File No. 120751

Committee Item No. 2
Board Item No. 13

# COMMITTEE/BOARD OF SUPERVISORS

## AGENDA PACKET CONTENTS LIST

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

**Board of Supervisors Meeting** **Date** 9/25/12

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| ☐ | ☐ | Resolution |
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| ☐ | ☐ | |

**Completed by:** Victor Young **Date** September 14, 2012
**Completed by:** Victor Young **Date** 9-20-12

Amendment of the Whole
in Committee. 9/12/12

FILE NO. 120751 ORDINANCE NO.

RO#13001
SA#01

[Appropriating ~~$502,200,000~~ $543,200,000 of Proceeds from the Sale of Bonds for Capital Improvement Projects to the Airport Commission for FY 2012-2013]

**Ordinance appropriating ~~$502,200,000~~ $543,200,000 of proceeds from the sale of bonds for capital improvement projects to the Airport Commission for FY2012-2013, and placing the total appropriation of ~~$502,200,000~~ $543,200,000 on Controller's Reserve pending sale of the bonds.**

Note: Additions are *single-underline italics Times New Roman*; deletions are ~~*strikethrough italics Times New Roman*~~. Board amendment additions are double underlined. Board amendment deletions are ~~strikethrough normal~~.

Be it ordained by the People of the City and County of San Francisco:

Section 1. The sources of funding outlined below are herein appropriated to reflect the funding available in Fiscal Year 2012-2013.

**SOURCES Appropriation**

| Fund | Index/Project Code | Subobject | Description | Amount |
|---|---|---|---|---|
| 5A CPF 3CP | *AIR5ACPF3CP | 80111 | Proceeds from | ~~$502,200,000~~ |
| 2013 SFIA Capital | ~~*CAC0PRJ 01*~~ | | Sale of Bonds | $543,200,000 |
| Project Fund | *CACPRJ 01* | | | |
| | | | | ~~$502,200,000~~ |
| **Total SOURCES Appropriation** | | | | $543,200,000 |

Section 2. The uses of funding outlined below are herein appropriated in the Subobject 06700 (Buildings, Structures, and Improvement Project-Budget) and reflect the projected uses of funding to support capital improvement projects for the Airport Commission for Fiscal Year 2012-2013.

**USES Appropriation**

| Fund | Index Code / Project Code | Subobject | Description | Amount |
|---|---|---|---|---|
| 5A CPF 3CP 2013 SFIA Capital Project Fund | AIR047X3CP CAC047 UN4701 | 06700 Buildings, Structures, and Improvement Project-Budget | Airfield Improvements | $83,675,667 |
| 5A CPF 3CP 2013 SFIA Capital Project Fund | AIR050X3CP CAC050 UN5001 | 06700 Buildings, Structures, and Improvement Project-Budget | Airport Support Improvements | $122,622,671 |
| 5A CPF 3CP 2013 SFIA Capital Project Fund | AIR054X3CP CAC054 UN5401 | 06700 Buildings, Structures, and Improvement Project-Budget | Groundside Improvements | $58,548,500 |

| Fund | Index Code / Project Code | Subobject | Description | Amount |
|---|---|---|---|---|
| 5A CPF 3CP 2013 SFIA Capital Project Fund | AIR057X3CP CAC057 UN5701 | 06700 Buildings, Structures, and Improvement Project-Budget | Terminal Improvements | $181,753,029 |
| 5A CPF 3CP 2013 SFIA Capital Project Fund | AIR060X3CP CAC060 UN60001 | 06700 Buildings, Structures, and Improvement Project-Budget | Utilities Improvements | $54,595,733 |
| 5A CPF 3CP 2013 SFIA Capital Project Fund | AIRCSAPAC CACPRJ-AU | 081C4 Controller Internal Audits | City Services Auditor 0.2% allocation for the Controller's Audit Fund | $1,004,400 |
| 5A CPF 3CP 2013 SFIA Capital Project Fund | AIRFINCOST CACPRJ-FC | 07311 Bond Issuance Cost-Unamortized | Financing Costs | $41,000,000 |
| | | | | ~~$502,200,000~~ |
| **Total USES Appropriation** | | | | $543,200,000 |

Section 3. The total appropriation of ~~$502,200,000~~ $543,200,000 is placed on Controller's Reserve pending sale of the bonds.

Section 4. The Controller is authorized to record transfers between funds and adjust the accounting treatment of sources and uses appropriated in this ordinance as necessary to conform with Generally Accepted Accounting Principles.

APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____

Deputy City Attorney

FUNDS AVAILABLE
Ben Rosenfield, Controller

By: _____

Date: ~~June 25, 2012~~

September 12, 2012

| Items 1 & 2<br>Files 12-0759 and 12-0751<br>*(Continued from September 12, 2012)* | Department:<br>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.

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

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

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[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 |

OFFICE OF THE MAYOR
SAN FRANCISCO

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

EDWIN M. LEE
MAYOR

6

TO: Angela Calvillo, Clerk of the Board of Supervisors

FROM: for Mayor Edwin M. Lee

RE: Appropriating $502,200,000 of Proceeds from the Sale of Bonds for Capital Improvement Projects to the Airport Commission for Fiscal Year 2012-2013

DATE: July 10, 2012

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Attached for introduction to the Board of Supervisors is the ordinance appropriating $502,200,000 of proceeds from the sale of bonds for capital improvement projects to the Airport Commission for Fiscal Year 2012-2013, and placing the total appropriation of $502,200,000 on Controller's Reserve pending sale of the bonds.

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

120751