

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 07-0043

RESOLUTION AMENDING PREVIOUSLY ADOPTED ISSUE 2010A REFUNDING BOND SALE RESOLUTION TO INCREASE MAXIMUM PRINCIPAL AMOUNT TO \$350 MILLION, AUTHORIZING FORWARD PURCHASE AND SALE AGREEMENTS FOR INVESTMENT OF BOND FUNDS, APPROVING A FORM OF REIMBURSEMENT AGREEMENT WITH CIFG ASSURANCE NORTH AMERICA, INC., AND PROVIDING FOR TECHNICAL AMENDMENTS OF THE 1991 MASTER BOND RESOLUTION

WHEREAS, the Airport Commission (the "Commission") of the City and County of San Francisco (the "City"), on December 3, 1991, duly adopted its Resolution No. 91-0210 (as previously amended and supplemented, the "1991 Resolution"), including as amended and supplemented by Resolution No. 03-0220 adopted on October 21, 2003 (the "Eleventh Supplemental Resolution"), providing for the issuance of San Francisco International Airport Second Series Revenue Bonds ("Bonds") with The Bank of New York Trust Company, N.A., as bond trustee (the "Trustee"); and

WHEREAS, the Commission duly adopted its Resolution No. 05-0183 on October 11, 2005 (the "Issue 2010A Sale Resolution") authorizing the sale of up to \$170,000,000 principal amount of San Francisco International Airport Second Series Revenue Refunding Bonds, Issue 2010A (the "Issue 2010A Bonds") in order to refund outstanding Bonds of the Commission, and

WHEREAS, the Issue 2010A Bonds have not yet been issued and the Commission has determined that additional opportunities exist to refund outstanding Bonds in 2009 and desires now to amend the Issue 2010A Sale Resolution in order to increase the maximum principal amount of Issue 2010A Bonds from \$170,000,000 to \$350,000,000, portions of which may be issued in 2009 and 2010; and

WHEREAS, the Commission has determined that it may be desirable to obtain a Credit Facility (as defined in the 1991 Resolution) to fund up to the amount required to be deposited in the 1991 Resolution Reserve Fund upon the issuance of the Issue 2010A Bonds or other Bonds issued pursuant to the 1991 Resolution and desires now to authorize the Airport Director to select one or more providers of surety bonds, including, without limitation CIFG Assurance North America, Inc. ("CIFG"); and

WHEREAS, on December 17, 2002, the Commission adopted Resolution No. 02-0259 approving the form of three-party Forward Purchase and Sale Agreements ("Forward Purchase Agreements") for the investment of Bond-related funds in the 1991 Resolution Reserve Fund and the Debt Service Fund in the custody of the Trustee, and the Commission desires now to renew such approval; and

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WHEREAS, pursuant to Section 9.01(f) of the 1991 Resolution the Commission may make any change or addition to the 1991 Resolution to provide for the issuance of, and to set the terms and conditions of, each additional Series of Bonds under the 1991 Resolution; and WHEREAS, pursuant to Section 9.01(m) of the 1991 Resolution the Commission may make any change or addition to the 1991 Resolution which in the Opinion of Bond Counsel, shall not have a material adverse effect on the interests of the Holders; and

WHEREAS, the Commission has determined that it is necessary and desirable to make certain technical amendments to the 1991 Resolution in order to bring the provisions relating to the issuance of Bonds, including Variable Rate Bonds, in harmony with current market practices; and

WHEREAS, the Commission has received the form of an Opinion of Bond Counsel that such amendments will not have a material adverse effect on the interests of the Holders;

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

Section 1. Increase in Maximum Aggregate Principal Amount of Issue 2010A Bonds. The amount of "\$170,000,000" in Resolution No. 05-0183, including in Sections 2 and 3 thereof, is hereby amended to read "\$350,000,000" as the maximum aggregate principal amount of Issue 2010A Bonds that may be issued in accordance with the provisions of the 1991 Resolution with The Bank of New York Trust Company, N.A., as trustee. The Commission hereby confirms that the Issue 2010A Bonds may be sold at any time on or before December 31, 2010, including in 2009.

Section 2. Reserve Account Surety Bond from CIFG. CIFG is hereby approved as a provider of surety bonds (each a "Reserve Account Surety Bond") for purposes of funding up to the amount required to be deposited in the 1991 Resolution Reserve Fund in connection with the issuance of Bonds. The form of Reimbursement Agreement relating to CIFG in substantially the form presented to this meeting and on file with the Secretary, is hereby approved with such changes and additions as the Airport Director may approve upon consultation with the City Attorney.

Section 3. Forward Purchase Agreements. The Commission hereby confirms Resolution No. 02-0259 adopted on December 17, 2002, including without limitation, (a) the approval of the form of three-party Forward Purchase Agreements set forth therein and on file with the Secretary of the Commission, and (b) the authorization of the Airport Director to enter into such Forward Purchase Agreements and to submit the same to the Board of Supervisors of the City and County of San Francisco for approval.

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Section 4. Amendments Relating to Variable Rate Provisions. The 1991 Resolution is hereby amended by adding the following Article thereto, which is hereby incorporated therein, with the appropriate alpha-numeric issue, section and article references:

ARTICLE 33-LXXX

AMENDMENTS TO 1991 RESOLUTION

SECTION 33-80.01. Amendments to Definitions. Each of the following definitions in Section 30-64.01 of the Eleventh Supplemental Resolution (incorporated into Section 1.01 of the 1991 Resolution) is hereby amended to read as follows:

"Mandatory Purchase Date" means (i) any Purchase Date for a Series of Variable Rate Bonds in the Commercial Paper Mode or the Term Rate Mode, (ii) any Mode Change Date involving a change from the Daily Mode or the Weekly Mode or the Auction Mode, (iii) the Substitution Tender Date, (iv) the Expiration Tender Date set forth in Section 30-65.17(g), and (v) the date specified in Section 30-65.17(f).

"Repayment Obligation" shall mean an obligation under a written agreement between the Commission and a Credit Provider or Liquidity Provider to reimburse such Credit Provider or Liquidity Provider for amounts paid under or pursuant to a Credit Facility or Liquidity Facility, as applicable, for the payment of the principal or purchase price of and/or interest on any Bonds.

SECTION 33-80.02. Amendment of Section 2.15. Section 2.15 of the 1991 Resolution is hereby amended to read as follows:

Section 2.15. Repayment Obligations as Bonds. If so provided in the applicable Supplemental Resolution and in the written agreement between the Commission and the Credit Provider or Liquidity Provider, as applicable, a Repayment Obligation may be accorded the status of a Bond solely for purposes of this 1991 Resolution, provided, however, that the Credit Facility or Liquidity Facility, as applicable, with respect thereto shall not constitute a bond for any other purpose, including without limitation for purposes of the Charter. The Credit Provider or Liquidity Provider, as applicable, shall be deemed to be the Holder of such Bond, and such Bond shall be deemed to have been issued as of the original date of the Bond or Bonds for which such Credit Facility or Liquidity Facility, as applicable, was provided.

Notwithstanding the stated terms of the Repayment Obligation, the Bond deemed to be held by the Credit Provider or Liquidity Provider, as applicable, shall be deemed to be amortized on a level debt service basis at the Index Rate over a period equal to the

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lesser of (a) 20 years, or (b) the period ending on the later of (i) the final maturity date of the Bonds payable from or secured by such Credit Facility or Liquidity Facility, as applicable, or (ii) the date the Repayment Obligation is due under the terms of the written agreement with respect thereto, with principal payable annually commencing on the next Principal Payment Date with respect to such Bonds and interest payable semiannually commencing on the next Interest Payment Date with respect to such Bonds. Such Bond shall be deemed to bear interest at the rate provided in the written agreement with respect to the Repayment Obligation. Any amount which becomes due and payable on the Repayment Obligation under the written agreement with respect thereto and which is in excess of the amount deemed to be principal of and interest on a Bond shall be junior and subordinate to the Bonds. The rights of a Credit Provider or Liquidity Provider, as applicable, under this Section 2.15 shall be in addition to any rights of subrogation which the Credit Provider or Liquidity Provider, as applicable, may otherwise have or be granted under law or pursuant to any Supplemental Resolution. Notwithstanding anything herein to the contrary, a Bond and an unreimbursed Repayment Obligation arising with respect to such Bond shall not be deemed to be Outstanding at the same time.

SECTION 33-80.03. Amendment of Section 8.06. The first two paragraphs of Section 8.06 of the 1991 Resolution are hereby amended to read as follows:

Section 8.06. Removal and Resignation of Trustee. The Trustee may resign at any time. Written notice of such resignation shall be given to the Commission and such resignation shall take effect upon the later of the date 90 days after receipt of such notice by the Commission and the date of the appointment, qualification and acceptance of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within 60 days after the date notice of resignation is given, the Trustee or the Commission may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed as provided in this Section.

In addition, the Trustee may be removed at any time by the Commission so long as (a) no Event of Default shall have occurred and be continuing and (b) the Commission determines, that the removal of the Trustee shall not have an adverse effect upon the rights or interests of the Bondholders. Subject to clause (b) of the preceding sentence, in the event the Trustee becomes Insolvent, the

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Commission may remove the Trustee by written notice effective immediately upon the appointment, qualification and acceptance of a successor Trustee.

SECTION 33-80.04. Amendment of Section 8.09. Section 8.09 of the 1991 Resolution is hereby amended to read as follows:

Section 8.09. Reliance Upon Document. In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon and shall be protected in acting or refraining from acting in reliance upon any document, including but not limited to any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, facsimile transmission or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper officials of the Commission, the Treasurer, the City, an Airport Consultant, a Financial Consultant, an Independent Auditor, the Holders or agents or attorneys of the Holders; provided, in the case of any such document specifically required to be furnished to the Trustee hereby, the Trustee shall be under a duty to examine the same to determine whether it conforms to the requirements hereof. The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, facsimile transmission, bond or other paper or document submitted to the Trustee; provided, however, the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may deem prudent. Whenever in the administration hereof, the Trustee shall deem it desirable that a matter be provided or established prior to taking or not taking any action hereunder, the Trustee (unless other evidence be specifically prescribed herein) may rely upon any document provided for in this 1991 Resolution.

SECTION 33-80.05. Amendment of Section 30-65.10. In Sections 30-65.10(a)(i) and 30-65.10(a)(iii)(C)(3), the words "Interest Rate Period" are hereby amended to read "Interest Period."

SECTION 33-80.06. Amendment of Section 30-65.17(e). The first sentence of Section 30-65.17(e) of the 1991 Resolution is hereby amended to read as follows:

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(e) Mandatory Purchase Upon Substitution, Modification or Reduction of Credit Facility or Liquidity Facility. Except as otherwise provided in a Series Sale Resolution with respect thereto, in the event that on or prior to the forty-fifth (45th) day next preceding the Substitution Date, the Commission has failed to deliver to the Paying Agent and the Trustee a Rating Confirmation Notice in connection with the delivery of an Alternate Credit Facility or an Alternate Liquidity Facility, together with a written statement of Moody's, Standard & Poor's and Fitch, as applicable, indicating that the substitution, modification (including, without limitation, any modification that would have a material adverse effect on the Owners of the applicable Series of Variable Rate Bonds) or reduction of the Credit Facility or Liquidity Facility will not result in a lowering of their ratings on the Series of Variable Rate Bonds payable from and/or secured by the Credit Facility or Liquidity Facility as a result of its substitution, modification or reduction, the Variable Rate Bonds payable from and/or secured by such Credit Facility or Liquidity Facility shall be subject to mandatory purchase on the Substitution Tender Date at a price equal to the Purchase Price. [...]

SECTION 33-80.07. Amendment of Sections 30-65.17(h)(ii)(A) and 30-65.17(h)(iii). Sections 30-65.17(h)(ii)(A) and 30-65.17(h)(iii) of the 1991 Resolution are hereby amended to read as follows:

(A) unless the Remarketing Agent has notified the Paying Agent otherwise, the Remarketing Agent shall notify the Paying Agent by Electronic Means not later than 10:45 a.m., New York City time, on each such Purchase Date or Mandatory Purchase Date, of the amount of tendered Variable Rate Bonds which were successfully remarketed and the proceeds of which have been received by the Remarketing Agent, the names of the tendering Owners and the registration instructions (i.e., the names, addresses and taxpayer identification numbers of the purchasers and the desired Authorized Denominations) with respect thereto; and

[...]

(iii) Transfer of Funds; Draw on Credit Facility or Liquidity Facility for Series of Variable Rate Bonds. On each Purchase Date or Mandatory Purchase Date, as the case may be, the Paying Agent shall direct the Trustee to Draw on the Credit Facility or Liquidity Facility, as the case may be, for the related Series of Variable Rate Bonds, by 11:45 a.m., New York City time, in an amount equal to

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the Purchase Price of all such Variable Rate Bonds tendered or deemed tendered less the aggregate amount of remarketing proceeds received from the remarketing of such Variable Rate Bonds.

SECTION 33-80.08. Amendment of Section 30-65.18(e). The penultimate sentence of Section 30-65.18(e) of the 1991 Resolution is hereby amended to read as follows:

[...] The Commission shall give the Trustee, the Paying Agent, the Remarketing Agent and the Liquidity Provider written notice of the proposed substitution of an Alternate Liquidity Facility for the Liquidity Facility then in effect no less than forty five (45) days prior to the proposed Substitution Date. [...]

Section 5. Replacement of Broker-Dealers. The Airport Director is hereby authorized from time to time to remove, replace, select and appoint broker-dealers from the Airport's then current Adjustable Rate and/or Variable Rate Underwriting Pools as may be necessary or desirable for any Issue 2010A Bonds issued as Auction Bonds (as defined in the 1991 Resolution) and for any other series of Auction Bonds.

Section 6. Requests for Board Approval. The Commission hereby authorizes and directs the Airport Director to request that the Board approve the form of Reimbursement Agreement relating to CIFG.

Section 7. Ratification of Resolution No. 05-0183. All the terms and provisions contained in Section 1 of this Resolution shall form a part of Resolution No. 05-0183 as fully and with the same effect as if all such terms and provisions had been set forth in Resolution No. 05-0183. Resolution No. 05-0183 is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended by this Resolution.

Section 8. Ratification of the 1991 Resolution. All the terms and provisions contained in Section 4 of this Resolution shall form part of the 1991 Resolution as fully and with the same effect as if all such terms and provisions had been set forth in 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. 07-0043

ADOPTED by the Airport Commission of the City and County of San Francisco  
this 20 day of FEBRUARY, 2007, by the following vote:

Ayes: 5


Noes: 0

Absent: 0

[SEAL]

Approved as to Form:

DENNIS J. HERRERA  
City Attorney

By   
Deputy City Attorney

I hereby certify that the foregoing resolution was adopted by the Airport Commission  
at its meeting of FEB 20 2007

  
Secretary





San Francisco International Airport

MEMORANDUM

February 20, 2007

P.O. Box 8097  
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TO: AIRPORT COMMISSION  
Hon. Larry Mazzola, President  
Hon. Linda S. Crayton, Vice President  
Hon. Caryl Ito  
Hon. Eleanor Johns  
Hon. Richard J. Guggenheimer

07-0043  
FEB 20 2007

FROM: Airport Director

SUBJECT: Plan of Finance and Necessary Amendments for Issue 2010A Refunding Bonds.

AIRPORT  
COMMISSION  
CITY AND COUNTY  
OF SAN FRANCISCO

GAVIN NEWSOM  
MAYOR

LARRY MAZZOLA  
PRESIDENT

LINDA S. CRAYTON  
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGENHIME

JOHN L. MARTIN  
AIRPORT DIRECTOR

DIRECTOR'S RECOMMENDATION: ADOPT RESOLUTION AMENDING PREVIOUSLY ADOPTED ISSUE 2010A REFUNDING BOND SALE RESOLUTION TO INCREASE MAXIMUM PRINCIPAL AMOUNT TO \$350 MILLION AS PART OF UPDATED PLAN OF FINANCE.

Executive Summary

The Airport's finance team has updated the Plan of Finance. Staff now requests your approval of amendments to a refunding bond sale resolution you approved in 2005 to (1) increase the refunding principal from \$170 million to \$350 million and (2) permit the bond issuance to occur one year sooner, from 2010 to 2009. If current interest rates continue, this potential refunding will provide estimated gross savings of \$90 million (present value savings of \$64 million) over 24 years.

Plan of Finance

Staff and its financial advisors have spent several months updating the Plan of Finance presented to the Commission on October 11, 2005, and investigating methods of further reducing the Airport's annual debt service payments, which are approximately \$276 million in the current fiscal year and represent 46% of the 2006/07 annual operating budget. If current market rates continue, estimated gross debt service savings of \$90.3 million (present value savings of \$64 million) over the next 24 years can be achieved by issuing a combination of variable rate refunding bonds, totaling approximately \$360 million, and synthetic fixed rate refunding bonds (variable rate bonds hedged with interest rate swaps) totaling approximately \$400 million, in 2008, 2009 and 2010. The interest rate swaps will be entered into in early 2007 after obtaining Board of Supervisors approval.

If the full amount of refunding bonds is issued as outlined in the Plan of Finance, the Commission will have the following debt portfolio:

#### SFO Debt Portfolio

	Current Allocation		Proposed Allocation	
<b>Fixed Rate Debt</b>	<b>1,134,490,000</b>	<b>78%</b>	<b>2,130,850,000</b>	<b>53%</b>
Variable Rate Debt Hedged				
Hedged with cash	246,000,000	6%	246,000,000	6%
Hedged with swaps	405,000,000	10%	806,340,000	20%
Variable Rate Debt Unhedged				
Long-term	246,225,000	6%	604,775,000	15%
Commercial Paper	0	0%	200,000,000	5%
<b>Total Variable Rate Debt</b>	<b>897,225,000</b>	<b>22%</b>	<b>1,857,095,000</b>	<b>47%</b>
<b>Total Debt</b>	<b>4,031,715,000</b>	<b>100%</b>	<b>3,987,945,000</b>	<b>100%</b>

#### Transaction Background

In 2005, the Commission adopted Resolution No. 05-0183 approving the sale of Issue 2010A Refunding Bonds (\$170 million) to refinance outstanding Bonds. The updated Plan of Finance proposes the issuance of up to \$350 million (instead of the originally approved \$170 million) of variable rate Issue 2010A refunding bonds, of which approximately \$110 million would be issued for bonds callable in May 2009 in order to currently refund selected maturities of the Commission's outstanding Issue 23A, and approximately \$240 million would be issued in early 2010 in order to currently refund selected maturities of the Commission's outstanding Issues 24A, 25 and 26A Bonds callable in the year 2010.

The 2009 issuance is expected to be sold on or about February 1, 2009 (within 90 days of the May 1, 2009 call date for the bonds to be refunded), and, if issued as unhedged variable rate bonds, would produce estimated debt service savings of \$13.3 million (\$8.5 million present value), representing 8.14% of the principal amount of the refunded Bonds, assuming average historical variable rates. The 2010 issuance is expected to be sold on or about February 1, 2010 (within 90 days of the May 1, 2010 call date for the bonds to be refunded), and, if issued as unhedged variable rate bonds, would produce estimated debt service savings of \$43.7 million (\$26.9 million present value), representing 12.14% of the principal amount of the refunded Bonds, assuming average historical variable rates. These refunding bonds would be issued either as auction rate bonds or as variable rate tender bonds.

The actual level of savings will depend on short-term interest rates at the times these bonds are issued in early 2009 and 2010. Depending on market conditions, Airport staff expects to synthetically fix the interest rate on a portion of the 2009 and/or 2010 issuances by means of one or more swap agreements in order to lock in debt service savings.

Issue 2010A Amending Resolution

The Issue 2010A Amending Resolution amends the original Issue 2010A Refunding Bond Sale Resolution (Resolution No. 05-0183) adopted on October 11, 2005, in order to:

- (1) Increase the maximum principal amount of Issue 2010A Bonds from \$170 million to \$350 million which may be sold at any time prior to December 31, 2010 (including in early 2009);
- (2) Authorize the Airport Director to direct the Trustee to invest amounts in the applicable Reserve Account and Debt Service Funds relating to any outstanding Bonds pursuant to Forward Purchase and Sale Agreements with terms in excess of ten years;
- (3) Approve CIFG Assurance North America, Inc. (CIFG) as an authorized provider of bond insurance and reserve fund surety bonds, and approves a form of Reimbursement Agreement with CIFG; and
- (4) Authorize the Airport Director to replace broker-dealers from the Airport's then current Adjustable Rate and/or Variable Rate Underwriting Pools as may be necessary for any Issue 2010A Bonds or other bonds issued as Auction Bonds; and
- (5) Approve certain technical amendments to the 1991 Resolution relating to the Variable Rate and other Bond provisions.

The following documents which will be approved as to form by the Issue 2010A Amending Resolution, are on file with the Commission's Secretary:

- Forward Purchase and Sale Agreement, and
- CIFG Reimbursement Agreement.

Request to the Board of Supervisors

Airport staff will be sending a resolution to the Board requesting approval of certain previously approved matters, together with the items addressed in the Issue 2010A Amending Resolution, including approval of (a) the form of Forward Purchase and Sale Agreement with a term in excess of ten years for investment of the Bond Reserve and Debt Service Funds, and (b) the form of a Reimbursement Agreement relating to CIFG.

Review and Approval Process

Staff has reviewed this updated Plan of Finance with the members of the Airport's Financial Advisory Committee, including Monique Zmuda, Deputy Controller, John Tamagni, co-financial advisor to the Airport, and Kay Yun, former municipal investment banker with Goldman Sachs. Upon review and discussion of the

Members, Airport Commission

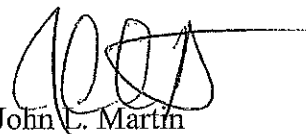
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February 20, 2006

proposed transactions and other financing options, the committee approved the proposal.

Upon approval of the Commission, staff will calendar the necessary approving resolution for consideration by the Board of Supervisors. Once final approval is obtained from the Board of Supervisors, staff will execute the transactions.

I recommend that the Commission adopt the attached Resolution.



John C. Martin  
Airport Director

Prepared by: Leo Fermin