

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 17-0236

AIRPORT COMMISSION OF THE CITY AND COUNTY
OF SAN FRANCISCO

Twenty-First Supplemental Resolution

SAN FRANCISCO INTERNATIONAL AIRPORT
SECOND SERIES REVENUE BONDS

Adopted on October 3, 2017

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RESOLUTION NO. 17-0230

TWENTY-FIRST SUPPLEMENTAL RESOLUTION
PROVIDING FOR AND APPROVING
CERTAIN AMENDMENTS TO THE 1991 MASTER BOND RESOLUTION

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, is herein called the "1991 Resolution"; and

WHEREAS, the Commission hereby finds and determines that it is necessary and desirable and in the best interest of the Commission to amend the 1991 Resolution in the manner set forth herein; and

WHEREAS, pursuant to Article IX of the 1991 Resolution, the Commission by Supplemental Resolution may, upon satisfaction of the requirements of said Article, make changes or additions to the 1991 Resolution for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the 1991 Resolution; and

WHEREAS, certain amendments to the 1991 Resolution adopted hereunder will not be effective until (i) Holders of a majority in aggregate Principal Amount of the Bonds of all Series affected by such amendments have consented to such amendments and (ii) the Airport Director has executed and delivered a certificate declaring that all other consents required for such amendments have been obtained and electing that such amendments shall be effective;

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

Section 1. The 1991 Resolution is hereby amended and supplemented by adding the following Articles thereto, which are hereby incorporated therein, in each case with the appropriate alpha-numeric issue, section and article references:

ARTICLE I
DEFINITIONS AND GENERAL PROVISIONS

SECTION 1.01 Definitions. All capitalized terms used herein and not otherwise defined herein shall have the last defined meanings assigned to them in Article I of the 1991 Resolution.

SECTION 1.02 General Authorization. The appropriate officers, agents and employees of the Commission are each hereby authorized and directed in the name and on behalf of the Commission to take all actions and to make and execute any and all certificates, requisitions, instructions, agreements, notices, consents and other similar documents, warrants and other documents, which they, or any of them, deem necessary or appropriate in order to facilitate the effectiveness of the amendments to the 1991 Resolution contained herein.

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SECTION 1.03 Ratification of the 1991 Resolution. This Twenty-First Supplemental Resolution and all the terms and provisions herein contained 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 to the date hereof, including as supplemented and amended by this Twenty-First Supplemental Resolution.

ARTICLE II
AMENDMENTS TO THE 1991 RESOLUTION

SECTION 2.01 Amendments to Section 1.01 of the 1991 Resolution.

(a) Clause (iv) of the definition of "Annual Debt Service" is hereby amended to read in full as follows:

"Amortized Bonds shall be deemed to be amortized on a level debt service basis over a ~~20~~30-year period beginning on the date of calculation at the Index Rate;"

(b) The following clause is hereby added to the end of the definition of "Annual Debt Service":

"(viii) Interest on or principal of any Bonds paid or to be paid during such Fiscal Year from Federal Subsidy Payments shall be excluded from the calculation of Annual Debt Service except to the extent all or a portion of such Federal Subsidy Payments are designated as Revenues by the Commission."

(c) The following definition is hereby added to Section 1.01 of the 1991 Resolution:

" 'Customer Facility Charge' means a customer facility charge imposed by the Commission in accordance with Sections 50474.21 and 50474.3 of the California Government Code, as they may be amended or supplemented, or any other applicable state law."

(d) The following definition is hereby added to Section 1.01 of the 1991 Resolution:

" 'Federal Subsidy Payments' means amounts payable by the Federal government to the Commission under direct-pay subsidy programs substantially similar to the Build America Bond program under Section 54AA of the Code."

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(e) Clause (B) in the first sentence of paragraph (i) of the definition of "Permitted Investments" is hereby amended as follows:

"longer than 30 days and not longer than one year provided that the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State or federal law, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated investment grade ("~~A~~" "A-" or "A3" or better) by at least two Rating Agencies."

(f) Paragraph (j) of the definition of "Permitted Investments" is hereby amended to read in full as follows:

"Prime commercial paper of a corporation, finance company or banking institution rated in the highest short-term rating category without regard to any numerical modifier, plus or minus sign or other modifier by at least two Rating Agencies."

(g) The following clause is hereby added to the end of the definition of "Permitted Investments":

"and (r) Any other obligations or investments in which the Treasurer is permitted to invest Commission funds."

(h) The following clause is hereby added to the end of the definition of "Revenues":

"(j) any Customer Facility Charge or similar charge levied by or on behalf of the Commission against customers, except to the extent all or a portion thereof is designated as Revenues by the Commission;"

(i) The following clause is hereby added to the end of the definition of "Revenues":

"and (k) any Federal Subsidy Payments, except to the extent all or a portion thereof is designated as Revenues by the Commission."

SECTION 2.02 Amendment to Section 2.11 of the 1991 Resolution. The following paragraph is hereby added to the end of Section 2.11 of the 1991 Resolution:

"For purposes of this Section 2.11, "Annual Debt Service" and "Maximum Annual Debt Service" may, at the Commission's option, be calculated based on required deposits to pay Annual Debt Service."

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SECTION 2.03 Amendment to Section 2.12 of the 1991 Resolution. The following paragraph is hereby added to the end of Section 2.12 of the 1991 Resolution:

“For purposes of this Section 2.12, “Annual Debt Service” and “Maximum Annual Debt Service” may, at the Commission’s option, be calculated based on required deposits to pay Annual Debt Service.”

SECTION 2.04 Amendment to Section 6.04 of the 1991 Resolution. The following paragraph is hereby added to the end of Section 6.04 of the 1991 Resolution:

“For purposes of Section 6.04(a)(ii), “Annual Debt Service” may, at the Commission’s option, be calculated based on required deposits to pay Annual Debt Service.”

SECTION 2.05 Amendment to Section 9.02(c) of the 1991 Resolution. Section 9.02(c) of the 1991 Resolution is hereby amended to read in full as follows:

“(c) Upon receipt of consent, if within such period, not exceeding one year, as shall be prescribed by the Commission, following the first giving of a notice as provided in (b) above, the Trustee shall receive an instrument or instruments purporting to be executed by the Holders of not less than the aggregate Principal Amount of Bonds specified in subsection 9.02(a) for the Supplemental Resolution in question, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee may accept such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, regardless of whether such Holder shall have consented thereto.”

SECTION 2.06 Amendment to Section 1-13.07(e) of the 1991 Resolution. Section 1-13.07(e) of the 1991 Resolution is hereby amended to read in full as follows:

“At its option, the Commission may at any time substitute a Credit Facility meeting the requirements of this Section 1-13.07(e) for amounts on deposit in the Issue 1 Reserve Account. The Commission shall not substitute a Credit Facility for all or any part of the amounts on deposit in the Issue 1 Reserve Account if such substitution will cause the then current ratings on Participating Series to be downgraded or withdrawn. Any such Credit Facility provided in the form of a surety bond shall be issued by an institution then rated in the highest rating category, without regard to subcategories, by Moody’s and Standard & Poor’s, and any such Credit Facility provided in the form of a letter of credit shall be issued by an institution whose (i) short-term rating is then rated either “P1” by

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Moody's or "A-1" by Standard & Poor's, or (ii) long term rating is then rated in at least the second highest rating category, without regard to subcategories, by Moody's and Standard & Poor's. In the event that after the substitution of a Credit Facility for all or any part of the amounts on deposit in the Issue 1 Reserve Account, the amount in the Issue 1 Reserve Account is greater than Aggregate Maximum Annual Debt Service of the then Outstanding Bonds of Participating Series, upon the request of an Authorized Commission Representative, the Trustee shall transfer such excess to the Commission to be used solely for Airport purposes."

SECTION 2.07 Amendment to of Section 1-13.10 of the 1991 Resolution. The second sentence of Section 1-13.10 of the 1991 Resolution is hereby deleted.

ARTICLE III
MISCELLANEOUS

SECTION 3.01 Authority for Amendments. The amendments to the 1991 Resolution proposed in this Twenty-First Supplemental Resolution are proposed to be made under the authority granted to the Commission in Section 9.02 of the 1991 Resolution.

SECTION 3.02 Effective Date of Amendments.

(a) Subject to paragraph (b), the amendments to the 1991 Resolution proposed herein will not be effective until (i) Holders of a majority in aggregate principal amount of all Outstanding Bonds have consented to such amendments and (ii) the Airport Director has executed and delivered a certificate declaring that all other consents required for such amendments have been obtained and electing that such amendments shall be effective.

(b) The amendments to the 1991 Resolution proposed in the Sections 2.01(e), (f) and (g) (as they relate to Permitted Investments held for the account of the Issue 1 Reserve Account), 2.06 and 2.07 will not be effective until (i) Holders of a majority in aggregate principal amount of all Outstanding Bonds secured by the Issue 1 Reserve Account have consented to such amendments and (ii) the Airport Director has executed and delivered a certificate declaring that all other consents required for such amendments have been obtained and electing that such amendments shall be effective.

(c) Each of the amendments proposed hereunder shall become effective when the conditions set forth in this Section have been satisfied. The effectiveness of any proposed amendment may occur independently of the effectiveness of any other proposed amendment.

Section 2. The Airport Director is authorized, for, in the name and on behalf of the Commission, to supplement or modify the amendments set forth in Article II hereof in such manner as the Airport Director, in consultation with the City Attorney, determines is in the best interest of the Commission, does not otherwise materially increase the obligations or liabilities of the Commission, is necessary or advisable to effectuate the purposes of this Twenty-First Supplemental Resolution, is in compliance with all applicable laws, and does not otherwise

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materially adversely affect the interests of any Holders.

Section 3. The Airport Director is authorized, for, in the name and on behalf of the Commission, to seek such consents from Holders and such other required consents as shall be necessary for the amendments to the 1991 Resolution adopted hereunder to be effective.

Section 4. The Airport Director is authorized, for, in the name and on behalf of the Commission, to include the amendments to the 1991 Resolution adopted hereunder in any master trust indenture entered into by the Commission in substitution for the 1991 Resolution; provided that each such amendment shall be effective only as all required consents thereto have been obtained.

Section 5. If, upon consultation with the City Attorney and Bond Counsel, the Airport Director determines that such approval is necessary, the Airport Director is authorized, for, in the name and on behalf of the Commission, to submit this Twenty-First Supplemental Resolution to the Board of Supervisors of the City and County of San Francisco for its approval.

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ADOPTED by the Airport Commission of the City and County of San Francisco this 3rd day of October, 2017, by the following vote:

Ayes: 5

Noes: 0

Absent: 0

[SEAL]

Approved as to Form:

DENNIS J. HERRERA
City Attorney

By: Brooke D. Abola
Brooke D. Abola
Deputy City Attorney

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

at its meeting of OCT 03 2017

Juan Cammatti
Secretary



MEMORANDUM

October 3, 2017

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenlime
Hon. Peter A. Stern

17-0236
OCT 03 2017

FROM: Airport Director

SUBJECT: Adoption of the Twenty-First Supplemental Resolution Providing for and Approving Certain Amendments to the 1991 Master Bond Resolution

DIRECTOR'S RECOMMENDATION: ADOPT RESOLUTION APPROVING AMENDMENTS TO THE 1991 MASTER BOND RESOLUTION.

Executive Summary

The attached Resolution approves certain amendments to the 1991 Master Bond Resolution. The amendments provide future flexibility in the Airport's bond program and modernize the 1991 Master Bond Resolution. Before they are effective, the amendments will also require bondholders' consent.

The Airport's Financial Advisory Committee has reviewed and concurs with the 1991 Master Bond Resolution amendments.

Background

The amendments provide future flexibility for financing of Airport capital projects, reflect changes in the financial markets since the 2008 subprime crisis, and modernize or clarify certain technical provisions. Each of these amendments requires consent from a majority of Commission bondholders and may also require the consent of one or more credit providers. The Resolution also delegates authority to the Airport Director to make non-substantive wording changes in consultation with legal counsel, and to deem each amendment effective once all required approvals have been received.

Below is a summary of the amendments:

- Amendments providing future flexibility
 - Changes to lay the necessary groundwork for federally-subsidized infrastructure bonds, should Congress authorize a program similar to the "Build America Bonds" program in the future.
 - Changes to accommodate potential rental car customer facility charges, which staff is considering, to finance improvements and refurbishments to the 18-year-old rental car center.

AIRPORT COMMISSION		CITY AND COUNTY OF SAN FRANCISCO		THIS PRINT COVERS CALENDAR ITEM NO. <u>2</u>		
EDWIN M. LEE MAYOR	LARRY MAZZOLA PRESIDENT	LINDA S. CRAYTON VICE PRESIDENT	ELEANOR JOHNS	RICHARD J. GUGGENHIME	PETER A. STERN	IVAR C. SATERO AIRPORT DIRECTOR

- Allowing the Trustee, at the direction of the Commission, to use any of the investments the City Treasurer may use to invest Airport funds.
- Amendments reflecting changes in the financial markets
 - Revisions to rating requirements for providers of letters of credit to help satisfy reserve requirements.
 - Revisions to rating requirements for certain types of permitted investments.
- Modernizations and clarifications
 - Revisions to the annual rate covenant and additional borrowing test to create a consistent method for the calculation of the two coverage ratios that must be met.
 - Revisions to the process for bondholder consent to amendments.

Recommendation

I recommend that this Commission adopt the attached Resolution approving certain amendments to the 1991 Master Bond Resolution.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business & Finance Officer

Attachment