 *(Continued from September 12, 2012)*	**Department:** Airport

EXECUTIVE SUMMARY

Legislative Objectives

File 12-0759: The proposed resolution would (a) authorize the San Francisco International Airport (Airport) to issue San Francisco Airport Commission Capital Plan Bonds (Airport Bonds) for a total principal amount not-to-exceed $502,200,000, (b) extend the deadline for sale of the Airport Bonds from December 31, 2015 to June 30, 2019, and (c) approve certain related matters.

File 12-0751: The proposed ordinance would appropriate $543,200,000 of Airport Bond proceeds (File 12-0759) to capital improvement projects and related issuance costs to the Airport Commission for FY 2012-13, and place the total appropriation of $543,200,000 on Controller's Reserve pending sale of the Airport Bonds.

Key Points

- In 2008, the Board of Supervisors authorized the Airport Commission to issue up to $718,000,000 of Airport Commission Capital Plan Bonds (Airport Bonds) for Airport capital projects (File 08-0590). The Board of Supervisors also authorized the appropriation of $593,490,962 at that time for Airport capital projects, including funding for the renovation and expansion of Terminal 2 (File 08-0404). Of these authorizations, the Airport has $103,740,000 in remaining Airport Bond issuance authority, and $77,810,950 in capital project appropriation fund balance.
- The proposed resolution (File 12-0759) would authorize the sale of Airport Bonds to fund the next five years of Airport capital projects, as identified in the Airport's 2012-2016 Five-Year Capital Plan. The proposed supplemental appropriation ordinance (File 12-0751) would appropriate a total of $543,200,000, including (a) $502,200,000 of Airport Bond Proceeds to Airport capital projects, including (1) airfield improvements, including the Runway Safety Area (RSA) Project; (2) Airport support improvements, including baggage and security improvements; (3) groundside projects, including new parking facilities; (4) Airport terminal improvement projects; and (5) utility improvement projects, including wastewater, power, and central plant improvements and (b) $41,000,000 of prior Airport Bond authorization for bond issuance and related financial costs.
- If the proposed resolution is approved, the Airport would combine its remaining 2008 Airport Bond issuance authority of $103,740,000 and the requested 2012 Airport Bond authority of $502,200,000, to issue a total of $605,940,000 in Airport Bonds to fund Airport capital projects and the Airport's Bond Cost of Issuance.

Fiscal Impacts

- The proposed resolution would authorize the issuance of $502,200,000 aggregate principal amount of Airport Bonds. The Airport has estimated total interest costs of $772,499,651 for the Airport Bonds, based on an interest rate 6.00%, resulting in a total debt service of $1,274,699,651, to be repaid over the course of the 30-year period from 2014 to 2044. Any expenses incurred prior to the Airport Bond sale would be funded through the Airport's Commercial Paper program.
- Issuance of the proposed new Airport Bonds would increase the Airport's outstanding debt by $502,200,000 or 12.4%, from $4,060,000,000 to $4,562,200,000.
- The debt service on the Airport Bonds would be repaid from revenues the Airport generates through

landing fees, terminal rental fees, concession revenue, parking revenue, rental revenue, and other sources. The Cost Per Enplaned Passenger (CPE) paid by airlines is forecasted to increase by 5.1% in FY 2013-14.

- On September 12, 2012, the Budget and Finance Committee amended the proposed ordinance (File 12-0751) to increase the supplemental appropriation by a total of $41,000,000, from $502,200,000 to $543,200,000, to provide the Airport appropriation authority for the Airport's estimated Bond issuance and related financial costs, including (a) $17,900,000 Debt Service Reserve Fund; (b) $1,500,000 for Cost of Issuance; (c) $2,600,000 Underwriter's Discount; and (d) $19,000,000 Capitalized Interest.

Recommendation

- Approve the proposed ordinance and the proposed resolution.

MANDATE STATEMENT/ BACKGROUND

Mandate Statement

Section 4.115 of the City's Charter provides that the Airport Commission has the exclusive authority to plan and issue Airport revenue bonds for Airport related purposes, subject to the approval, amendment, or rejection of the Board of Supervisors of each authorization.

Background

On May 13, 2008, the Board of Supervisors authorized the Airport Commission to issue up to $718,000,000 aggregate principal of General Airport Revenue Bonds (Airport Bonds) (File 08-0590) and appropriated $593,490,962 for various capital projects under the Airport's Capital Plan (File 08-0404). File 08-0590 included a deadline of December 31, 2015 for the Airport to issue the up to $718,000,000 of Airport Bonds. The purpose of this 2008 Airport Bond issuance and appropriation was to fund various capital projects identified in the Airport's Capital Plan, including the renovation and expansion of Terminal 2, which has since been completed and opened on April 14, 2011.

As shown in Table 1 below, as of September 6, 2012, the Airport has issued a total of $614,260,000 or 85.6% of the authorized $718,000,000 in Airport Bonds, leaving the Airport with $103,740,000 in Airport Bond issuance authorization. Of the $593,490,962 previously approved supplemental appropriation, as of September 6, 2012, the Airport has expended $515,680,012 or 86.9%, leaving the Airport with $77,810,950 in remaining appropriation authority for these various capital projects. The Airport's existing Airport Bond issuance and appropriation authority are further discussed in the Fiscal Impact section, below.

Table 1. Summary of 2008 Airport Bond Issuance and Appropriation

File	Amount Authorized	Issued or Expended as of Sept. 6, 2012	% Issued or Expended as of Sept. 6, 2012	Amount Remaining
08-0590: Airport Bond Issuance	$718,000,000	$614,260,000	85.6%	$103,740,000
08-0404: Supplemental Appropriation	$593,490,962	$515,680,012	86.9%	$77,810,950

According to Ms. Julia Dawson, Airport Capital Budget Manager, the Costs of Issuance (COI) and other financing costs that the Airport incurred for the 2008 Airport Bonds totaled $98,579,988. Ms. Dawson notes that this $98,579,988 issuance related cost accounts for the difference between the $614,260,000 2008 Airport Bonds issued to date and the $515,680,012 amount the Airport has expended against its 2008 supplemental appropriation. Ms. Dawson advises that the 2008 Airport Bond COI and other financing costs were not included in the 2008 supplemental appropriation.

Table 2, below, summarizes the Airport's remaining $77,810,950 capital project appropriation authority.

Table 2. Remaining 2008 Airport Capital Project Appropriation Authority

Capital Projects	Remaining Supplemental Amount
Airfield Improvements	**$8,586,300**
Runway Safety Area (RSA) Program	7,232,300
Runway Status Lights System (RWSL)	500,000
Runway Improvements	854,000
Airport Support Improvements	**$23,320,000**
West Field Cargo Redevelopment	1,500,000
CBIS / BHS Modernization	4,500,000
Security Improvements	3,288,960
Ground Transportation Management System (GTMS) Replacement	500,000
Superbay Improvements	3,500,000
Telecommunications Network Infrastructure Upgrades	2,500,000
Airport Data Center	6,031,040
Airport Signage Improvements	1,500,000
Groundside Projects	**$1,600,000**
Parking Lot and Garage Improvements	1,350,000
Variable Message Signs on Freeway Ramps	250,000
Terminal Improvement Projects	**$39,597,400**
Boarding Area E Redevelopment	8,780,903
Terminal 3 Checkpoint Improvements	13,424,484
Terminal 1 Redevelopment Planning	5,000,000
International Terminal Renovations	4,892,013
Passenger Boarding Bridge Replacement	2,500,000
ATCT Integrated Facilities / Secure Connector	5,000,000
Utility Improvement Projects	**$4,707,250**
Wastewater System Improvements	1,632,000
Power and Lighting Improvements	750,250
Central Plant Improvements	1,000,000
Telecommunications Infrastructure Improvements	850,000
Storm Drain Improvements	475,000
TOTAL	**$77,810,950**

2012-2016 Five-Year Capital Plan

An updated Airport Five-Year Capital Plan, covering calendar years 2012 through 2016, was reviewed and approved by the City's Capital Planning Committee on February 13, 2012, and included in the City's overall 2012 Ten-Year Capital Plan. The Airport's 2012-2016 Five-Year Capital Plan identified the following three priority projects:

- Runway Safety Area (RSA) – A federally mandated project, to be completed by all airports by December 31, 2015.
- Air Traffic Control Tower (ATCT) – A new tower and integrated base building to be located between Terminals 1 and 2, to replace the existing ATCT. The integrated facility includes entrance reconfiguration, an airline club, and a secure connector between Terminal 1 and 3 and once complete, will allow travelers to transition between the two Terminals and make airline connections without leaving the secure area.
- Terminal 3 Boarding Area Renovations and Reconfiguration – Renovating and refurbishing Boarding Area E in Terminal 3. Additionally, the Airport plans to reconfigure and expand the Terminal 3 checkpoints to improve passenger processing and meet new TSA requirements.

Outstanding Debt

Currently the Airport has $4,060,000,000 in total bond debt outstanding, which is estimated to cost the Airport $354,480,000 in debt service payments in FY 2012-13, including principal and interest. The Airport's debt service, including principal and interest, is funded through Airport revenues, including non-airline revenues, such as terminal concessions and ground transportation concessions, and through fees charged to airlines.

DETAILS OF PROPOSED LEGISLATION

File 12-0759: The proposed resolution would (a) authorize the San Francisco International Airport (Airport) to issue San Francisco Airport Commission Capital Plan Revenue Bonds (Airport Bonds) for a total principal amount not-to-exceed $502,200,000, (b) extend the deadline for issuance of the Airport Bonds from December 31, 2015 to June 30, 2019, and (c) approve certain related matters.

According to Ms. Dawson, the proposed issuance extension would allow the Airport additional flexibility for issuing the Airport Bonds at a fiscally appropriate time.

File 12-0751: The proposed ordinance would appropriate $543,200,000 of proceeds from the proposed Airport Bond sale for capital improvement projects and related issuance costs to the Airport Commission for FY 2012-13, and place the total appropriation of $543,200,000 on Controller's Reserve pending sale of the Airport Bonds.

The proposed supplemental appropriation ordinance would appropriate a total of $543,200,000, including (a) $502,200,000 of new Airport Bond proceeds to Airport capital projects, which include(1) airfield improvements, including federally mandated runway safety projects; (2) Airport support improvements, including baggage and security improvements; (3) groundside projects, including new parking facilities; (4) Airport terminal improvement projects; and (5)

utility improvement projects, including wastewater, power, and central plant improvements, and (b) $41,000,000 of previous Airport Bond authorization for bond issuance and related financial costs.

Table 3 below summarizes the $41,000,000 proposed appropriation to cover the Airport's bond issuance and related financial costs to issue the new Airport Bonds:

Table 3. Bond Issuance and Related Financial Costs

Debt Service Reserve Fund	$17,900,000
Cost of Issuance	1,500,000
Underwriter's Discount	2,600,000
Capitalized Interest	19,000,000
Total Bond Issuance Costs	**$41,000,000**

Table 4, shown on the following page, is a Capital Project Budget for the proposed $502,200,000 supplemental appropriation ordinance. A five-year expenditure plan for the $502,200,000, from FY 2012-13 through FY 2016-17 is summarized in Attachment I to this report.

Table 4. Proposed $502,000,000 Capital Project Budget

Capital Projects	Description	Budgeted Amount
Airfield Improvements		$83,675,667
Runway Safety Area (RSA) Program	Project is mandated by US Congress	71,214,909
Runway Status Lights System (RWSL)	Safety system designed to reduce the number of runway incursions	7,493,258
Runway Improvements	Periodic repaving of runway	4,967,500
Airport Support Improvements		122,622,671
West Field Cargo Redevelopment	A new cargo building that will be leased to shipping company DHL. This facility will ultimately replace two cargo buildings containing asbestos	30,401,269
BHS/CBIS Modernization	Modernize the baggage handling system (BHS) and checked baggage inspection system (CBIS)	25,053,199
Air Traffic Control Tower (ATCT) Replacement	Demolition of existing ATCT	21,240,000
Security Improvements	Installation of card access readers for increased security	16,544,250
Ground Transportation Management System (GTMS) Replacement	Installation of a system that will make the billing of taxi and shuttle providers more efficient	14,399,293
Superbay Improvements	Fire safety and door improvements to the Superbay Facility, which is a hangar for United and American and yield $8 million/year in revenue from leases	5,200,000
Energy Efficiency Projects - Airport Support	Allow for the use of green energy sources	5,075,000
Telecommunications Network Infrastructure Upgrades	Replace wiring for telecommunications network	4,709,660
Groundside Projects		58,548,500
New Parking Garage	Initial costs for a second long-term parking garage	35,000,000
Viaduct Improvements	Resurfacing and seismic upgrades, ongoing program, and improvement in front of Terminal 1	13,010,000
Parking Lot and Garage Improvements	Resurfacing, maintaining infrastructure, new employee parking (freeing up 800 spaces for public), carbon monitoring system	7,500,000
Variable Message Signs on Freeway Ramps	Replace the Variable Message Signs (VMS) on the overhead sign bridges above the freeway ramps to the Airport Terminals	1,988,500
Roadway Improvements	Various Airport roadways leading to the Terminals are in need of reconstruction. The signage is failing and needs to be renovated	1,050,000
Terminal Improvement Projects		181,753,029
Boarding Area E Redevelopment	Redevelopment of Terminal 3 Boarding Area E to allow for United expansion	107,130,769
Terminal 3 Checkpoint Improvements	Passenger inspection throughpoint for Boarding Area E	43,273,000
Air Traffic Control Tower (ATCT) Integrated Facilities/ Secure Connector	New ATCT, integrated facilities, support buildings for ATCT, FAA offices (funding shared with $69 million grant)	31,349,260
Utility Improvement Projects		54,595,733
Wastewater System Improvements	Replace drainage and sewage systems and construct a new industrial waste processing facility	27,487,758
Power and Lighting Improvements	Bringing power to Terminals and increasing Terminals' power capacity	13,064,975
Central Plant Improvements	Replace boiler and add additional energy-efficient upgrades	9,695,000
Telecommunications Infrastructure Improvements	Upgrade, replacement, expansion, and improvement of telecommunications support infrastructure	2,348,000
Storm Drain Improvements	Replace sections of the storm drain network	2,000,000
CSA Auditing Services	Prop C mandated set-aside for City Service Auditor services	**1,004,400**
TOTAL		**$502,200,000**

FISCAL IMPACTS

File 12-0759: The proposed resolution would authorize the issuance of $502,200,000 aggregate principal amount of San Francisco Airport Commission Capital Plan Bonds (Airport Bonds). The Airport has estimated total interest costs of $772,499,651 for the Airport Bonds, based on an interest rate 6.00% resulting in a total debt service of $1,274,699,651, to be repaid over a 30-year period from 2014 to 2044, as shown in the annual debt service schedule in Attachment II.

According to Ms. Dawson, if the proposed resolution is approved, the Airport would combine its remaining 2008 Airport Bond issuance authority of $103,740,000 (File 08-0590), shown in Table 1 above, and the requested 2012 Airport Bond authority of $502,200,000, to issue a total of $605,940,000 in Airport Bonds to fund Airport capital projects. This combined amount would also fund the Airport Bond Cost of Issuance (COI), which is estimated to total $41,000,000.

The debt service on all the Airport Bonds would be repaid from revenues the Airport generates through landing fees, terminal rental fees, concession revenue, parking revenue, rental revenue, and other sources. These revenues are allocated to debt service on capital projects through the Airport's Annual Operating Budget.

According to Ms. Dawson, the Airport anticipates issuing the $605,940,000 in Airport Bonds between two issuances, March 2013 and November 2014. Any Airport project costs incurred prior to the issuance of the Airport Bonds would be paid through the Airport's Commercial Paper program. The Airport has historically issued Commercial Paper to provide short-term funding for capital projects, and refunds the short-term Commercial Paper with the proposed new Airport Bonds that amortize over a 30-year period. According to Ms. Dawson, this financing strategy allows the Airport to (a) realize savings by achieving a much lower interest rate on the Commercial Paper in the short term, compared to the interest rate on the Airport Revenue Bonds and (b) reduce capitalized interest costs.

File 12-0751: The proposed ordinance would authorize the appropriation of a total of $543,200,000, including (a) $502,200,000 in Airport Bond revenue for Airport capital projects (File 12-0759), in accordance with the Airport's 2012 Five-Year Capital Plan, and (b) $41,000,000 for bond issuance and related financial costs. A summary budget for the $502,200,000 in capital projects is shown in Table 4 above, and a five-year expenditure plan is provided in Attachment I to this report. Table 3 above summarizes the $41,000,000 bond issuance and related financial costs. Under the proposed ordinance, the entire $543,200,000 appropriation would be placed on Controller's reserve pending the sale of the Airport Bonds or Commercial Paper.

Combined Prior and Proposed Bond Issuance and Appropriation Authorization

Table 5,be low, summarizes the Airport's intention to combine the remaining $103,740,000 2008 Airport Bond authority, the requested $502,200,000 2012 Airport Bond issuance, and an additional $15,070,950 of Commercial Paper, totaling $621,010,950. Table 5 below also summarizes the uses for the $621,010,950 total funds, which includes the $77,810,950 remaining 2008 capital project appropriation authorization detailed above in Table 2, the requested $502,200,000 project uses shown above in Table 4 and the estimated $41,000,000 Bond issuance and related financial costs for the combined Airport Bonds.

Table 5. Summary of Combined Sources and Uses

Combined Sources	
Remaining 2008 Airport Bond Issuance Authorization	$103,740,000
Proposed 2012 Airport Bond Issuance Authorization	502,200,000
Subtotal	**$605,940,000**
Additional Future Commercial Paper Issuance	15,070,950
Total Sources	**$621,010,950**
Combined Uses	
Remaining 2008 Capital Appropriation Authorization	$77,810,950
Proposed 2012 Capital Appropriation Authorization	502,200,000
Subtotal	**$580,010,950**
Estimated Total Airport Bond Costs of Issuance	41,000,000
Total Uses	**$621,010,950**

According to Ms. Dawson, the additional $15,070,950 in Commercial Paper shown in Table 5 above would be refunded with Airport Bonds in a future Airport Bond authorization.

POLICY CONSIDERATIONS

Airlines' Fees Would be Increased to Pay for the Proposed $502,200,000 Airport Bond Issuance

Airline terminal rentals and landing fees constitute approximately 41% of the Airport's overall revenue, of which a portion is used to repay Airport Bonds. The Cost Per Enplaned Passenger, (CPE), a metric used to measure the average cost of airline operations at an airport, divides airline-required revenue[1] by enplaned (departing) passengers.

$$\text{Cost Per Enplaned Passenger (CPE)} = \frac{\text{Airline-Required Revenue}}{\text{Enplaned Passengers}}$$

The CPE at the Airport has been estimated at $14.15 for FY 2012-13. In FY 2013-14, the CPE is forecasted to increase by $0.72 or 5.1% to $14.87, including costs associated with the proposed Airport Bonds. According to Ms. Dawson, the airlines have approved the Airport's Capital Plan and reviewed the resulting impact to the CPE.

[1] Airline Required Revenue = (Airport Debt Service & Amortization + Operating & Maintenance Expenses) - (Nonairline Revenue, Designated Passenger Facility Charges, and Deferred Revenue)

The Proposed $502,200,000 Airport Bond Issuance Would Increase the Airport's Outstanding Long-Term Debt by 12.4%

As noted in the Background section above, the Airport currently owes $4,060,000,000 in outstanding long-term Airport Bond debt. Issuance of the proposed Airport Bonds of $502,200,000 would result in Airport outstanding debt totaling $4,562,200,000, an increase of 12.4 percent. The Airport's annual debt service on the proposed Airport Bond issuance would increase from as low as $1,889,777 in FY 2013-14 to as high as $88,146,299 per year in FY 2041-42, as shown in Attachment II. The Airport's total long-term debt service schedule is shown in Attachment III to this report. As shown in Attachment III, if the proposed Airport Bond issuance is approved, debt service from the existing and proposed Airport Bonds would peak at $408,801,928 in FY 2015-16, or 44.0 percent, of the Airport's anticipated operating budget for FY 2015-16.

The Airport's approved FY 2012-13 operating budget is $843,524,462, including $350,144,580 in debt service and $493,379,882 in other operating expenses. Despite what appears to be a relatively high debt to operating budget ratio, MGO Certified Public Accountants noted the following on November 28, 2011:

> "Standard and Poor's affirmed the Airport's underlying credit ratings and subsequently upgraded the Airport from "A" to "A+" with a Stable Rating Outlook on June 30, 2011. Moody's and Fitch also affirmed their existing credit ratings of the Airport of "A1" and "A+" with Stable Rating Outlooks, respectively."[2]

According to Ms. Dawson, the Airport anticipates the requested Airport Bonds will receive an A+ rating from Standard and Poor's and Fitch, and an A1 rating from Moody's at the time of issuance.

On September 12, 2012, the Budget and Finance Committee Amended the Proposed Ordinance to Include Appropriation Authority for the Airport Bond's $41,000,000 Costs of Issuance

As discussed above, in 2008 the Board of Supervisors authorized the Airport to issue up to $718,000,000 of Airport Bonds. As shown in Table 1 above, to date the Airport has issued a total of $614,260,000 of Airport Bonds, such that $103,704,000 of Airport Bond issuance authority remains. As is also noted above, the Airport estimates that issuing the combined 2008 and 2012 Bond Issuances, totaling $605,940,000, as shown in Table 5 above, would result in an estimated cost of issuance of $41,000,000.

According to Ms. Dawson, the Airport would use funds from the remaining $103,704,000 2008 Bond issuance authority to fund the estimated $41,000,000 cost of issuance for the 2012 and 2013 Airport Bond issuances. However, the Airport has not previously received appropriation authority from the Board of Supervisors for this $41,000,000, nor did the Airport initially include an estimated cost of issuance in the subject supplemental appropriation ordinance. Therefore, on September 12, 2012, the Budget and Finance Committee amended the proposed ordinance, to increase the requested supplemental appropriation ordinance (File 12-0751) by an amount of

---

[2] Source: City and County of San Francisco Basic Financial Statements and Single Audit Reports for the Year Ended June 30, 2011.

$41,000,000, from $502,200,000 to $543,200,000, so that the Airport has the appropriation authority for the estimated Bond issuance and related financial costs.

RECOMMENDATION

Approve the proposed ordinance and the proposed resolution.

Summary of Supplemental Appropriation - Project List
San Francisco International Airport
July 17,2012

Capital Projects	FY12-13	FY 13-14	FY 14-15	FY 15-16	FY 16-17	Total Supplemental Amount
Airfield Improvements						
Runway Safety Area (RSA) Program	31,643,909	28,840,000	10,559,000	172,000	-	71,214,909
Runway Status Lights System (RWSL)	-	-	5,593,258	1,900,000	-	7,493,258
Runway Improvements	-	-	-	160,163	4,807,338	4,967,500
Airfield Improvements Total	**31,643,909**	**28,840,000**	**16,152,258**	**2,232,163**	**4,807,338**	**83,675,667**
Airport Support Improvements						
West Field Cargo Redevelopment	7,897,206	15,745,000	6,759,063	-	-	30,401,269
CBIS / BHS Modernization	19,107,233	5,945,966	-	-	-	25,053,199
Air Traffic Control Tower Replacement	-	1,130,000	12,640,000	7,470,000	-	21,240,000
Security Improvements	16,544,250	-	-	-	-	16,544,250
Ground Transportation Management System (GTMS) Replaceme	14,399,293	-	-	-	-	14,399,293
Superbay Improvements	1,200,000	4,000,000	-	-	-	5,200,000
Energy Efficiency Projects - Airport Support	5,075,000	-	-	-	-	5,075,000
Telecommunications Network Infrastructure Upgrades	3,179,660	1,530,000	-	-	-	4,709,660
Airport Support Improvements Total	**67,402,642**	**28,350,966**	**19,399,063**	**7,470,000**	**-**	**122,622,671**
Groundside Projects						
New Parking Garage	35,000,000	-	-	-	-	35,000,000
Viaduct Improvements	-	450,000	5,565,000	6,995,000	-	13,010,000
Parking Lot and Garage Improvements	3,500,000	2,000,000	2,000,000	-	-	7,500,000
Variable Message Signs on Freeway Ramps	1,988,500	-	-	-	-	1,988,500
Roadway Improvements	66,700	433,300	-	-	550,000	1,050,000
Groundside Projects Total	**40,555,200**	**2,883,300**	**7,565,000**	**6,995,000**	**550,000**	**58,548,500**
Terminal Improvement Projects						
Boarding Area E Redevelopment	84,883,841	22,246,928	-	-	-	107,130,769
Terminal 3 Checkpoint Improvements	22,821,600	17,329,600	3,121,800	-	-	43,273,000
ATCT Integrated Facilities / Secure Connector	13,443,050	15,524,386	2,381,824	-	-	31,349,260
Terminal Improvements Projects total	**121,148,491**	**55,100,914**	**5,503,624**	**-**	**-**	**181,753,029**
Utility Improvement Projects						
Wastewater System Improvements	7,353,758	12,584,000	7,550,000	-	-	27,487,758
Power and Lighting Improvements	3,034,998	3,649,977	-	185,000	6,195,000	13,064,975
Central Plant Improvements	8,645,000	1,050,000	-	-	-	9,695,000
Telecommunications Infrastructure Improvements	2,348,000	-	-	-	-	2,348,000
Storm Drain Improvements	1,300,000	700,000	-	-	-	2,000,000
Utility Improvement Projects Total	**22,681,756**	**17,983,977**	**7,550,000**	**185,000**	**6,195,000**	**54,595,733**
CSA Auditing Services						
CSA Auditing Services	200,880	200,880	200,880	200,880	200,880	1,004,400
CSA Auditing Services Total	**200,880**	**200,880**	**200,880**	**200,880**	**200,880**	**1,004,400**
Grand Total	**283,632,878**	**133,360,037**	**56,370,825**	**17,083,043**	**11,753,218**	**502,200,000**

Date	SFO Capital Plan Bond Authorization ($)		
		Interest	Debt Service
6/30/2014	-	1,889,777	1,889,777
6/30/2015	-	16,451,638	16,451,638
6/30/2016	-	31,624,216	31,624,216
6/30/2017	-	31,624,216	31,624,216
6/30/2018	-	31,624,216	31,624,216
6/30/2019	-	31,624,216	31,624,216
6/30/2020	-	31,624,216	31,624,216
6/30/2021	-	31,624,216	31,624,216
6/30/2022	-	31,624,216	31,624,216
6/30/2023	-	31,624,216	31,624,216
6/30/2024	-	31,624,216	31,624,216
6/30/2025	-	31,624,216	31,624,216
6/30/2026	1,366,361	31,624,216	32,990,577
6/30/2027	8,276,461	31,545,650	39,822,111
6/30/2028	8,755,242	31,066,142	39,821,384
6/30/2029	9,283,217	30,540,827	39,824,044
6/30/2030	9,842,372	29,979,776	39,822,148
6/30/2031	10,459,036	29,364,628	39,823,663
6/30/2032	11,111,036	28,710,938	39,821,974
6/30/2033	12,459,382	28,011,629	40,471,011
6/30/2034	16,498,877	27,205,005	43,703,882
6/30/2035	17,539,584	26,163,227	43,702,812
6/30/2036	18,619,786	25,087,440	43,707,225
6/30/2037	19,877,364	23,828,136	43,705,500
6/30/2038	22,099,433	22,483,414	44,582,847
6/30/2039	32,715,060	20,994,732	53,709,791
6/30/2040	60,353,382	18,857,749	79,211,130
6/30/2041	73,093,381	15,050,272	88,143,652
6/30/2042	77,680,945	10,465,355	88,146,299
6/30/2043	72,099,790	5,632,442	77,732,232
6/30/2044	20,069,292	1,304,504	21,373,796
	-	-	-
Total	**502,200,000**	**772,499,651**	**1,274,699,651**

San Francisco Airport - Annual Debt Service Schedule

Fiscal Year Ending	Existing Debt Service ($)	Capital Plan Bond Authorization ($)	Total Debt Service ($)
6/30/2013	350,144,580	-	350,144,580
6/30/2014	364,215,079	1,889,777	366,104,856
6/30/2015	375,847,262	16,451,638	392,298,900
6/30/2016	377,177,712	31,624,216	408,801,928
6/30/2017	375,569,548	31,624,216	407,193,764
6/30/2018	370,453,128	31,624,216	402,077,344
6/30/2019	372,566,749	31,624,216	404,190,965
6/30/2020	371,839,503	31,624,216	403,463,719
6/30/2021	369,685,814	31,624,216	401,310,030
6/30/2022	367,536,362	31,624,216	399,160,578
6/30/2023	367,609,643	31,624,216	399,233,859
6/30/2024	363,600,038	31,624,216	395,224,254
6/30/2025	343,924,325	31,624,216	375,548,541
6/30/2026	308,681,231	32,990,577	341,671,808
6/30/2027	259,147,465	39,822,111	298,969,576
6/30/2028	249,994,288	39,821,384	289,815,672
6/30/2029	193,470,113	39,824,044	233,294,157
6/30/2030	143,652,183	39,822,148	183,474,331
6/30/2031	94,573,822	39,823,663	134,397,485
6/30/2032	74,066,661	39,821,974	113,888,635
6/30/2033	61,648,543	40,471,011	102,119,554
6/30/2034	62,305,497	43,703,882	106,009,379
6/30/2035	62,307,763	43,702,812	106,010,575
6/30/2036	62,305,100	43,707,225	106,012,325
6/30/2037	62,308,267	43,705,500	106,013,767
6/30/2038	62,485,353	44,582,847	107,068,200
6/30/2039	58,001,701	53,709,791	111,711,492
6/30/2040	28,949,861	79,211,130	108,160,991
6/30/2041	17,867,431	88,143,652	106,011,083
6/30/2042	17,867,967	88,146,299	106,014,266
6/30/2043	15,756,952	77,732,232	93,489,184
6/30/2044	4,332,641	21,373,796	25,706,437

San Francisco International Airport

September 4, 2012

Ms. Angela Calvillo
Clerk of the Board
1 Dr. Carlton B. Goodlett Place
City Hall, Room 244
San Francisco, CA 94102-4689

Re: Report of TEFRA Hearing Held on June 22, 2012 Regarding the Proposed Issuance of Tax-Exempt Airport Revenue Bonds

Dear Ms. Calvillo:

This is to confirm that at 10:00 a.m. on June 22, 2012, acting in my capacity as Assistant Deputy Airport Director, Capital Finance, I conducted a hearing on behalf of and as authorized by the Airport Commission of the City and County of San Francisco. The hearing was held pursuant to Section 147(f) of the Internal Revenue Code of 1986 with respect to the proposed issuance by the Commission of tax-exempt revenue bonds, notes and other obligations in an aggregate principal amount not to exceed $2.149 billion, as described in the Notice of Public Hearing that was published in The Examiner and The Chronicle on June 6, 2012.

The hearing was held at the San Francisco International Airport in Conference Room 1R of the Administration Offices on the Fifth Floor of the North Shoulder Building in the International Terminal. Interested persons wishing to express their views on the issuance of the bonds were given the opportunity to do so at the public hearing. Interested persons were also invited in the Notice of Public Hearing to submit written comments to my attention prior to the time of the hearing.

No interested persons attended the hearing and no written comments or questions were received by the Airport Commission regarding the proposed Airport bonds or projects.

Very truly yours,

Kevin Kone

Kevin Kone
Assistant Deputy Airport Director
Capital Finance

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE *MAYOR* | LARRY MAZZOLA *PRESIDENT* | LINDA S. CRAYTON *VICE PRESIDENT* | ELEANOR JOHNS | RICHARD J. GUGGENHIME | PETER A. STERN | JOHN L. MARTIN *AIRPORT DIRECTOR*

Post Office Box 8097 San Francisco, California 94128 Tel 650.821.5000 Fax 650.821.5005 www.flysfo.com

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-0050

Sixteenth Supplemental Resolution
Amending Resolution No. 08-0035
To Authorize an Additional $502,200,000
Aggregate Principal Amount of
San Francisco International Airport
Second Series Revenue Bonds for Capital Plan Purposes

WHEREAS, the Airport Commission of the City and County of San Francisco (the "Commission"), on December 3, 1991, duly adopted its Resolution No. 91-0210, providing for the issuance of San Francisco International Airport Second Series Revenue Bonds, which Resolution, as previously supplemented and amended, including as amended and supplemented by Resolution No. 03-0220 adopted on October 21, 2003 (the "Eleventh Supplemental Resolution"), Resolution No. 08-0035 adopted on February 19, 2008 (the "Thirteenth Supplemental Resolution"), and Resolution No. 10-0316 adopted on October 26, 2010 (the "Fifteenth Supplemental Resolution," which amended and restated the Eleventh Supplemental Resolution), is herein called the "1991 Resolution"; and

WHEREAS, the 1991 Resolution provides for the issuance by the Commission from time to time of revenue bonds (the "1991 Resolution Bonds"); and

WHEREAS, the Commission, pursuant to the 1991 Resolution and the Thirteenth Supplemental Resolution, has previously authorized the issuance of up to $718,000,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Bonds for the purpose of financing and refinancing the construction, acquisition, equipping and development of capital projects undertaken by the Airport which are approved by the Commission (the "Capital Plan Bonds"), of which an aggregate principal amount of $614,260,000 has been issued to date and an aggregate principal amount of $103,740,000 remains unissued; and

WHEREAS, the Commission has determined that it is necessary and desirable to authorize the issuance of up to an additional $502,200,000 aggregate principal amount of Capital Plan Bonds for the purpose of financing approved projects contained within the Airport's capital plan; and

WHEREAS, the City's Board of Supervisors (the "Board") by its Resolution No. 229-08 approved the issuance of a total aggregate principal amount of not to exceed $718,000,000 of Capital Plan Bonds, of which $103,740,000 remains unissued, and the Commission desires now to authorize the Airport Director to request the Board to approve an additional $502,200,000 aggregate principal amount of Capital Plan Bonds; and

WHEREAS, pursuant to Section 9.01(f) of the 1991 Resolution, the Commission, by Supplemental Resolution, may make any change or addition to the 1991 Resolution to provide for the issuance of, and to set the terms and conditions of, additional Series of Bonds under the 1991 Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Airport Commission of the City and County of San Francisco, as follows:

Section 1. Increased Authorization. In accordance with Section 9.01(f) of the 1991 Resolution, in order to authorize the issuance of an additional aggregate principal amount of not to exceed $502,200,000 of Capital Plan Bonds for the purposes of financing and refinancing the construction, acquisition, equipping and development of capital projects undertaken by the Airport which are approved by the Commission, funding debt service reserves, and paying costs of issuance, in connection therewith, the 1991 Resolution (as previously amended and supplemented, including by the Thirteenth Supplemental Resolution) is hereby further amended and supplemented as follows:

(a) Each of the references in the 1991 Resolution, including the caption and whereas clauses and in Sections 34-82.01 and 34-83.01(a) thereof, to "Seven Hundred Eighteen Million Dollars" or "718,000,000" of Capital Plan Bonds is hereby amended to read "One Billion Two Hundred Twenty Million Two Hundred Thousand Dollars" and "1,220,200,000," respectively;

(b) The last sentence of Section 34-83.01(b) is amended to read as follows: "Notwithstanding the foregoing provisions of this paragraph, no Capital Plan Bonds shall mature later than forty (40) years from the date of issuance thereof;"

(c) Each of the references in the 1991 Resolution, including in Section 34-83.01(e) to "June 30, 2015" as the final sale date of Capital Plan Bonds is hereby amended to read "June 30, 2019;"

(d) Each of the references in the 1991 Resolution, including in Section 34-82.04 to "nine (9)" as the maximum number of issues of Capital Plan Bonds is hereby amended to read "a number equal to the authorized principal amount thereof divided by $25 million;"

(e) Notwithstanding Section 34-83.01(a), the Capital Plan Bonds may also be captioned "San Francisco International Airport Second Series Revenue Bonds, Series __" (with such alpha-numerical Series designation as the Airport Director shall determine); and

(f) Section 34-83.01(b) is further amended by inserting the words "or Index Rate Bonds" after the words "Variable Rate Bonds."

Section 2. Request for Board Approval. The Commission hereby authorizes and directs the Airport Director to request that the Board of Supervisors approve the issuance by the Commission of up to an additional $502,200,000 aggregate principal amount of Capital Plan Bonds.

Section 3. Request for Related Approvals. The Commission hereby authorizes and directs the Airport Director to request that the Board of Supervisors approve the execution of such related credit facility and other agreements, including bond insurance commitments, reserve fund surety policy commitments and agreements, letter of credit agreements, line of credit agreements, remarketing agreements and/or investment agreements, the execution of which has previously been approved by the Commission, as the Airport Director shall determine is necessary or desirable in connection with the issuance of such Capital Plan Bonds.

Section 4. Ratification of the 1991 Resolution. The 1991 Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented, including as amended and supplemented by this Resolution.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 12-0050

ADOPTED by the Airport Commission of the City and County of San Francisco this 20th day of March, 2012 by the following vote:

Ayes: 3

Noes: 0

Absent: 2

[SEAL]

Approved as to Form:

DENNIS J. HERRERA
City Attorney of the City and
County of San Francisco

By _____
Deputy City Attorney

I hereby certify that the foregoing resolution was adopted by the Airport Commission

at its meeting of MAR 20 2012

_____
Secretary

OFFICE OF THE MAYOR
SAN FRANCISCO

EDWIN M. LEE
MAYOR

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2012 JUL 10 PM 3: 13

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: for Mayor Edwin M. Lee
RE: Airport Capital Plan Bonds
DATE: July 10, 2012

Attached for introduction to the Board of Supervisors is the resolution approving the issuance of up to $502,200,000 aggregate principal amount of San Francisco Airport Commission Capital Plan Bonds; and approving certain related matters.

Please note this item is cosponsored by Supervisor Chiu.

I request that this item be calendared in Budget and Finance Committee.

Should you have any questions, please contact Jason Elliott (415) 554-5105.

cc. Supervisor David Chiu

1 DR. CARLTON B. GOODLETT PLACE, ROOM 200
SAN FRANCISCO, CALIFORNIA 94102-4681
TELEPHONE: (415) 554-6141

120759