

File No. 191124

Committee Item No. 1

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 22, 2020

Board of Supervisors Meeting

Date _____

Cmte Board

- Motion
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- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU
- Grant Information Form
- Grant Budget
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- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER (Use back side if additional space is needed)

- Notice of Public Hearing
- Airport Commission Resolution
- _____
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Completed by: Linda Wong

Date January 17, 2020

Completed by: Linda Wong

Date _____

FILE NO. 191124

RESOLUTION NO.

1 [Airport Commission Capital Plan Bonds - San Francisco International Airport Second Series
2 Revenue Bonds - Up to \$3,000,000,000 - Airport Capital Plan Projects]

3 **Resolution approving the issuance of up to an additional \$3,000,000,000 aggregate**
4 **principal amount of San Francisco International Airport Second Series Revenue Bonds**
5 **to finance and refinance Airport Capital Plan projects; and ratifying and confirming**
6 **certain Resolutions of the Board and the Airport Commission related to the foregoing.**

7
8 WHEREAS, The Airport Commission of the City and County of San Francisco (the
9 "Airport Commission"), by its Resolution No. 91-0210, adopted on December 3, 1991 (as
10 supplemented and amended, the "1991 Resolution"), provided for the issuance of San
11 Francisco International Airport Second Series Revenue Bonds (the "Bonds") for any lawful
12 purpose of the Airport Commission; and

13 WHEREAS, The 1991 Resolution provides that the Airport Commission may issue
14 Bonds from time to time as the issuance thereof is authorized by the Airport Commission; and

15 WHEREAS, The Airport Commission, by its Resolution No. 08-0035, adopted on
16 February 19, 2008, as supplemented and amended, including by Resolution No. 10-0307,
17 adopted on October 5, 2010, Resolution No. 12-0050, adopted on March 20, 2012, Resolution
18 No. 14-0024, adopted on February 18, 2014, Resolution No. 15-0182, adopted on September
19 22, 2015, Resolution No. 16-0274, adopted on November 1, 2016, and Resolution No. 17-
20 0045, adopted on March 7, 2017 (collectively, the "Prior Capital Plan Bond Resolutions"),
21 authorized the issuance from time to time of up to \$7,826,725,000 aggregate principal amount
22 of Bonds (the "Capital Plan Bonds") for the purpose of financing and refinancing the
23 development, construction, acquisition and equipping of certain capital projects undertaken by
24 the Airport (the "Capital Plan") which are approved by the Airport Commission, of which an
25 aggregate principal amount of \$1,563,235,000 remains to be issued; and

1 WHEREAS, The Airport Commission, by its Resolution No. 19-0260, adopted on
2 October 15, 2019 (the "Twenty-Third Supplemental Resolution"), authorized the issuance of
3 up to an additional \$3,000,000,000 aggregate principal amount of Capital Plan Bonds; and

4 WHEREAS, The Twenty-Third Supplemental Resolution is intended to establish a
5 financing mechanism for the Capital Plan and does not constitute approval of or a
6 commitment to fund any particular project, which projects are approved by separate action of
7 the Airport Commission and/or the Board of Supervisors (the "Board"); and

8 WHEREAS, Under the Twenty-Third Supplemental Resolution, the Airport Commission
9 may not authorize the sale of Capital Plan Bonds for construction costs of any project unless
10 and until the required environmental review, if any, for such project has been completed and
11 the Airport Commission has determined to proceed with such project, and California
12 Environmental Quality Act ("CEQA") findings have been adopted as required by law; provided,
13 that Capital Plan Bonds may also be used to fund planning and development costs necessary
14 to prepare other projects for environmental review and the necessary approvals; and

15 WHEREAS, This Board by its prior Resolutions, including by Resolutions Nos. 1006-
16 92, 583-98, 224-99, 811-00, 800-03, 174-06, 229-08, 50-11, 349-12, 125-14, 433-15, 156-17,
17 and 269-17 (collectively, the "Prior Board Revenue Bond Resolutions"), approved, among
18 other things, the 1991 Resolution, the Prior Capital Plan Bond Resolutions and the issuance
19 of the Capital Plan Bonds in an aggregate principal amount of not to exceed \$7,826,725,000,
20 of which an aggregate principal amount of \$1,563,235,000 remains to be issued; and

21 WHEREAS, The Airport Commission now seeks approval by this Board of an additional
22 \$3,000,000,000 aggregate principal amount of Capital Plan Bonds authorized by the Airport
23 Commission pursuant to the Twenty-Third Supplemental Resolution; and
24
25

1 WHEREAS, The Twenty-Third Supplemental Resolution has been submitted to this
2 Board and is on file with the Clerk of the Board of Supervisors in File No. 191124, which file is
3 hereby declared to be a part of this Resolution as if set forth fully herein; and

4 WHEREAS, This Board desires to ratify and confirm the Prior Board Revenue Bond
5 Resolutions, each as modified and amended thereby and hereby; and

6 WHEREAS, This Board also desires to ratify and confirm the 1991 Resolution,
7 including the Prior Capital Plan Bond Resolutions, as adopted by the Airport Commission,
8 each as modified and amended; and

9 WHEREAS, Section 4.115 of the Charter provides that the Airport Commission has the
10 exclusive authority to plan and issue Airport revenue bonds (collectively, including Bonds,
11 Commercial Paper and Airport Special Facility Bonds, "Airport Bonds") for Airport-related
12 purposes, subject to the approval, amendment, or rejection of this Board of each issue; and

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

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

20 WHEREAS, A notice of public hearing with respect to the Airport Bonds to be issued by
21 the Airport Commission in an aggregate principal amount not to exceed \$8,956,789,550 (the
22 "TEFRA Notice"), was published on October 9, 2019, not less than seven (7) days prior to the
23 public hearing, in a newspaper of general circulation available to the residents of the City; and

24 WHEREAS, A public hearing was held on October 18, 2019, pursuant to such notice
25 and an opportunity was provided for interested persons to present arguments for and against

1 the issuance of such Airport Bonds and the nature and location of the projects to be financed
2 and refinanced with the proceeds thereof; and

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

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

7 FURTHER RESOLVED, That capitalized terms used but not otherwise defined in this
8 Resolution shall have the meanings set forth in the 1991 Resolution; and, be it

9 FURTHER RESOLVED, That the issuance by the Airport Commission of Capital Plan
10 Bonds in an additional aggregate principal amount of up to \$3,000,000,000 is hereby
11 approved in accordance with Section 4.115 of the Charter; and, be it

12 FURTHER RESOLVED, That the Twenty-Third Supplemental Resolution, as adopted
13 by the Airport Commission, is hereby approved; and, be it

14 FURTHER RESOLVED, That the Airport Commission shall not approve the sale of
15 Capital Plan Bonds to fund construction of any specific Capital Plan project unless and until
16 (1) the required environmental review, if any, for such project has been completed, (2) the
17 Airport Commission has determined to proceed with such project, and (3) CEQA findings have
18 been adopted as required by law; provided, that Capital Plan Bonds may also be used to fund
19 planning and development costs necessary to prepare other projects for environmental review
20 and the necessary approvals; and, be it

21 FURTHER RESOLVED, That the Capital Plan Bonds shall be sold prior to
22 June 30, 2026; and, be it

23 FURTHER RESOLVED, That the Airport Director shall submit the Final Official
24 Statement for each bond issuance covered by the proposed resolution to the Clerk of the
25 Board promptly after issuance and include the documents in the legislative file; and, be it

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

4 FURTHER RESOLVED, That the Prior Board Revenue Bond Resolutions, each as
5 modified and amended, including by this Resolution, are hereby ratified and confirmed; and,
6 be it

7 FURTHER RESOLVED, That the 1991 Resolution, including the Prior Capital Plan
8 Bond Resolutions, as adopted by the Airport Commission, each as modified and amended,
9 are hereby ratified and confirmed; and, be it

10 FURTHER RESOLVED, That all actions heretofore taken by the officers, agents and
11 employees of the Airport Commission and the City to carry out the intents and purposes of
12 this Resolution, as consistent with this Resolution, are hereby ratified, approved and
13 confirmed; and, be it

14 FURTHER RESOLVED, That the Airport Commission and its proper officers, agents
15 and employees and those of the City are hereby authorized to execute and deliver such
16 certificates, documents and agreements as are contemplated by or required under the 1991
17 Resolution, any existing Airport Bond-related agreement or contract, the applicable bond
18 purchase agreement and any other applicable Airport Bond-related agreement or contract
19 authorized hereby (the "Contemplated Documents"), to carry out the intents and purposes of
20 this Resolution and the transactions contemplated hereby, and to take such other actions or
21 execute such other certificates, documents and agreements, in consultation with the City
22 Attorney, as may be necessary or desirable to carry out the intents and purposes of this
23 Resolution and the transactions contemplated hereby (the "Other Documents"); provided, that
24 any such other actions or execution of any such Other Documents are intended solely to
25 further the purposes of this Resolution, and are subject in all respects to the terms of this

1 Resolution; and provided further, that no such actions or execution of such Other Documents
2 shall increase the risk to the Airport Commission or the City or require the Airport Commission
3 or the City to expend any resources not otherwise authorized hereby; and, be it


4 FURTHER RESOLVED, That the approvals contained in this resolution shall extend to
5 any amendments to the 1991 Resolution, including the Prior Capital Plan Bond Resolutions
6 and the Twenty-Third Supplemental Resolution, and to all resolutions of the Airport
7 Commission supplemental thereto, as well as to such additional resolutions that the Airport
8 Commission may adopt for the purposes of implementing the issuance, sale and delivery of
9 any Airport Bonds; provided, that in each case such amendment or additional resolution is
10 consistent with the parameters set forth herein; and, be it

11 FURTHER RESOLVED, That should the application of any provision of this resolution
12 to any particular facts or circumstances be found by a court of competent jurisdiction to be
13 invalid or unenforceable, then (a) the validity of other provisions of this resolution shall not be
14 affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent
15 possible so as to effect the intents and purposes of this resolution.

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Approved as to Form:

DENNIS J. HERRERA
City Attorney

By 
Sheryl L. Bregman
Airport General Counsel

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<p>Items 1 and 2 Files 19-1123 and 19-1124 <i>(Continued from January 15, 2019)</i></p>	<p>Department: San Francisco International Airport (Airport)</p>
<p>EXECUTIVE SUMMARY</p>	
<p>Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 19-1123 is an ordinance appropriating \$3,888,069,311 of Airport Revenue Bonds proceeds to the Airport Commission for FY2019-20. The funds would be placed on Controller’s Reserve pending the sale of the bonds or commercial paper. • File 19-1124 is a resolution (1) authorizing the sale of \$3,000,000,000 in new Airport Revenue Bonds; and (2) ratifying, approving and confirming certain resolutions of the Board of Supervisors and Airport Commission related to the bonds. 	
<p>Key Points</p>	
<ul style="list-style-type: none"> • The number of airplane passengers at San Francisco International Airport has grown by 58 percent from FY 2008-09 to FY 2017-18, twice as fast as the national average. The Airport is requesting additional revenue bond authorization to implement capital projects to address airport congestion and appropriation to spend bond proceeds. • The proposed \$3bn bond authorization, combined with existing unissued authorization of \$1.56 billion, would provide the remaining funding needed for the Airport’s \$7.6 billion FY 2019-20 Five-Year Capital Plan, including major projects such as Terminals 1, 3 and International Terminal renovations and an extension to the AirTrain. 	
<p>Fiscal Impact</p>	
<ul style="list-style-type: none"> • The Airport proposes to sell the \$3 billion Airport Revenue bonds through negotiated sales with 30-year terms at an estimated 6.1 percent fixed interest rate. Based on Airport forecasts, the total debt service over 30 years is estimated to be \$6.7 billion, including \$3.0 billion in principal and \$3.7 billion in interest payments. The average annual debt service is estimated to be \$223.4 million. • Debt service on the Airport’s bonds is paid from Airport revenues, which primarily consist of charges to airlines. Based on Airport forecasts, annual debt service payments are projected to increase by 76% from \$463.5 million in FY2018-19 to a peak of \$816.1 million in FY 2024-25. Increased debt service payments are expected to be covered by increases to the fees charged to airlines. 	
<p>Policy Consideration</p>	
<ul style="list-style-type: none"> • The Official Statement for the Series 2019 EFGH Airport Capital Plan bonds identified several risk factors pertaining to the issuance of bonds. These risk factors include potential slowdown of the Bay Area economy and potential reduction in demand for air travel. 	
<p>Recommendations</p>	
<ul style="list-style-type: none"> • Amend the proposed resolution to request the Airport Director submit the final Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board promptly after issuance and include the documents in the legislative file. • Approve the proposed resolution as amended and the proposed ordinance (File 19-1123). 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 4.115 states that the Airport Commission has 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.

BACKGROUND

Airport Revenue Bond Authorization

The San Francisco International Airport (Airport) issues Airport Revenue bonds, as authorized by the 1991 Master Bond Resolution. The 1991 Master Bond Resolution has been supplemented and amended twenty two times since its original publication. Since 2008, the Board of Supervisors has authorized \$7.8 billion in Airport Revenue bonds. The Board last authorized an increase of \$4.4 billion in the Airport's bond issuance authority in 2017. This covered major projects in the FY 2016-17 Capital Improvement Plan including the Harvey Milk Terminal 1 modernization, airfield improvements, improvements to the AirTrain system, and construction of a new long term parking garage. Currently, \$1.56 billion in bond authority remain unissued (as of October 21, 2019).

As of July 1, 2019, the total amount of outstanding bond debt held by the Airport was \$7.3 billion.¹

DETAILS OF PROPOSED LEGISLATION

File 19-1123: The proposed ordinance would appropriate \$3,888,069,311 of proceeds from Airport Revenue Bonds and commercial paper² to the Airport Commission for FY19-20. The funds would be placed on Controller's Reserve pending the sale of the bonds or commercial paper.

The appropriation sources include \$3,000,000,000 from new Airport Revenue Bonds (File 19-1124) and \$888,069,311 in previously authorized but not issued Airport Revenue Bonds. The appropriation uses consist of \$3,015,257,811 for Airport Capital projects and \$872,811,500 in financing and contingency costs.

File 19-1124: The proposed resolution would authorize the sale of \$3,000,000,000 in new Airport Revenue Bonds; and ratify, approve and confirm certain resolutions of the Board of

¹ The \$7.3 billion in outstanding bond debt includes debt in addition to Airport Revenue bonds (i.e. Airport Commercial Paper and debt from bond issuances before 2008).

² Commercial paper is short term, low interest debt. The Airport is authorized to issue up to \$500 million in commercial paper notes, of which \$3.2 million has been issued and \$496.8 million is unissued. Under the proposed appropriation ordinance, the Airport may issue commercial paper prior to the issuance of the bonds, which will be repaid by bond proceeds.

Supervisors and Airport Commission related to the bonds. The bonds must be sold by June 30, 2026 and are subject to the terms and conditions set forth in the original 1991 Resolution which details the requirements on the Airport Commission in issuing Revenue Bonds, including the Rate Covenant and debt service coverage levels. The proposed resolution also requires that California Environmental Quality Act (CEQA) reviews be completed before bonds are issued to fund construction but allows for bond monies to be used to fund planning and development costs.

These Airport Revenue Bonds may be issued as fixed rate, variable rate or index rate bonds in accordance with the terms of the 1991 Bond Resolution. The type of Bonds to be issued and the timing of the bond issues will be determined based on several factors, including capital project cash flow requirements and financial market conditions. Based on information provided by the Airport, these bonds would be issued in four installments between 2020 and 2023.

According to the Office of Public Finance, the appropriation request of \$3.888 billion is greater than the bond authorization request of \$3 billion to allow for potential fluctuations in market conditions or investor preferences which could generate bond proceeds above the bond par amount.³

Basis of Request for Bond Authorization

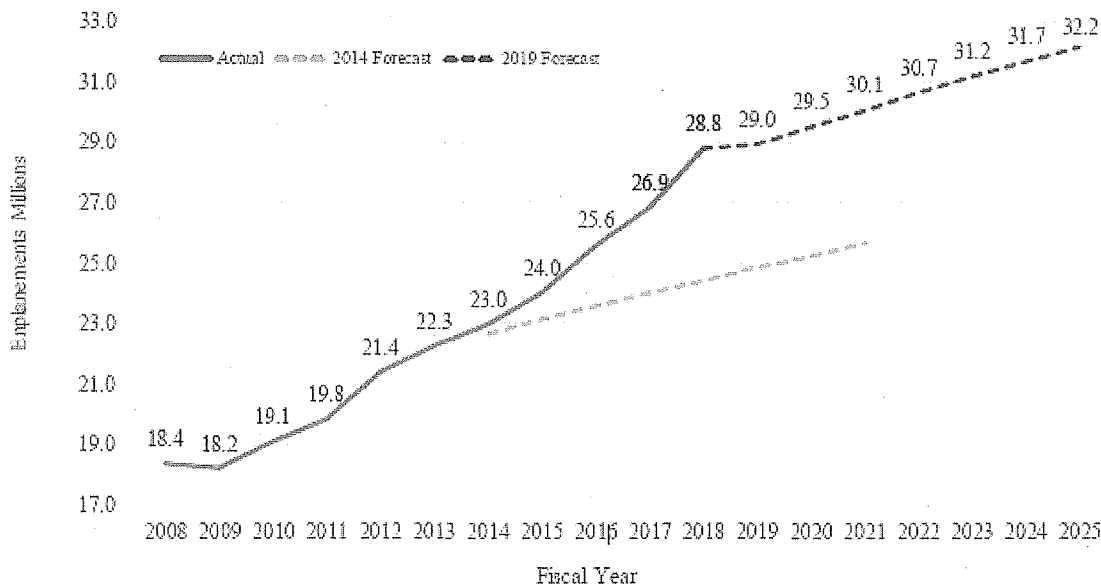
The projects to be funded by the requested Airport Revenue bond authorization are largely to accommodate the increase in air passenger traffic at San Francisco International Airport. As show in Exhibit 1, the number of airplane passengers at San Francisco International Airport has grown by 58 percent from FY 2008-09 to FY 2017-18 and exceeded forecasts for the past four years. According to the Federal Aviation Administration (FAA), San Francisco International Airport was the 7th busiest airport in the United States in calendar year 2018 based on passenger traffic, with 27.8 million total enplanements⁴. From FY 2013-14 to FY 2018-19 the number of enplanements increased at a compound annual growth rate of 4.5 percent. Over the past decade, the Airport's air traffic grew at almost twice the national average (4.6 percent vs 2.8 percent, respectively). Additionally, a recent report by the Airport's Consultant forecasted increased passenger growth of 12 percent by FY 2025-26 to 32.2 million enplanements⁵.

³ The Airport Capital Plan bonds may be structured as "premium bonds", in which investors are willing to pay more than face value of the bonds in exchange for receiving higher interest payments.

⁴ Federal Aviation Administration Commercial Service Enplanements Report for Calendar Year 2018 (Preliminary) (https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/media/preliminary-cy18-commercial-service-enplanements.pdf)

⁵ Based on Report of the Airport Consultant for the Series 2019EFG Bond Official Statement

Exhibit 1: Actual and Forecast Airplane Passenger Growth, FY 2007-08 to FY 2024-25



Source: San Francisco International Airport FY2019/20 Capital Improvement Plan. Actuals from Airport Commission; Forecasts by LeighFisher.

Passenger enplanements declined by 0.7 percent in FY 2018-19 compared to the same period in FY 2017-18 due to certain airlines reconfiguring routes following a merger and aircraft gate constraints during peak periods⁶. Additionally, according to the Ms. Kaitlyn Connors, Airport Budget Director, the Airport is currently at 92 percent of its operating capacity in terms of aircraft arrivals and departures.

The Airport Commission approved Capital Improvement Plans in FY 2016-17 and FY 2019-20 aimed at addressing passenger traffic growth, including increasing the number of terminal gates to accommodate increased passenger traffic, and improving security, ground transportation, parking and other infrastructure. Completion of the Capital Improvement Plan is expected to increase gate capacity, help decrease peak period constraints, and expand other infrastructure to accommodate the increased passenger traffic.

Rating Agencies

As noted above, the Airport’s outstanding bond debt as of July 1, 2019 was \$7.3 billion. The Airport issued an additional \$922.2 million in Series 2019EFG Airport Revenue bonds in August 2019. As part of this bond sale, the Airport engaged the three main credit rating agencies (Moody’s, S&P and Fitch) to rate the proposed sale. The three agencies ratings’ for these bonds are A1, A+, and A+, the third highest rating possible, indicating the Airport has a “strong capacity” to meet its financial commitment. However, they did identify some risks including: (1) a large debt-funded Capital Improvement Plan and (2) one primary airline carrier (United Airlines) which accounts for 21 percent of the Airport’s operating revenue.

⁶ Based on Report of the Airport Consultant for the Series 2019EFG Bond Official Statement

Airport Capital Improvement Plan

The Airport prepared a Capital Improvement Plan for FY 2016-17 through FY 2020-21; the Airport Commission approved the FY 2019-20 update to the Capital Improvement Plan in March 2019. The FY 2019-20 update provides for \$7.6 billion in projects through FY 2023-24, of which \$3.0 billion in funding was previously appropriated and \$4.6 billion is new funding shown in Exhibit 2 below.

Exhibit 2: FY 2019-20 Capital Improvement Plan Projects and Funding

Projects	Prior Funding	New FY 2019-20 to FY 2023-24 Funding	Total
Airfield Improvements ^a	\$97,893,262	\$191,005,782	\$288,899,044
Airport Support ^b	380,085,961	893,879,563	1,273,965,524
Groundside			
Parking & Garage	158,230,348	24,794,934	183,025,282
Air Train	112,706,604	131,649,133	244,355,737
On-Airport Hotel	152,339,000	87,661,000	240,000,000
Other Groundside ^c	93,336,810	67,229,391	160,566,201
Subtotal Groundside	516,612,762	311,334,458	827,947,220
Terminals			
Terminal 1 Projects	1,364,222,167	1,041,632,586	2,405,854,753
Terminal 3 Projects	299,461,158	1,181,629,896	1,481,091,054
International Terminal	36,736,710	382,705,833	419,442,543
Other Terminals ^d	228,441,108	203,613,994	432,055,102
Subtotal Terminals	1,928,861,143	2,809,582,309	4,738,443,452
Utilities ^e	96,463,165	394,698,730	491,161,895
Total	\$3,019,916,293	\$4,600,500,842	\$7,620,417,135

Source: FY 2019-20 Capital Improvement Plan Update

^a Airfield improvements include runway and taxiway, power and lighting, South McDonnell Road realignment, and other projects.

^b Airport support includes shoreline projection, computer systems, consolidated administration campus, elevators, escalators and walkways, fire equipment, security, noise insulation, cargo and hangar and Superbay projects, South Field redevelopment, technology improvement, and other projects. This budget category also includes \$439.8 million in reserves for Airport projects, equal to 9.5 percent of \$4.6 billion in project funding from FY 2019-20 through FY 2023-24.

^c Other groundside projects include roadway, support facility, Plot 700 redevelopment, and other projects.

^d Other terminal improvements include Air Traffic Control Tower, revenue enhancement, gate enhancement, and other projects. This budget category also includes \$37.8 million in capital improvement program support from FY 2019-20 through FY 2023-24.

^e Utilities include energy efficiency (including Net Zero), power and lighting, water and wastewater, storm drainage, and other projects.

FISCAL IMPACT

Appropriation Ordinance (File 19-1123)

The proposed ordinance appropriates \$3,888,069,311 in Airport Revenue bonds, which includes appropriation of \$3,000,000,000 in new bond authority and \$888,069,311 in previously authorized bonds, as shown in Exhibit 3 below. The Attachment provides further project details.

Exhibit 3: Sources and Uses of Airport Revenue Bond Proceeds

Sources	
Proceeds from Revenue Bond Sales	3,888,069,311
Uses	
<i>Projects</i>	
Airfield Improvements	135,560,282
Airport Support	769,979,707
Groundside Improvements	103,759,546
Terminal Improvements	337,022,830
Terminal 1 Program	688,691,677
Terminal 3 Program	711,034,265
Utilities	269,209,504
Subtotal Projects	3,015,257,811
Financing and Other Costs	
City Services Auditor (0.2%)	6,030,516
Contingency Account (2.5%) ^a	74,984,160
Debt Service Reserve ^b	291,612,803
Capitalized Interest ^c	466,568,317
Cost of Issuance ^d	6,399,219
Underwriter's Discount ^e	27,216,485
Subtotal Financing and Other Costs	872,811,500
Total	3,888,069,311

Source: Appropriation Ordinance

^a The Contingency Account holds Airport funds that may be used for operating or capital purposes, but are also used each year to help the Airport meet its bond covenant requirement to have the sum of annual net operating revenues plus the balance in the Contingency Account equal to at least 125% of annual debt service, as required by the Airport Commission's 1991 Master Bond Resolution.

^b Debt Service Reserve is a fund in which an issuer sets aside money in case its regular debt service fund is insufficient to make a future debt service payment as required by the Airport Commission's master bond indenture.

^c Capitalized Interest is the portion of the proceeds of a bond issue that is set aside to pay interest on the bonds for a specified period of time. Interest is commonly capitalized for the construction period of a revenue-producing project, and sometimes for a period thereafter, so that debt service expense does not begin until the project is expected to be operational and producing revenues.

^d Costs of Issuance consist of expenses associated with the sale of a bond, including fees for financial advisors, counsel, the trustee and rating agency fees and other expenses.

^eThe Underwriters Discount is the difference between the price paid by the underwriter to the issuer for the new bond issue and the prices at which the securities are initially offered to the investing public. This difference provides the underwriter with compensation for the transaction, as well as reimbursement for expenses.

On October 21, 2019, the City’s Capital Planning Committee recommended the authorization of up to \$3 billion in Airport Revenue bonds and approval of the related \$3.888 billion increase in appropriation.

Total Capital Improvement Plan Project Costs

The FY 2019-20 Capital Improvement Plan provides for \$4.6 billion in capital program expenditures from FY 2019-20 through FY 2023-24 (see Exhibit 3 above). Funding for the \$4.6 billion capital program comes from \$3.0 billion in new Airport Revenue bond authorization (subject of File 19-1124) and approximately \$1.6 billion in previously authorized and unissued bonds, as noted above and shown in Exhibit 4 below.

Exhibit 4: Previous and New Airport Capital Plan Bond Authorization (\$million)

Total Authority	\$7,827
Issued to Date	<u>(6,263)</u>
Authorized and Unissued	1,564
New Requested Authority	<u>3,000</u>
Total	\$4,564

Source: Staff memorandum to October 15, 2019 Airport Commission meeting

Of the previously authorized and unissued amount of \$1.564 billion, \$888,069,311 is appropriated to the capital program as shown in Exhibit 4 above.⁷

Issuance of Bonds (File 19-1124)

The Airport proposes to sell the \$3,000,000,000 in Airport Revenue bonds, through several negotiated sales with a 30-year term at an estimated 6.1 percent fixed interest rate. The Airport Commission’s Debt Policy allows the Airport to use negotiated or competitive sales, or direct placements of bonds to minimize debt service cost and to determine the structure, timing and terms of bond issuances within the terms of the 1991 Master Resolution.

The actual interest rate will not be known until the time of bond sale. According to a report prepared by the Airport’s Consultant for the latest bond sale, the Airport expects to issue bonds once a year from 2020 to 2023, but the timing and sizing of each issue would be determined based on an assessment of capital plan cash flow requirements and market conditions⁸. The bonds are expected to be fully repaid in by 2053 from Airport revenues.

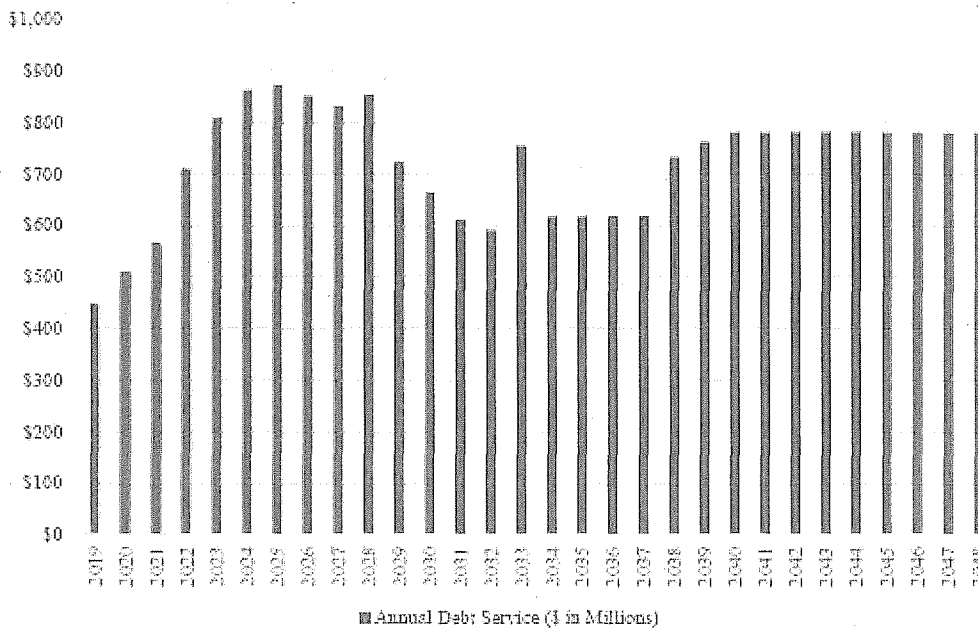
⁷ According to Ms. Connors, the remaining authorized but unissued bond authority (\$676 million) has already been appropriated in the Airport’s previous bond appropriation ordinances. Some of the difference between the bond appropriation amount (\$3.888 billion) and the bond authority resolution amount (\$3 billion) is due to the potential greater proceeds that may be realized through a “premium bond” (see Footnote 3).

⁸ Official Statement of the Airport Commission of the City and County of San Francisco International Airport for Second Series Revenue Bonds Series 2019E/F/G and Refunding Bonds Series 2019H, Appendix A: Report of the Airport Consultant (<https://www.flysfo.com/about-sfo/investor-relations>)

Based on information provided by the Airport, the total debt service over 30 years on the new requested bond authority of \$3.0 billion is estimated to be \$6.7 billion, including \$3.0 billion in principal repayment and \$3.7 billion in interest payments. The average annual debt service is estimated to be \$223.4 million. This assumes that all unissued debt is sold to finance capital improvement projects within the next five fiscal years.

According to the Airport Consultant’s forecasts, debt service for all current and proposed bonds would increase from \$463.5 million in FY2018-19 to a peak of \$816.1 million in FY 2024-25, before declining slightly to \$797.4 million in FY 2025-25. This would represent an increase of between 72 percent and 76 percent over this period. Exhibit 5 below shows the Airport’s forecast annual debt service between fiscal year 2018-29 and 2047-48. The forecast assumes a conservative 6 to 7 percent interest rate, level debt service and no refunding of outstanding bonds for debt service savings. The Airport has typically achieved interest rates below these estimates over the past few years and refinanced existing bonds for debt service savings when opportunities arise.

Exhibit 5: San Francisco Airport Annual Debt Service Forecast, FY2018-19 to FY2047-48



Source: San Francisco International Airport’s FY2019-20 Capital Improvement Plan

Debt service on the Airport’s Revenue bonds is paid from Airport revenues, which primarily consist of charges to airlines. Under the 2011 Lease and Use Agreement between the Airport and the airlines, the Airport has the authority to increase the landing and terminal fees charged to the airlines to meet its operating expenses, including annual debt service on outstanding Airport revenue bonds. According to Ms. Connors, each year, the Airport updates the terminal and landing fees. To do so, the Airport forecasts the total annual expenses and the total non-airline revenues. The difference between the annual expenses and non-airline revenues must be paid from airline landing and terminal fees, which are adjusted by the Airport to fill the gap.

According to the Airport staff, the Airport maintains debt service reserve funds, currently totaling \$587 million, in accordance with the Master Bond Resolution of 1991, which governs bond issuances by the Airport. Debt service reserves increase proportionally as the Airport's debt increases.

According to the Master Bond Resolution of 1991, the Airport Commission must ensure that the following two conditions are met with regards to debt service repayment (i.e. the "rate covenant"):

- 1) Net revenues in each fiscal year must be at least sufficient (a) to make all required payments and deposits to cover Revenue Bond debt service, and (b) to make the Annual Service Payment to the City; and,
- 2) Net revenues, together with any transfers, in each fiscal year must be at least equal to 125% of aggregate annual debt service with respect to bonds outstanding for that fiscal year.

In order to issue additional bonds for new projects, the Airport Commission must also receive a certificate from an independent consultant or auditor stating that the Airport will be able to meet the Rate Covenant for the period covered by the bonds. The Airport received this certification as part of its latest bond issuance in 2019 (\$922.2 million in 2019EFG Series Bonds) which also covered expected future bonds under the FY 2019-20 Capital Improvement Plan.

According to the Airport Consultant's forecasts, the debt service coverage rate is expected to stay above the 125 percent threshold from FY 2019-20 to FY 2025-26, as shown in Exhibit 6 below. The debt service coverage rate calculation assumes annual transfers from the Airport's Contingency Fund to cover increasing debt service. If this transfer is excluded, the debt coverage rate would decrease from 117 percent in FY 2018-19 to 111 percent in FY 2025-26. The Airport Commission has discretion to fund the Contingency Fund and use this to pay debt service.

Exhibit 6: Airport Consultant's Forecast of Debt Service Coverage from Bond Issuances for FY2018-19 to FY2025-26 (\$ in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Net Revenues ⁽¹⁾	\$540,379	\$584,290	\$653,925	\$747,242	843,659	\$891,602	\$898,659	\$881,732
Transfer from the Contingency Account*	115,877	124,357	138,639	164,945	184,431	198,987	204,012	199,356
TOTAL AVAILABLE FOR DEBT SERVICE	656,255	708,646	792,564	912,186	1,028,091	1,090,589	1,102,671	1,081,088
Debt Service Requirement ⁽²⁾	\$463,506	\$497,426	\$554,556	\$659,778	\$737,725	\$795,948	\$816,050	\$797,425
Forecast Debt Service Coverage per the Resolution	142%	142%	143%	138%	139%	137%	135%	136%
Forecast Debt Service Coverage Excluding Transfer	117%	117%	118%	113%	114%	112%	110%	111%

⁽¹⁾ Includes certain PFC revenues forecast to be designated as Revenues by the Commission, as described in the Report of the Airport Consultant. As discussed in the Report of the Airport Consultant, forecast revenues and expenses for the On-Airport Hotel were prepared by JLL. The Airport Consultant makes no representation regarding the reasonableness of the forecast financial results provided by JLL for the proposed On-Airport Hotel.

⁽²⁾ Cash basis. Includes projected debt service on outstanding Bonds, Series 2019E Bonds, Series 2019F Bonds, Series 2019G Bonds and future Bonds as described in the Report of the Airport Consultant.

* Transfer reflects lesser of Contingency Account balance or 25% of Debt Service.
Source LeighFisher, Report of the Airport Consultant.

Source: Official Statement of the Airport Commission of the City and County of San Francisco International Airport for Second Series Revenue Bonds Series 2019E/F/G and Refunding Bonds Series 2019H, Appendix A: Report of the Airport Consultant (<https://www.flysfo.com/about-sfo/investor-relations>)

According to Ms. Connors, the additional debt service costs will be included in the Airport's proposed FY 2020-21 and FY 2021-22 budget, to be submitted to the Board of Supervisors in May 2020.

POLICY CONSIDERATION

The Official Statement for the Series 2019 EFGH Airport Capital Plan bonds identified several risk factors pertaining to the issuance of bonds. These risk factors include potential slowdown of the Bay Area economy and potential reduction in demand for air travel. Other potential risks specific to the San Francisco International Airport include expiration of the Lease and Use Agreement between the Airport and the airlines in 2021, which could change the terms and conditions under which the airlines operate at the Airport; and the impact of additional debt, increasing the costs to the airlines through increased terminal rents and landing fees.

The Budget & Legislative Analyst recommends amending the proposed resolution (File 19-1124) to request the Airport Director submit the final Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board promptly after issuance and include the documents in the legislative file.

RECOMMENDATIONS

1. Amend the proposed resolution (File 19-1124) to request the Airport Director submit the final Official Statement for each bond issuance covered by the proposed resolution

to the Clerk of the Board promptly after issuance and include the documents in the legislative file.

2. Approve the proposed resolution as amended and the proposed ordinance (File 19-1123).

Additional Detail on San Francisco International Airport's FY 2019-20 Capital Improvement Plan

The Airport prepares a Capital Improvement Plan on an as-needed basis to prioritize essential capital projects and requirements. Under the proposed resolution, Airport Capital Plan bonds may only be used to fund:

- Construction costs of Capital Plan projects that either do not require environmental review or have already undergone all necessary environmental review, such as California Environmental Quality Act (CEQA) review, and received Commission approval to proceed
- Planning and development costs necessary to prepare other Capital Plan projects for environmental review and the necessary approvals

Projects included in the Capital Plan that have not yet received environmental clearance can use other funding sources such as Small Capital Outlay or Commercial Paper to fund design and planning costs; however, construction costs cannot be funded until environmental clearance is obtained. Once environmental clearance is obtained, the Airport could seek Board of Supervisors approval to fund these projects with Airport revenue bonds.

The Capital Improvement Plan is primarily funded by Airport Revenue Bonds, with 94 percent of funding come from this source. The other sources of funding include Federal Aviation Authority grants, special fuel charges, and Passenger Facility Charges (currently \$4.50 per enplanement).

Capital Improvement Projects

The proposed FY2019-20 Airport Capital Improvement Plan projects to be funded by the proposed Airport Revenue bond proceeds are focused on meeting current and projected air traffic demand. The Plan is split into two programs, "Ascent Program – Phase I" and "Infrastructure Projects Plan." The Ascent Program represents 48 projects with a total budget of \$7.3 billion and includes a fixed set of large priority projects whereas the Infrastructure Projects Plan includes 18 projects with a total budget of \$351 million.

As shown in Exhibit 8, the top ten largest projects that would receive appropriation make up 76% (\$2.3 billion) of total unappropriated projects costs and 30% of the FY2019-20 Capital Improvement Plan. The largest projects include major renovations to Terminals 1, 3 and the International Terminal, as well as the AirTrain Extension and the Capital Improvement Plan reserve fund.

Exhibit 8: Top 10 Largest FY2019-20 Capital Improvement Projects Requiring Supplementation Appropriation (\$ in millions)

Cost Center	Airport Project Category	FY19/20 CIP Project Total	Previous Funding	FY19-20 to FY23-24 Total	Project Appropriation Needed	% of Total Appropriation Needed
Terminal 3 Program	Terminal 3 Projects	\$974	\$33	\$941	\$711	24%
Terminal 1 Program	Terminal 1 Projects (Terminal 1 Center)	\$1,371	\$669	\$702	\$501	17%
Airport Support	Ascent Program Reserve	\$440	\$0	\$440	\$440	15%
Terminal 1 Program	Terminal 1 Projects (Boarding Area B)	\$835	\$498	\$337	\$188	6%
Terminals	International Terminal Refresh Projects (Phase 2 – Departures)	\$161	\$0	\$161	\$161	5%
Terminals	International Terminal Refresh Projects (Phase 1 – Duty Free)	\$152	\$12	\$140	\$76	3%
Utilities	Net Zero Energy Projects	\$76	\$7	\$69	\$69	2%
Airport Support	Airport Support Miscellaneous Improvements	\$60	\$0	\$60	\$60	2%
Groundside	Airtrain Extension	\$237	\$111	\$126	\$52	2%
Airport Support	Superbay Renovation Projects	\$88	\$30	\$58	\$48	2%
Top 10 Sub-Total		\$4,395	\$1,361	\$3,034	\$2,306	76%
Grand Total (Exhibit 3 above)		\$7,620	\$3,020	\$4,601	\$3,015	

Source: San Francisco International Airport

Notes: “Project Appropriation Needed” is the amount of funding still needed to complete the relevant Capital Improvement Programs in each Cost Center after accounting for prior year funding and existing authorized appropriation. These are the proposed uses of the funds to be appropriated from Airport Revenue Bonds per File 19-1123. FY19/20 CIP Project Total and FY19-20 to FY23-24 Total differ as some projects have carried out from previous Capital Improvement Plans. FY19-20 to FY23-24 Total and Project Appropriation Needed differ as some projects have existing appropriation from previous fiscal years.

A summary of the key projects and expected completion dates by Airport cost center are set out below.

Airport Support Improvements: \$ 769,979,707

Airport support improvements include upgrading or replacing infrastructure and facilities which support airport operations, such as fire suppression, technology and security systems, fuel systems, the Superbay Hangar, conveyance systems, Information and Communication Technology Systems, etc. The Airport’s Noise Insulation Program is also included in Airport Support. This cost center includes the \$439 million Ascent Program Reserve which is used to offset unforeseen changes in capital project costs. The Reserve can only be used for Ascent Programs with the approval of the Airport Director.

Terminal 3 Program: \$ 711,034,265

The two major projects for Terminal 3 are (1) modernization of Terminal 3 West to increase the building's footprint, extend the building's useful life by 40 years, meet current building codes, expand the ability to accommodate larger aircraft, and improve passenger flow; and, (2) a new connector between Terminal 2 and Terminal 3, which will also add four levels of office space. The new connector will allow greater flexibility for airline gate use, improve passenger experience and free up leased space in the International Terminal. The Terminal 3 West modernization is expected to be completed by Spring 2023 and the Connector by April 2021.

Terminal 1 Program: \$ 688,691,677

The Terminal 1 Redevelopment Program is intended to modernize Boarding Area B by adding additional boarding gates, adding larger holdrooms and accommodate larger aircraft, as well as completing a total overhaul of the current Terminal 1 building. Major changes to Terminal 1 include new ticket counters, consolidated passenger screening checkpoint, a secure connector to the International Terminal and a new baggage handling and screening system. The Boarding Area B is intended to be completed by May 2021 and the remaining overhaul by April 2023.

Terminal Improvements: \$ 337,022,830

The International Terminal Building departures level will be improved through expanded security screening checkpoints to reduce wait times, expanded duty-free retail area improvements and passenger amenity improvements such as restroom and holdroom renovations. Renovations to the duty-free area were due to be completed in June 2019 and November 2019 and the remaining departures level renovations by Spring 2021. The cost center also includes \$38 million in programmatic support to manage the Capital Improvement Plan projects (i.e. construction planning services, project management and coordination, building information management and document control systems, etc.).

Utilities Improvements: \$ 269,209,504

Utilities improvements include implementation of facility changes and upgrades to achieve energy facilities with net zero carbon emissions, development of an Energy Management Control System, replacement of the sewage and industrial waste systems and completion of the Airport's new Industrial Waste Treatment Plant, as well as other power, lighting, communication and central plant improvements.

Airfield Improvements: \$ 135,560,282

Improvements to the airfield mainly include runway, taxiway and lighting improvements to upgrade existing infrastructure and maintain airfield markings in compliance with FAA requirements. These are expected to be completed in 2020.

Groundside Improvements: \$ 103,759,546

Groundside improvements relate to ground transportation equipment and infrastructure. Major projects include extending the AirTrain to the new long-term parking garages, adding a new station to service the new Airport Hotel, and upgrading the control equipment for the system. The Hotel extension was completed in Summer 2019 and the parking lot extension is

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expected to be completed by Fall 2020. The Airport will also undertake various roadway improvements and modify the road and aprons around South McDonnell road to allow for additional aircraft parking spaces and accommodate increased road traffic to the Airport Hotel.

Exhibit 9: Projects Funded by Proposed Appropriation

Airport Project Category	Project Name	Supplemental Appropriation Needed
Ascent Program Reserve	11278 CIP Program Reserve	\$439,802,800
Airport Support Miscellaneous Improvements	11331 SFO Fuel System Upgrade	\$60,000,000
Airport Support Miscellaneous Improvements	11150 Computer Aided Dispatch (CAD) Replacement	\$7,105,000
Airport Support Miscellaneous Improvements	11104 Virtual Design & Construction Implementation Program	\$5,200,000
Airport Support Miscellaneous Improvements	11161 Building Information Technology Upgrade	\$2,428,577
Airport Support Miscellaneous Improvements	11073 Ramp Lighting Glare Reduction	\$1,480,350
Airport Support Miscellaneous Improvements	10630 Airport Facilities Fall Protection System (formerly 8206B)	\$1,432,453
Airport Support Miscellaneous Improvements	11136 Ground Transportation Management System (GTMS) Phase II	\$1,200,000
Airport Support Miscellaneous Improvements	11421 Stockroom and Warehouse Security & System Enhancements	\$956,000
Airport Support Miscellaneous Improvements	11065 9-1-1 Phone System Upgrade	\$946,800
Superbay Renovation Projects	8465C Superbay Fire Suppression System Replacement Project	\$48,414,423
Superbay Renovation Projects	11160 Superbay Hangar Renovation Project	\$12,857,900
Superbay Renovation Projects	8877B Superbay Hangar Door Retrofit Phase B	\$3,835,682
Superbay Renovation Projects	11189 Superbay 6th Floor Asbestos Abatement	\$365,457
Superbay Renovation Projects	11172 Superbay Hangar Infrared Heating System Replacement	\$70,852
Technology Improvement Projects	10674 Airport Information Integration Solution (AIIS)	\$16,701,595
Technology Improvement Projects	8410 Distributed Antenna System (DAS)	\$5,181,446
Technology Improvement Projects	11130 Multi-Use Flight Information Display Upgrade	\$5,000,000
Technology Improvement Projects	11139 Dense Wavelength Division Multiplexing (DWDM) Transport	\$5,000,000
Technology Improvement Projects	11155 Mobile Application Development and Delivery	\$4,378,000
Technology Improvement Projects	9170 Network Improvements	\$3,837,122
Technology Improvement Projects	11149 Access Layer Refresh 10 Gbps	\$3,700,000
Technology Improvement Projects	11156 Comprehensive Support Plan	\$2,519,542
Technology Improvement Projects	11157 Single Sign On Implementation	\$1,652,400
Technology Improvement Projects	11411 T2 Information Display Replacement	\$1,370,000
Technology Improvement Projects	11158 Data Analytics Compute Processing	\$1,043,000
Technology Improvement Projects	11132 Digital Signage Software System Enhancement	\$800,000
Technology Improvement Projects	8411A SharePoint ERP Phase 1, Integrated Time and Labor Accounting (ITA) Program	\$767,215
Technology Improvement Projects	11433 Contract Management Compliance System	\$700,000

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	(CMCS) Phase 2	
Technology Improvement Projects	10678 Avaya Communication Manager Upgrade 7.0	\$580,830
Technology Improvement Projects	9134A IT Security Mitigation	\$572,000
Technology Improvement Projects	9171 Network Monitoring & Management	\$530,000
Technology Improvement Projects	11222 SFO Data Storage System	\$520,000
Technology Improvement Projects	11153 Internet Hardware Upgrade	\$329,911
Technology Improvement Projects	8968 Network Security	\$231,720
Technology Improvement Projects	11154 ITIL/ISO Certification	\$86,060
Technology Improvement Projects	11217 Managed Security Upgrade	\$24,910
Security Improvements	11442 CCTV Enhancement and Addition	\$11,700,000
Security Improvements	10511 Security Infrastructure Program	\$8,533,308
Security Improvements	11159 Replacement of Badging Identity Management System	\$3,500,000
Security Improvements	10538 Physical Security Information Management (PSIM)	\$1,000,000
Security Improvements	10541 License Plate Recognition (LPR) System	\$1,000,000
Security Improvements	11151 Water Perimeter Intrusions Detection System	\$857,068
Security Improvements	11095 Video Wall Refresh Program	\$500,000
Noise Insulation Projects	11457 Noise Insulation Program 2019-2023 Phase	\$19,506,709
Noise Insulation Projects	8846D Noise Insulation Improvements	\$4,160,000
Noise Insulation Projects	8846C Noise Insulation Improvements	\$150,000
Elevator, Escalator, & Moving Walk Modernization	11477 Airport Conveyance Modernization Phase 1	\$16,650,000
Support Facility Improvements	11422 Building 710 Code Required System Modernization	\$5,200,000
Support Facility Improvements	11309 Fire House #2 Improvements	\$3,460,215
Support Facility Improvements	11129 North Field GSE Maintenance Facility	\$3,163,589
Support Facility Improvements	11308 Fire House #1 Improvements	\$3,089,346
Support Facility Improvements	10610 ITT and Accounting Work Area Renovations	\$566,346
Support Facility Improvements	11167 ADM Office Upgrade and Redesign	\$218,128
Support Facility Improvements	9321 Emergency Response Facilities Improvements	\$148,440
Support Facility Improvements	9329 IT Museum Aviation Annex	\$97,906
Support Facility Improvements	10574 Police Training Support Facility	\$24,636
Airport Shoreline Protection Projects	8354A Airport Shoreline Protection at Sea Plane Harbor	\$11,081,130
Wayfinding Projects	11001 Wayfinding Program	\$10,242,709
Energy and Efficiency Improvements	11302 Plot 40/41 400Hz and PC Air (VALE Grant)	\$6,697,492
Energy and Efficiency Improvements	9188 Airport Wide Lighting Retrofit	\$1,650,715
Cargo and Hangar Improvements	9322 Renovation of Cargo Buildings 900 and 944	\$5,502,899
Airport Support Computer System Improvements	9044 Document Management System (DMS)	\$2,324,000
Airport Support Computer System Improvements	10535 Capital Planning System (CPS) Phase III	\$1,615,200
Airport Support Computer System Improvements	11216 ISO27001 Information Security Management System	\$625,000
Airport Support Computer System Improvements	9051 Operating Budget System (OBS)	\$444,999
Airport Support Computer System Improvements	8399A Property Management & Billing System	\$190,973

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	(PMBS) Phase 2	
Capital Equipment	10565 Portable Generators	\$736,300
Capital Equipment	11423 Paver Replacement	\$510,000
Capital Equipment	11112 CNG High Speed Sweeper	\$440,000
Capital Equipment	11110 CNG High Speed Sweeper	\$420,000
Capital Equipment	11094 Mower	\$360,000
Capital Equipment	9145B Mower	\$325,000
Capital Equipment	11097 Boom and Scissor Lifts II	\$300,000
Capital Equipment	11335 Semi-Truck & Trailer	\$275,000
Capital Equipment	11092 Flatbed (2)	\$225,000
Capital Equipment	9164 Semi Truck	\$190,594
Capital Equipment	11336 FOD Trash Picker	\$180,000
Capital Equipment	11444 Multi-Conductor TV Van	\$1,375
South Field Redevelopment Projects	11044 BICE Office Relocation	\$493,585
Airport Support	Total	\$769,979,707
Terminal 3 Projects	10071 Terminal 3 West Modernization	\$711,034,265
Terminal 3 Program	Total	\$711,034,265
Terminal 1 Projects	10011 Terminal 1 Center	\$501,161,436
Terminal 1 Projects	10010 T1 - Boarding Area B Redevelopment	\$187,520,421
Terminal 1 Projects	10005 T1 - Taxilanes H&M Relocation	\$9,820
Terminal 1 Program	Total	\$688,691,677
International Terminal Refresh Projects	11365 ITB Phase 2 Project	\$161,000,000
International Terminal Refresh Projects	11118 ITB Phase 1 Project	\$75,991,765
CIP Program Support	10401 CIP Programmatic Support	\$37,853,505
Technology Improvement Projects	11211 Terminal Management System Upgrade	\$9,063,500
Technology Improvement Projects	9304 Public WiFi - Terminals	\$6,327,815
Technology Improvement Projects	10622 Operational Wi-Fi Improvements	\$661,016
International Terminal Improvements	10553 IT Fire Alarm System Upgrade	\$4,700,000
International Terminal Improvements	8959 International Terminal Passenger Boarding Bridge Refurbishment	\$4,012,500
International Terminal Improvements	10577 Upgrade ITB PC Air System	\$3,870,000
International Terminal Improvements	10546 Automated Passenger Wait Time Technology	\$513,010
International Terminal Improvements	11208 Global Entry Office Expansion	\$3,634
International Terminal Improvements	11165 IT Media Room	\$796
Miscellaneous Terminal Improvements	11319 SAO Relocation	\$3,435,500
Miscellaneous Terminal Improvements	11071 Airport Terminals Public Address System Upgrades	\$2,547,776
Miscellaneous Terminal Improvements	11418 T3 B/A F Finger Re-roof	\$1,675,000
Miscellaneous Terminal Improvements	11107 HVAC Automation/Optimization Study	\$1,500,000
Miscellaneous Terminal Improvements	11148 Installation of Airport Magnetic Stanchions	\$702,184
Miscellaneous Terminal Improvements	11419 T3 B/A F Hub Re-roof	\$512,500
Miscellaneous Terminal Improvements	11415 T1 B/A C Re-roof	\$375,000

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Miscellaneous Terminal Improvements	11443 CBP Radio Equipment Infrastructure	\$250,000
Miscellaneous Terminal Improvements	11103 Terminal Systems Office Expansion	\$249,543
Miscellaneous Terminal Improvements	11420 T3 B/A F Thumb Re-roof	\$187,500
Revenue Enhancement and Customer Hospitality (REACH) Projects	9350 REACH ITB	\$4,486,376
Revenue Enhancement and Customer Hospitality (REACH) Projects	11333 REACH Program Implementation	\$4,155,325
Revenue Enhancement and Customer Hospitality (REACH) Projects	11124 Service Animal Relief Areas	\$173,201
International Terminal Baggage Handling System	11002 ITB CBIS and BHS Modernization	\$5,804,491
Security Improvements	10568 Airport Terminals Fire Alarm System Upgrade	\$4,364,898
Security Improvements	10559 Communication Center Infrastructure Improvements	\$57,995
Parking & Garage Improvements	10561 Garage Elevators, Escalators, & Moving Walks	\$2,548,000
Terminals	Total	\$337,022,830
Net Zero Energy Projects	11068 Energy Management Control System	\$68,793,673
Net Zero Energy Projects	10010N Net Zero Enhancements for the Boarding Area B Project	\$7,159,511
Net Zero Energy Projects	11168 Net Zero Energy Program Support	\$6,420,056
Power & Lighting Improvements	11470 Select 12KV Power Distribution System Improvements	\$45,000,000
Power & Lighting Improvements	11179 Airport Wide GSE Electrical Infrastructure	\$7,270,256
Power & Lighting Improvements	11213 Boarding Area 'G' 400 Hertz System Infrastructure Upgrade	\$5,877,821
Power & Lighting Improvements	11198 Airport Wide UPS Replacement and Upgrade	\$4,636,306
Power & Lighting Improvements	11429 Airport Electrical Power Capacity Upgrade Study	\$3,000,000
Power & Lighting Improvements	11127 Solar Power Generation Feasibility Study	\$1,000,000
Waste Water System Improvements	11441 Sequencing Batch Reactors Expansion at Mel Leong Treatment Plant	\$30,000,000
Waste Water System Improvements	10581 Recycled Water Distribution System	\$18,713,002
Waste Water System Improvements	8589B Underground Util Imp Industrial Waste Sys Phase II	\$7,496,710
Waste Water System Improvements	8522 New Sewer Outfall to SSF from MLTP	\$5,003,995
Waste Water System Improvements	8589C Underground Util Imp Industrial Waste Sys Phase III	\$179,000
Energy and Efficiency Improvements	8607 12KV Cable Replacement and System Upgrade	\$9,638,820
Energy and Efficiency Improvements	3829 Medium Voltage Station 'BP' Replacement and Telecommunication Infrastructure Expansion	\$5,789,906
Energy and Efficiency Improvements	11163 Energy Bench Marking and Building Integration Program	\$2,152,750
Energy and Efficiency Improvements	9165 Electric Vehicle Chargers Infrastructure at Cell Phone Lot	\$4,171
Water System Improvements	11081 Water Quality Testing and Monitoring Project	\$8,391,234
Water System Improvements	11077 Water Main Leak Detection and Repair Program	\$4,720,000
Water System Improvements	8571A New Water Mains Phase I	\$1,734,000
Water System Improvements	8704 West of Bayshore Water Mains Imp	\$1,336,473
Water System Improvements	11203 SFO and City of Millbrae Water Tie-ins	\$560,000

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Water System Improvements	11079 Separation of Fire and Domestic Water Systems	\$19,520
Central Plant Improvements	8545 Central Plant Chillers No. 1 and No. 2 Replacement	\$10,808,580
Utility Improvements	11439 NG Safety & Ventilation Upgrades in the Utility Tunnel	\$4,000,000
Utility Improvements	11220 Utilities Infrastructure Project Management Support Services	\$3,250,000
Utility Improvements	11215 Utility Infrastructure Improvement Program	\$2,866,161
Technology Improvement Projects	8590 Telecommunication Infrastructure Airport Wide	\$3,387,559
Utilities	Total	\$269,209,504
Taxiway Improvements	10531 Taxiways D and T Reconstruction	\$32,228,780
Taxiway Improvements	10528 Taxiway F1 Realignment	\$20,315,620
Taxiway Improvements	10524 Taxiway C Reconstruction Phase I	\$6,842,673
Taxiway Improvements	11352 Airfield Improvements Program Support Services	\$6,240,000
Taxiway Improvements	11100 Taxiway B5 Reconstruction	\$2,320,001
Taxiway Improvements	10525 Taxiway C Reconstruction Phase II (Helipad)	\$500,000
Taxiway Improvements	11096 Taxiway E and J Realignment	\$500,000
Taxiway Improvements	10526 Taxiway F and N Reconstruction	\$500,000
Taxiway Improvements	10527 Taxiway L Reconstruction	\$500,000
Taxiway Improvements	8983 Taxiway Z Reconstruction Phase I	\$500,000
Taxiway Improvements	10529 Taxiway C3 and R Reconstruction/Realignment	\$500,000
Taxiway Improvements	10533 Taxiway Z Reconstruction Phase II	\$500,000
Miscellaneous Airfield Improvements	11299 Ground Based Augmentation System (GBAS) for Aircraft	\$9,242,484
Miscellaneous Airfield Improvements	11342 Part 139 Airfield Infrastructure Systems	\$5,567,850
Miscellaneous Airfield Improvements	11332 Part 139 Airfield Ponding Improvements	\$4,760,480
Miscellaneous Airfield Improvements	10585 Runway 28R Fire Hydrant and B/A 'G' Waterline Improvements	\$3,315,070
Miscellaneous Airfield Improvements	11117 Materials Testing Lab	\$3,219,668
Miscellaneous Airfield Improvements	11416 Center Line Realignment	\$2,742,000
Miscellaneous Airfield Improvements	11417 AOA Perimeter Fence Replacement Project - Phase 1	\$2,000,000
Miscellaneous Airfield Improvements	10551 Airfield Signage Upgrade Phase A	\$640,846
Miscellaneous Airfield Improvements	11053 Airport Pavement and Drainage Improvements	\$236,573
Miscellaneous Airfield Improvements	8984 Pavement and Drainage Improvements	\$10,644
Miscellaneous Airfield Improvements	11010 West Cargo Checkpoint Relocation	\$900
Runway Improvements	8795 Runway 1L-19R Overlay and Reconst	\$21,200,000
Runway Improvements	8981 Runway 10R-28L Overlay and Reconstruction and Taxiways F2 and S	\$267,586
Power & Lighting Improvements	10555 Field Lighting Bldg. 1 Electrical System Upgrade	\$8,210,893
Apron Reconstruction	11430 Boarding Area G Apron Improvements	\$1,400,000
Apron Reconstruction	8609 Plot 40 Reconstruction	\$500,000

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Capital Equipment	11221 Airfield Striping Removal Equipment	\$758,552
Capital Equipment	11234 Airfield Buses	\$39,662
Airfield	Total	\$135,560,282
Airtrain Extension	10504 AirTrain Extension	\$52,278,691
Roadway Improvements	10670 Intersection Improvements	\$6,810,352
Roadway Improvements	9049 Variable Message Signs Replacement	\$2,337,642
Roadway Improvements	11135 New/Replacement Bus Shelters	\$2,000,000
Roadway Improvements	11134 Roadway Pedestrian Safety Improvements	\$1,386,000
Roadway Improvements	10566 North Link Road Traffic Signal Improvements	\$53,152
Viaduct Improvements	4105 Terminal Upper Level Viaduct Improvements, Phase I	\$4,477,580
Viaduct Improvements	3565C Terminal 2 Departure Level Roadway Repairs	\$3,075,199
Viaduct Improvements	11105 IT Seismic Joint Repair	\$2,410,000
South McDonnell Road Realignment	10515 Plot 2 Aircraft Parking Reconfiguration and South McDonnell Road Realignment - Groundside	\$9,649,621
Parking & Garage Improvements	11427 Central Garage Structural Concrete Repairs	\$6,240,000
Parking & Garage Improvements	11145 Central Garage 5th Level Improvements	\$1,235,404
Parking & Garage Improvements	11144 Central Garage Tunnel Doors	\$527,757
Parking & Garage Improvements	10648 Long Term Parking Guidance and Security System	\$438,204
Parking & Garage Improvements	10516 West Field Garage Top Level Repairs and Coating	\$130,362
AirTrain Improvements	10509 AirTrain System Upgrades	\$4,579,737
Plot 700 Redevelopment Projects	9405 Bus Maintenance Facility	\$3,773,560
Plot 700 Redevelopment Projects	10060 Ground Transportation Unit (GTU) Relocation	\$756,285
Support Facility Improvements	11428 RAC Expansion Joint Repairs and Waterproof Coating Application	\$1,000,000
Shuttle Bus Replacement	11295 Electric Shuttle Buses and Electric Vehicle Charger Installation	\$600,000
Groundside	Total	\$103,759,546
Grand Total		\$3,015,257,811

<p>Items 1 and 2 Files 19-1123 and 19-1124</p>	<p>Department: San Francisco International Airport (Airport)</p>
<p>EXECUTIVE SUMMARY</p>	
<p style="text-align: center;">Legislative Objectives</p>	
<ul style="list-style-type: none"> • File 19-1123 is an ordinance appropriating \$3,888,069,311 of Airport Revenue Bonds proceeds to the Airport Commission for FY2019-20. The funds would be placed on Controller’s Reserve pending the sale of the bonds or commercial paper. • File 19-1124 is a resolution (1) authorizing the sale of \$3,000,000,000 in new Airport Revenue Bonds; and (2) ratifying, approving and confirming certain resolutions of the Board of Supervisors and Airport Commission related to the bonds. 	
<p style="text-align: center;">Key Points</p>	
<ul style="list-style-type: none"> • The number of airplane passengers at San Francisco International Airport has grown by 58 percent from FY 2008-09 to FY 2017-18, twice as fast as the national average. The Airport is requesting additional revenue bond authorization to implement capital projects to address airport congestion and appropriation to spend bond proceeds. • The proposed \$3bn bond authorization, combined with existing unissued authorization of \$1.56 billion, would provide the remaining funding needed for the Airport’s \$7.6 billion FY 2019-20 Five-Year Capital Plan, including major projects such as Terminals 1, 3 and International Terminal renovations and an extension to the AirTrain. 	
<p style="text-align: center;">Fiscal Impact</p>	
<ul style="list-style-type: none"> • The Airport proposes to sell the \$3 billion Airport Revenue bonds through negotiated sales with 30-year terms at an estimated 6.1 percent fixed interest rate. Based on Airport forecasts, the total debt service over 30 years is estimated to be \$6.7 billion, including \$3.0 billion in principal and \$3.7 billion in interest payments. The average annual debt service is estimated to be \$223.4 million. • Debt service on the Airport’s bonds is paid from Airport revenues, which primarily consist of charges to airlines. Based on Airport forecasts, annual debt service payments are projected to increase by 76% from \$463.5 million in FY2018-19 to a peak of \$816.1 million in FY 2024-25. Increased debt service payments are expected to be covered by increases to the fees charged to airlines. 	
<p style="text-align: center;">Policy Consideration</p>	
<ul style="list-style-type: none"> • The Official Statement for the Series 2019 EFGH Airport Capital Plan bonds identified several risk factors pertaining to the issuance of bonds. These risk factors include potential slowdown of the Bay Area economy and potential reduction in demand for air travel. 	
<p style="text-align: center;">Recommendations</p>	
<ul style="list-style-type: none"> • Amend the proposed resolution (File 19-1124) to request the Airport Director submit the preliminary Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board prior to issuance and include the documents in the legislative file. • Approve the proposed resolution as amended and the proposed ordinance (File 19-1123). 	

MANDATE STATEMENT

City Charter Section 9.105 states that amendments to the Annual Appropriations Ordinance, after the Controller certifies the availability of funds, are subject to Board of Supervisors approval by ordinance.

City Charter Section 4.115 states that the Airport Commission has 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.

BACKGROUND

Airport Revenue Bond Authorization

The San Francisco International Airport (Airport) issues Airport Revenue bonds, as authorized by the 1991 Master Bond Resolution. The 1991 Master Bond Resolution has been supplemented and amended twenty two times since its original publication. Since 2008, the Board of Supervisors has authorized \$7.8 billion in Airport Revenue bonds. The Board last authorized an increase of \$4.4 billion in the Airport's bond issuance authority in 2017. This covered major projects in the FY 2016-17 Capital Improvement Plan including the Harvey Milk Terminal 1 modernization, airfield improvements, improvements to the AirTrain system, and construction of a new long term parking garage. Currently, \$1.56 billion in bond authority remain unissued (as of October 21, 2019).

As of July 1, 2019, the total amount of outstanding bond debt held by the Airport was \$7.301 billion.¹

DETAILS OF PROPOSED LEGISLATION

File 19-1123: The proposed ordinance would appropriate \$3,888,069,311 of proceeds from Airport Revenue Bonds and commercial paper² to the Airport Commission for FY19-20. The funds would be placed on Controller's Reserve pending the sale of the bonds or commercial paper.

The appropriation sources include \$3,000,000,000 from new Airport Revenue Bonds (File 19-1124) and \$888,069,311 in previously authorized but not issued Airport Revenue Bonds. The appropriation uses consist of \$3,015,257,811 for Airport Capital projects and \$872,811,500 in financing and contingency costs.

File 19-1124: The proposed resolution would authorize the sale of \$3,000,000,000 in new Airport Revenue Bonds; and ratify, approve and confirm certain resolutions of the Board of

¹ The \$7.3 billion in outstanding bond debt includes debt in addition to Airport Revenue bonds (i.e. Airport Commercial Paper and debt from bond issuances before 2008).

² Commercial paper is short term, low interest debt. The Airport is authorized to issue up to \$500 million in commercial paper notes, of which \$3.2 million has been issued and \$496.8 million is unissued. Under the proposed appropriation ordinance, the Airport may issue commercial paper prior to the issuance of the bonds, which will be repaid by bond proceeds.

Supervisors and Airport Commission related to the bonds. The bonds must be sold by June 30, 2026 and are subject to the terms and conditions set forth in the original 1991 Resolution which details the requirements on the Airport Commission in issuing Revenue Bonds, including the Rate Covenant and debt service coverage levels. The proposed resolution also requires that California Environmental Quality Act (CEQA) reviews be completed before bonds are issued to fund construction but allows for bond monies to be used to fund planning and development costs.

These Airport Revenue Bonds may be issued as fixed rate, variable rate or index rate bonds in accordance with the terms of the 1991 Bond Resolution. The type of Bonds to be issued and the timing of the bond issues will be determined based on several factors, including capital project cash flow requirements and financial market conditions. Based on information provided by the Airport, these bonds would be issued in four installments between 2020 and 2023.

According to the Office of Public Finance, the appropriation request of \$3.888 billion is greater than the bond authorization request of \$3 billion to allow for potential fluctuations in market conditions or investor preferences which could generate bond proceeds above the bond par amount.³

Basis of Request for Bond Authorization

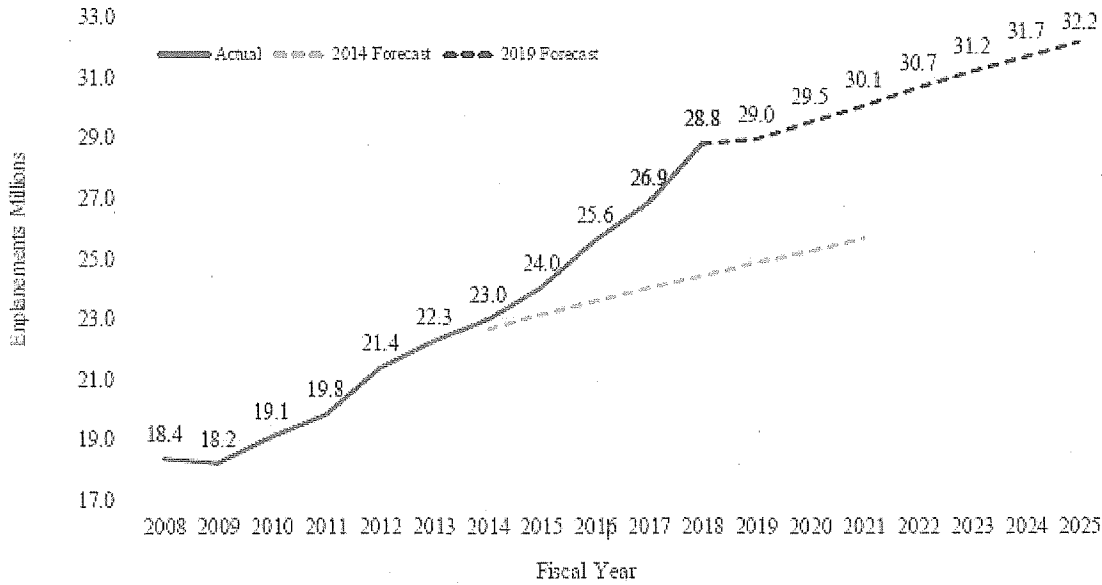
The projects to be funded by the requested Airport Revenue bond authorization are largely to accommodate the increase in air passenger traffic at San Francisco International Airport. As show in Exhibit 1, the number of airplane passengers at San Francisco International Airport has grown by 58 percent from FY 2008-09 to FY 2017-18 and exceeded forecasts for the past four years. According to the Federal Aviation Administration (FAA), San Francisco International Airport was the 7th busiest airport in the United States in calendar year 2018 based on passenger traffic, with 27.8 million total enplanements⁴. From FY 2013-14 to FY 2018-19 the number of enplanements increased at a compound annual growth rate of 4.5 percent. Over the past decade, the Airport's air traffic grew at almost twice the national average (4.6 percent vs 2.8 percent, respectively). Additionally, a recent report by the Airport's Consultant forecasted increased passenger growth of 12 percent by FY 2025-26 to 32.2 million enplanements⁵.

³ The Airport Capital Plan bonds may be structured as "premium bonds", in which investors are willing to pay more than face value of the bonds in exchange for receiving higher interest payments.

⁴ Federal Aviation Administration Commercial Service Enplanements Report for Calendar Year 2018 (Preliminary) (https://www.faa.gov/airports/planning_capacity/passenger_allcargo_stats/passenger/media/preliminary-cy18-commercial-service-enplanements.pdf)

⁵ Based on Report of the Airport Consultant for the Series 2019EFG Bond Official Statement

Exhibit 1: Actual and Forecast Airplane Passenger Growth, FY 2007-08 to FY 2024-25



Source: San Francisco International Airport FY2019/20 Capital Improvement Plan. Actuals from Airport Commission; Forecasts by LeighFisher.

Passenger enplanements declined by 0.7 percent in FY 2018-19 compared to the same period in FY 2017-18 due to certain airlines reconfiguring routes following a merger and aircraft gate constraints during peak periods⁶. Additionally, according to the Ms. Kaitlyn Connors, Airport Budget Director, the Airport is currently at 92 percent of its operating capacity in terms of aircraft arrivals and departures.

The Airport Commission approved Capital Improvement Plans in FY 2016-17 and FY 2019-20 aimed at addressing passenger traffic growth, including increasing the number of terminal gates to accommodate increased passenger traffic, and improving security, ground transportation, parking and other infrastructure. Completion of the Capital Improvement Plan is expected to increase gate capacity, help decrease peak period constraints, and expand other infrastructure to accommodate the increased passenger traffic.

Rating Agencies

As noted above, the Airport’s outstanding bond debt as of July 1, 2019 was \$7.3 billion. The Airport issued an additional \$922.2 million in Series 2019EFG Airport Revenue bonds in August 2019. As part of this bond sale, the Airport engaged the three main credit rating agencies (Moody’s, S&P and Fitch) to rate the proposed sale. Exhibit 2 shows the three agencies ratings’ for these bonds as A1, A+, and A+, the third highest rating possible, indicating the Airport has a “strong capacity” to meet its financial commitment. However, they did identify some risks including: (1) a large debt-funded Capital Improvement Plan and (2) one primary airline carrier (United Airlines) which accounts for 21 percent of the Airport’s operating revenue.

⁶ Based on Report of the Airport Consultant for the Series 2019EFG Bond Official Statement

Exhibit 2: Bond Rating Agencies' Assessment of 2019EFG Series Airport Revenue Bonds

Rating Agency	Investment Grade	Description	Risks
Moody's	A1	Strong	<ul style="list-style-type: none"> - Large debt-funded Capital Improvement Plan - One airline, United Airlines, accounts for 21% of operating revenue and 45% of enplanements - Current airline agreement expire in 2021 just as airline costs will peak due to added debt for the CIP
S&P	A+	Strong	<ul style="list-style-type: none"> - Increased leverage and capital needs financed by bond proceeds - High cost structure - High concentration of one primary carrier - United Airlines
Fitch	A+	Strong	<ul style="list-style-type: none"> - Large debt-funded Capital Improvement Plan

Source: Series 2019EFG Official Statement

Airport Capital Improvement Plan

The Airport prepared a Capital Improvement Plan for FY 2016-17 through FY 2020-21; the Airport Commission approved the FY 2019-20 update to the Capital Improvement Plan in March 2019. The FY 2019-20 update provides for \$7.6 billion in projects through FY 2023-24, of which \$3.0 billion in funding was previously appropriated and \$4.6 billion is new funding shown in Exhibit 3 below.

Exhibit 3: FY 2019-20 Capital Improvement Plan Projects and Funding

Projects	Prior Funding	New FY 2019-20 to FY 2023-24 Funding	Total
Airfield Improvements ^a	\$97,893,262	\$191,005,782	\$288,899,044
Airport Support ^b	380,085,961	893,879,563	1,273,965,524
Groundside			
Parking & Garage	158,230,348	24,794,934	183,025,282
Air Train	112,706,604	131,649,133	244,355,737
On-Airport Hotel	152,339,000	87,661,000	240,000,000
Other Groundside ^c	93,336,810	67,229,391	160,566,201
Subtotal Groundside	516,612,762	311,334,458	827,947,220
Terminals			
Terminal 1 Projects	1,364,222,167	1,041,632,586	2,405,854,753
Terminal 3 Projects	299,461,158	1,181,629,896	1,481,091,054
International Terminal	36,736,710	382,705,833	419,442,543
Other Terminals ^d	228,441,108	203,613,994	432,055,102
Subtotal Terminals	1,928,861,143	2,809,582,309	4,738,443,452
Utilities ^e	96,463,165	394,698,730	491,161,895
Total	\$3,019,916,293	\$4,600,500,842	\$7,620,417,135

Source: FY 2019-20 Capital Improvement Plan Update

^a Airfield improvements include runway and taxiway, power and lighting, South McDonnell Road realignment, and other projects.

^b Airport support includes shoreline projection, computer systems, consolidated administration campus, elevators, escalators and walkways, fire equipment, security, noise insulation, cargo and hangar and Superbay projects, South Field redevelopment, technology improvement, and other projects. This budget category also includes \$439.8 million in reserves for Airport projects, equal to 9.5 percent of \$4.6 billion in project funding from FY 2019-20 through FY 2023-24.

^c Other groundside projects include roadway, support facility, Plot 700 redevelopment, and other projects.

^d Other terminal improvements include Air Traffic Control Tower, revenue enhancement, gate enhancement, and other projects. This budget category also includes \$37.8 million in capital improvement program support from FY 2019-20 through FY 2023-24.

^e Utilities include energy efficiency (including Net Zero), power and lighting, water and waste water, storm drainage, and other projects.

FISCAL IMPACT**Appropriation Ordinance (File 19-1123)**

The proposed ordinance appropriates \$3,888,069,311 in Airport Revenue bonds, which includes appropriation of \$3,000,000,000 in new bond authority and \$888,069,311 in previously authorized bonds, as shown in Exhibit 4 below. The Attachment provides further project details.

Exhibit 4: Sources and Uses of Airport Revenue Bond Proceeds

Sources	
Proceeds from Revenue Bond Sales	3,888,069,311
Uses	
<i>Projects</i>	
Airfield Improvements	135,560,282
Airport Support	769,979,707
Groundside Improvements	103,759,546
Terminal Improvements	337,022,830
Terminal 1 Program	688,691,677
Terminal 3 Program	711,034,265
Utilities	269,209,504
Subtotal Projects	3,015,257,811
Financing and Other Costs	
City Services Auditor (0.2%)	6,030,516
Contingency Account (2.5%) ^a	74,984,160
Debt Service Reserve ^b	291,612,803
Capitalized Interest ^c	466,568,317
Cost of Issuance ^d	6,399,219
Underwriter's Discount ^e	27,216,485
Subtotal Financing and Other Costs	872,811,500
Total	3,888,069,311

Source: Appropriation Ordinance

^a The Contingency Account holds Airport funds that may be used for operating or capital purposes, but are also used each year to help the Airport meet its bond covenant requirement to have the sum of annual net operating revenues plus the balance in the Contingency Account equal to at least 125% of annual debt service, as required by the Airport Commission's 1991 Master Bond Resolution.

^b Debt Service Reserve is a fund in which an issuer sets aside money in case its regular debt service fund is insufficient to make a future debt service payment as required by the Airport Commission's master bond indenture.

^c Capitalized Interest is the portion of the proceeds of a bond issue that is set aside to pay interest on the bonds for a specified period of time. Interest is commonly capitalized for the construction period of a revenue-producing project, and sometimes for a period thereafter, so that debt service expense does not begin until the project is expected to be operational and producing revenues.

^d Costs of Issuance consist of expenses associated with the sale of a bond, including fees for financial advisors, counsel, the trustee and rating agency fees and other expenses.

⁶ The Underwriters Discount is the difference between the price paid by the underwriter to the issuer for the new bond issue and the prices at which the securities are initially offered to the investing public. This difference provides the underwriter with compensation for the transaction, as well as reimbursement for expenses.

On October 21, 2019, the City’s Capital Planning Committee recommended the authorization of up to \$3 billion in Airport Revenue bonds and approval of the related \$3.888 billion increase in appropriation.

Total Capital Improvement Plan Project Costs

The FY 2019-20 Capital Improvement Plan provides for \$4.6 billion in capital program expenditures from FY 2019-20 through FY 2023-24 (see Exhibit 3 above). Funding for the \$4.6 billion capital program comes from \$3.0 billion in new Airport Revenue bond authorization (subject of File 19-1124) and approximately \$1.6 billion in previously authorized and unissued bonds, as noted above and shown in Exhibit 5 below.

Exhibit 5: Previous and New Airport Capital Plan Bond Authorization (\$million)

Total Authority	\$7,827
Issued to Date	<u>(6,263)</u>
Authorized and Unissued	1,564
New Requested Authority	<u>3,000</u>
Total	\$4,564

Source: Staff memorandum to October 15, 2019 Airport Commission meeting

Of the previously authorized and unissued amount of \$1.564 billion, \$888,069,311 is appropriated to the capital program as shown in Exhibit 4 above.⁷

Issuance of Bonds (File 19-1124)

The Airport proposes to sell the \$3,000,000,000 in Airport Revenue bonds, through several negotiated sales with a 30-year term at an estimated 6.1 percent fixed interest rate. The Airport Commission’s Debt Policy allows the Airport to use negotiated or competitive sales, or direct placements of bonds to minimize debt service cost and to determine the structure, timing and terms of bond issuances within the terms of the 1991 Master Resolution.

The actual interest rate will not be known until the time of bond sale. According to a report prepared by the Airport’s Consultant for the latest bond sale, the Airport expects to issue bonds once a year from 2020 to 2023, but the timing and sizing of each issue would be determined based on an assessment of capital plan cash flow requirements and market conditions⁸. The bonds are expected to be fully repaid in by 2053 from Airport revenues.

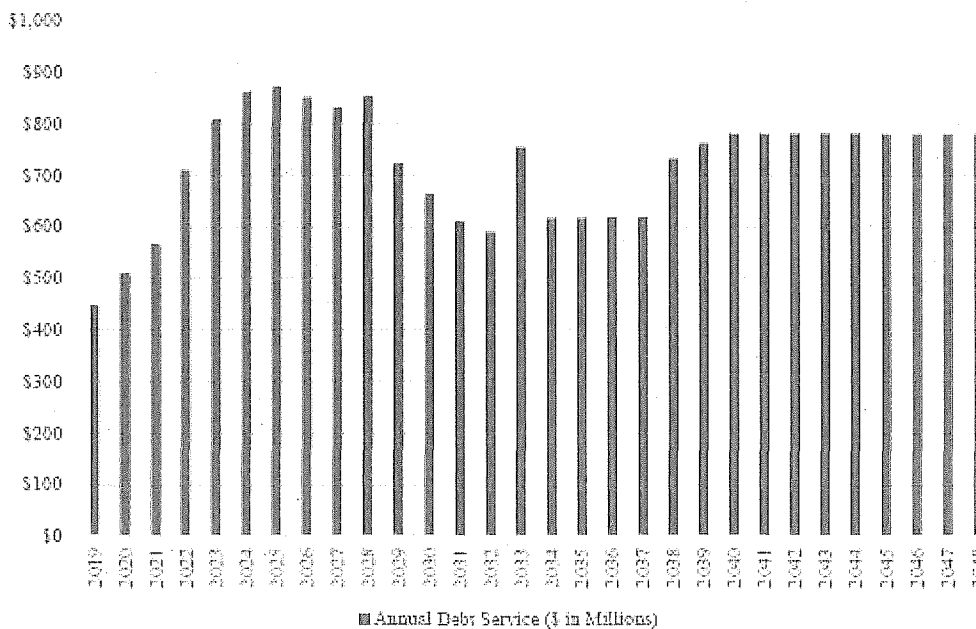
⁷ According to Ms. Connors, the remaining authorized but unissued bond authority (\$676 million) has already been appropriated in the Airport’s previous bond appropriation ordinances. Some of the difference between the bond appropriation amount (\$3.888 billion) and the bond authority resolution amount (\$3 billion) is due to the potential greater proceeds that may be realized through a “premium bond” (see Footnote 3).

⁸ Official Statement of the Airport Commission of the City and County of San Francisco International Airport for Second Series Revenue Bonds Series 2019E/F/G and Refunding Bonds Series 2019H, Appendix A: Report of the Airport Consultant (<https://www.flysfo.com/about-sfo/investor-relations>)

Based on information provided by the Airport, the total debt service over 30 years on the new requested bond authority of \$3.0 billion is estimated to be \$6.7 billion, including \$3.0 billion in principal repayment and \$3.7 billion in interest payments. The average annual debt service is estimated to be \$223.4 million. This assumes that all unissued debt is sold to finance capital improvement projects within the next five fiscal years.

According to the Airport Consultant’s forecasts, debt service for all current and proposed bonds would increase from \$463.5 million in FY2018-19 to a peak of \$816.1 million in FY 2024-25, before declining slightly to \$797.4 million in FY 2025-25. This would represent an increase of between 72 percent and 76 percent over this period. Exhibit 6 below shows the Airport’s forecast annual debt service between fiscal year 2018-29 and 2047-48. The forecast assumes a conservative 6 to 7 percent interest rate, level debt service and no refunding of outstanding bonds for debt service savings. The Airport has typically achieved interest rates below these estimates over the past few years and refinanced existing bonds for debt service savings when opportunities arise.

Exhibit 6: San Francisco Airport Annual Debt Service Forecast, FY2018-19 to FY2047-48



Source: San Francisco International Airport’s FY2019-20 Capital Improvement Plan

Debt service on the Airport’s Revenue bonds is paid from Airport revenues, which primarily consist of charges to airlines. Under the 2011 Lease and Use Agreement between the Airport and the airlines, the Airport has the authority to increase the landing and terminal fees charged to the airlines to meet its operating expenses, including annual debt service on outstanding Airport revenue bonds. According to Ms. Connors, each year, the Airport updates the terminal and landing fees. To do so, the Airport forecasts the total annual expenses and the total non-airline revenues. The difference between the annual expenses and non-airline revenues must be paid from airline landing and terminal fees, which are adjusted by the Airport to fill the gap.

According to the Master Resolution Bond Resolution of 1991, which governs bond issuances by the Airport, the Airport Commission must ensure that the following two conditions are met with regards to debt service repayment (i.e. the “rate covenant”):

- 1) Net revenues in each fiscal year must be at least sufficient (a) to make all required payments and deposits to cover Revenue Bond debt service, and (b) to make the Annual Service Payment to the City; and,
- 2) Net revenues, together with any transfers, in each fiscal year must be at least equal to 125% of aggregate annual debt service with respect to bonds outstanding for that fiscal year.

In order to issue additional bonds for new projects, the Airport Commission must also receive a certificate from an independent consultant or auditor stating that the Airport will be able to meet the Rate Covenant for the period covered by the bonds. The Airport received this certification as part of its latest bond issuance in 2019 (\$922.2 million in 2019EFG Series Bonds) which also covered expected future bonds under the FY 2019-20 Capital Improvement Plan.

According to the Airport Consultant’s forecasts, the debt service coverage rate is expected to stay above the 125 percent threshold from FY 2019-20 to FY 2025-26. The debt service coverage rate calculation assumes annual transfers from the Airport’s Contingency Fund to cover increasing debt service. If this transfer is excluded, the debt coverage rate would decrease from 117 percent in FY 2018-19 to 111 percent in FY 2025-26. The Airport Commission has discretion to fund the Contingency Fund and use this to pay debt service.

Exhibit 7: Airport Consultant’s Forecast of Debt Service Coverage from Bond Issuances for FY2018-19 to FY2025-26 (\$ in thousands)

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Net Revenues ⁽¹⁾	\$540,379	\$584,290	\$653,925	\$747,242	\$843,659	\$891,602	\$898,659	\$881,732
Transfer from the Contingency Account*	115,877	124,357	138,639	164,945	184,431	198,987	204,012	199,356
TOTAL AVAILABLE FOR DEBT SERVICE	656,255	708,646	792,564	912,186	1,028,091	1,090,589	1,102,671	1,081,088
Debt Service Requirement ⁽²⁾	\$463,506	\$497,426	\$554,556	\$659,778	\$737,725	\$795,948	\$816,050	\$797,425
Forecast Debt Service Coverage per the Resolution	142%	142%	143%	138%	139%	137%	135%	136%
Forecast Debt Service Coverage Excluding Transfer	117%	117%	118%	113%	114%	112%	110%	111%

⁽¹⁾ Includes certain PFC revenues forecast to be designated as Revenues by the Commission, as described in the Report of the Airport Consultant. As discussed in the Report of the Airport Consultant, forecast revenues and expenses for the On-Airport Hotel were prepared by JLL. The Airport Consultant makes no representation regarding the reasonableness of the forecast financial results provided by JLL for the proposed On-Airport Hotel.

⁽²⁾ Cash basis. Includes projected debt service on outstanding Bonds, Series 2019E Bonds, Series 2019F Bonds, Series 2019G Bonds and future Bonds as described in the Report of the Airport Consultant.

* Transfer reflects lesser of Contingency Account balance or 25% of Debt Service.
Source LeighFisher, Report of the Airport Consultant.

Source: Official Statement of the Airport Commission of the City and County of San Francisco International Airport for Second Series Revenue Bonds Series 2019E/F/G and Refunding Bonds Series 2019H, Appendix A: Report of the Airport Consultant (<https://www.flysfo.com/about-sfo/investor-relations>)

According to Ms. Connors, the additional debt service costs will be included in the Airport's proposed FY 2020-21 and FY 2021-22 budget, to be submitted to the Board of Supervisors in May 2020.

POLICY CONSIDERATION

The Official Statement for the Series 2019 EFGH Airport Capital Plan bonds identified several risk factors pertaining to the issuance of bonds. These risk factors include potential slowdown of the Bay Area economy and potential reduction in demand for air travel. Other potential risks specific to the San Francisco International Airport include expiration of the Lease and Use Agreement between the Airport and the airlines in 2021, which could change the terms and conditions under which the airlines operate at the Airport; and the impact of additional debt, increasing the costs to the airlines through increased terminal rents and landing fees.

The Budget & Legislative Analyst recommends amending the proposed resolution (File 19-1124) to request the Airport Director submit the preliminary Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board prior to issuance and to include those documents are part of the official legislative file.

RECOMMENDATIONS

1. Amend the proposed resolution (File 19-1124) to request the Airport Director submit the preliminary Official Statement for each bond issuance covered by the proposed resolution to the Clerk of the Board prior to issuance and to include those documents are part of the official legislative file.
2. Approve the proposed resolution as amended and the proposed ordinance (File 19-1123).

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-0260

AMENDMENT OF PRIOR RESOLUTIONS TO AUTHORIZE AN ADDITIONAL \$3,000,000,000 AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SECOND SERIES REVENUE BONDS TO FINANCE CAPITAL PROJECTS IN THE AIRPORT'S APPROVED CAPITAL PLAN, AND RELATED ACTIONS

WHEREAS, on December 3, 1991, by Resolution No. 91-0210 (as previously supplemented and amended, the "1991 Resolution"), the Airport Commission of the City and County of San Francisco (the "Commission") provided for the issuance by the Commission from time to time of San Francisco International Airport Second Series Revenue Bonds (the "1991 Resolution Bonds"); and

WHEREAS, the Commission, pursuant to the 1991 Resolution, has previously authorized the issuance of up to \$7,826,725,000 aggregate principal amount of 1991 Resolution Bonds (the "Capital Plan Bonds") for the purpose of financing and refinancing the development, acquisition, construction, and equipping of capital projects approved by the Commission and costs related thereto, of which an aggregate principal amount of \$1,563,235,000 remains unissued; and

WHEREAS, the Commission has determined that it is necessary and desirable to authorize the issuance of up to an additional \$3,000,000,000 aggregate principal amount of Capital Plan Bonds; and

WHEREAS, the Board of Supervisors of the City and County of San Francisco (the "Board"), by its Resolutions Nos. 229-08, 349-12, 125-14, 433-15, 156-17 and 269-17 approved the issuance of a total aggregate principal amount of not to exceed \$7,826,725,000 of Capital Plan Bonds, of which \$1,563,235,000 remains unissued, and the Commission desires now to authorize the Airport Director to request the Board to approve an additional \$3,000,000,000 aggregate principal amount of Capital Plan Bonds and request a supplemental appropriation in the amount necessary for the Airport to spend the proceeds of authorized Capital Plan Bonds; and

WHEREAS, the Commission has previously approved, among other things, the form of documents for the 1991 Resolution Bonds, including the Capital Plan Bonds, in Resolution No. 10-0307, adopted by the Commission on October 5, 2010 (as supplemented and amended, the "Omnibus Approving Resolution"), and the Commission desires now to ratify and confirm such approvals; and

WHEREAS, the approvals in this Resolution are intended to establish a financing mechanism for capital projects approved by the Commission from time to time and do not constitute approval of any particular project, each of which is subject to approval by separate action of the Commission and/or Board; 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

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-0260

RESOLVED, that this Commission authorizes the following:

Section 1. Defined Terms. Capitalized terms used but not otherwise defined in this Resolution shall have the meanings set forth in the 1991 Resolution.

Section 2. 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 \$3,000,000,000 of Capital Plan Bonds, the 1991 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 Billion Eight Hundred Twenty-Six Million Seven Hundred Twenty-Five Thousand Dollars” and “\$7,826,725,000” of Capital Plan Bonds is hereby amended to read “Ten Billion Eight Hundred Twenty-Six Million Seven Hundred Twenty-Five Thousand Dollars” and “\$10,826,725,000” respectively.

(b) The Capital Plan Bonds shall be sold prior to June 30, 2026.

Section 3. Separate Commission Approval. The issuance of each individual Series of Capital Plan Bonds shall be approved by a separate resolution or resolutions of the Commission; provided, that the Commission shall not approve the sale of Capital Plan Bonds for construction costs of any project unless and until the required environmental review, if any, for such project has been completed and the Commission has determined to proceed with such project and California Environmental Quality Act findings have been adopted as required by law. Capital Plan Bonds may also be used to fund planning and development costs necessary to prepare other projects for environmental review and the necessary approvals.

Section 4. Certain Limitations on Capital Plan Bonds. No Capital Plan Bonds shall mature later than forty (40) years from the date of issuance thereof. The maximum number of separate series of Capital Plan Bonds (with each series consisting of all of the Capital Plan Bonds sold on a given date) shall be equal to the aggregate authorized principal amount thereof divided by \$25,000,000. The sale date for each series of Capital Plan Bonds shall be as determined by the Airport Director.

Section 5. Use of Proceeds of Capital Plan Bonds. Capital Plan Bond proceeds may be used for the purposes of financing and refinancing the acquisition, development, construction and equipping of capital projects that are approved by the Commission from time to time (subject to the limitations in Section 3 above), making one or more deposits to the Contingency Account, making required deposits to debt service reserve funds, financing capitalized interest costs, paying costs of issuance in connection with the Capital Plan Bonds, and for other related lawful purposes, including financing or refinancing interest rate swap termination payments related to the restructuring and/or refunding of variable rate Capital Plan Bonds to fixed rate Capital Plan Bonds.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 19-0260

Section 6. Delegation by Airport Director. The Airport Director is authorized to delegate the authority granted to the Airport Director pursuant to this Resolution in writing to one or more members of Airport management upon consultation with the Office of the City Attorney.

Section 7. Request for Board Approval. The Commission hereby authorizes and directs the Airport Director to request that the Board of Supervisors (the "Board"):

(a) approve this Resolution, including the issuance by the Commission of up to an additional \$3,000,000,000 aggregate principal amount of Capital Plan Bonds; and

(b) request a supplemental appropriation in the amount necessary for the Airport to spend the proceeds of all such additional Capital Plan Bonds.

Section 8. Bond Portfolio Management. The Airport Director is authorized to use available funds to defease Bonds or cause the Trustee to purchase Bonds where necessary or appropriate, upon consultation with the Office of the City Attorney, to comply with the Commission's Debt Policy or any Tax Certificate for the Bonds. In addition, the Airport Director is authorized to use available funds to defease Bonds from time to time provided such defeasance meets the savings criteria for Refunding Bonds set forth in the Commission's Debt Policy.

Section 9. Ratification of Prior Acts. The actions of the officers, agents and employees of the Commission to carry out the Commission's intents and purposes taken prior to the adoption of this Resolution are ratified, approved and confirmed.

Section 10. General Authorization. The Airport Director and the other officers, agents and employees of the Commission are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the Office of the City Attorney, as may be necessary or desirable and in the best interests of the Airport to carry out the purposes and intents of this Resolution and the transactions contemplated hereby.

Section 11. Effectiveness. This Resolution shall become effective on and as of the date of adoption hereof.

Section 12. Ratification of the Prior Resolutions. The 1991 Resolution and the Omnibus Approving Resolution are 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.

Section 13. Severability. Should the application of any provision of this Resolution to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Resolution shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the purposes and intents of this Resolution.

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 19-0260

ADOPTED by the Airport Commission of the City and County of San Francisco this 15 day of October, 2019 by the following vote:

Ayes: 5

Noes: 0

Absent:

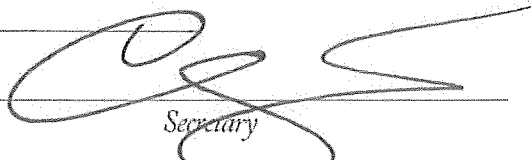
[SEAL]

Approved as to Form:

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

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

*I hereby certify that the foregoing resolution was adopted by the Airport Commission
at its meeting of* ≡ OCT 15 2019


Secretary



San Francisco International Airport

MEMORANDUM

October 15, 2019

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Eleanor Johns
Hon. Richard J. Guggenlime
Hon. Malcolm Yeung

19-0260

≡ OCT 15 2019

FROM: Airport Director

SUBJECT: Amendment of Prior Resolutions to Authorize an Additional \$3,000,000,000 Aggregate Principal Amount of San Francisco International Airport Second Series Revenue Bonds to Finance Capital Projects in the Airport's Approved Capital Improvement Plan, and Related Actions

DIRECTOR'S RECOMMENDATION: ADOPT THE TWENTY-THIRD SUPPLEMENTAL RESOLUTION AMENDING AND SUPPLEMENTING PRIOR RESOLUTIONS TO AUTHORIZE AN ADDITIONAL \$3,000,000,000 AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SECOND SERIES REVENUE BONDS TO PROVIDE FINANCING FOR THE AIRPORT'S APPROVED CAPITAL IMPROVEMENT PLAN, AND AUTHORIZING THE AIRPORT TO REQUEST BOARD OF SUPERVISORS' APPROVAL AND SUPPLEMENTAL APPROPRIATION TO SPEND THE PROCEEDS.

Executive Summary

The proposed Twenty-Third Supplemental Resolution authorizes the issuance of an additional \$3.0 billion aggregate principal amount of Capital Plan Bonds (Bonds) to finance capital projects at San Francisco International Airport (Airport). The authority requested, together with existing but unused authority, would allow the Airport to meet remaining financing needs for the projects in its \$7.6 billion Capital Improvement Plan (CIP), which was approved by the Commission on March 5, 2019, by Resolution No. 19-0041.

The Airport's Financial Advisory Committee has reviewed and concurs with this proposed increase.

THIS PRINT COVERS CALENDAR ITEM NO. 2

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED MAYOR LARRY MAZZOLA PRESIDENT LINDA S. CRAYTON VICE PRESIDENT ELEANOR JOHNS RICHARD J. GUGGENHIME MALCOLM YEUNG IVAR C. SATERO AIRPORT DIRECTOR

Background

The Commission issues Bonds under its 1991 Master Bond Resolution No. 91-0210 (1991 Master Resolution), adopted on December 3, 1991, as supplemented and amended. The Commission is authorized to issue Bonds under the City Charter and applicable state laws. To issue Bonds, the Commission follows a multi-step approval process. First, the Commission adopts a supplemental resolution to the 1991 Master Bond Resolution authorizing issuance of the Bonds. The Charter then requires the Board of Supervisors (Board) to approve the issuance of the Bonds. Finally, when the Commission is ready to sell the Bonds, it adopts one or more sale resolutions authorizing a bond sale within certain parameters. Staff may then proceed with the bond sale.

The Commission amended and supplemented the 1991 Resolution from time to time to authorize additional Bonds that can be issued to fund CIP projects. The Commission has authorized, and the Board has previously approved, the issuance of Bonds in aggregate principal amount of \$7.8 billion. After the closing of the Commission's Series 2019EFGH bond sale on September 10, 2019, a balance of approximately \$1.6 billion remains authorized but unissued as shown below.

Bonds Issuance Authority (\$ in millions)*	
Total Authority	\$7,827
Issued to Date	<u>-6,263</u>
Remaining Authority	\$1,563

**Column may not total due to rounding*

A history of prior Commission actions on authorization to issue Bonds is listed in Attachment A.

On March 5, 2019, by Resolution No. 19-0041, the Commission approved the current \$7.6 billion CIP, which includes major capital projects such as renovations of Terminal 1 and Terminal 3 West, and the AirTrain Extension, among others. The remaining Bonds issuance authority is not enough to complete the funding needs of the CIP.

Twenty-Third Supplemental Resolution

The proposed Twenty-Third Supplemental Resolution would amend the 1991 Master Resolution to authorize an additional \$3.0 billion in aggregate principal amount of Bonds to provide long-term financing for capital projects.

If adopted, this Resolution will increase the aggregate principal amount of Bonds authorized but unissued by \$3.0 billion for a new total of approximately \$4.6 billion as shown in the table below.

Proposed Bonds Authorization (\$ in millions)	
Remaining Authorization	\$1,563
Proposed Increase	<u>3,000</u>
Amended Remaining Authorization*	\$4,563

** Includes amounts to finance capital project costs, and amounts authorized to pay for financing costs from bond proceeds (debt service reserve deposits, contingency account deposits, capitalized interest, and costs of issuance)*

This increase in issuance authority would allow the Airport to fund the remaining \$3.5 billion of project costs in the CIP plus associated financing costs.

Projected Bond Proceed Uses (\$ in millions)	
Remaining Capital Projects in the CIP	\$3,539
Estimated Financing Costs	<u>1,024</u>
Total Uses	\$4,563

The Bonds may be issued as fixed rate, variable rate or index rate bonds in accordance with the terms of the 1991 Master Resolution. In addition, the Twenty-Third Supplemental Resolution provides that:

- (1) The Bonds must be sold by June 30, 2026; and
- (2) Airport staff is authorized and directed to request Board approval of the issuance of an additional \$3.0 billion of Bonds, and request a supplemental appropriation to spend the proceeds.

The approvals in this Resolution are intended to establish a financing mechanism for capital projects approved by the Commission from time to time and do not constitute approval of any particular project. The sale of Bonds may only be authorized, and Bond proceeds may only be used, to fund (1) construction costs of projects that either do not require environmental review or have already undergone all necessary environmental review and received Commission approval to proceed; and (2) planning and development costs necessary to prepare other projects for environmental review and the necessary approvals.

Airport staff expects to issue Bonds several times in the coming years to finance the remainder of the CIP, and will return to the Commission for approval of one or more sale resolutions prior to proceeding with these bond sales. Timing of the bond issues will be determined based on several factors, including capital project cash flow requirements and financial market conditions.

Section 5852.1 of the California Government Code requires that certain information about the full long-term cost of borrowing be disclosed to a governing body prior to its authorization of the issuance of bonds. The Airport's financial advisors have provided the information in Attachment B as a good faith estimate for the potential sale of up to \$4.6 billion in Bonds.

Request to the Board of Supervisors

To date, the Commission and the Board have authorized the issuance of \$7,826,725,000 in Bonds. If this Resolution is adopted by the Commission, I will request that the Board approve the issuance of an additional \$3,000,000,000 aggregate principal amount of Bonds, and request a supplemental appropriation to spend the Bond proceeds.

Recommendation

I recommend the Commission adopt the attached Resolution, which amends prior resolutions to authorize an additional \$3,000,000,000 aggregate principal amount of Bonds to finance capital projects in the CIP and related actions.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

Attachments

Attachment A

A history of prior Commission actions authorizing issuance of Capital Plan Bonds is set forth below:

- Resolution No. 08-0035 (Thirteenth Supplemental Resolution) on February 19, 2008, which authorized the issuance of \$718 million of Bonds;
- Resolution No. 12-0050 (Sixteenth Supplemental Resolution) on March 20, 2012, which authorized an additional \$502.2 million of Bonds, for a total Bonds authorization of approximately \$1.22 billion;
- Resolution No. 14-0024 (Seventeenth Supplemental Resolution) on February 18, 2014, which authorized an additional approximately \$3.554 billion of Bonds, for a total Bonds authorization of approximately \$4.77 billion;
- Resolution No. 15-0182 (Eighteenth Supplemental Resolution) on September 22, 2015, which authorized an additional \$243 million of Bonds in connection with the financing of the on-Airport hotel, for a total Bonds authorization of approximately \$5.02 billion;
- Resolution No. 16-0274 (Nineteenth Supplemental Resolution) on November 1, 2016, which authorized an additional \$2.775 billion of Bonds, for a total Bonds authorization of approximately \$7.79 billion; and
- Resolution No. 17-0045 (Twentieth Supplemental Resolution) on March 7, 2017, which authorized an additional \$35 million of Bonds in connection with the financing of the on-Airport hotel, for a total Bonds authorization of approximately \$7.83 billion.

Attachment B

Section 5852.1 of the California Government Code, enacted in 2017 and effective on January 1, 2018, requires that local governments disclose good faith estimates of financing costs prior to the authorization of a bond sale. The following information has been provided by the Airport's financial advisors as a good faith estimate. Actual interest rates and finance charges may differ from these estimates depending on market conditions at the time of sale.

Bonds

- (1) The true interest cost of the proposed \$4.6 billion in Bonds is estimated to be 6.06%.
- (2) The finance charge is estimated to be \$46.5 million. This includes all fees and charges expected to be paid to third parties.
- (3) The amount of proceeds net of the finance charge and any reserves or capitalized interest is estimated to be \$3.5 billion.
- (4) The total payment amount is estimated to be \$10.2 billion. This is the sum of all payments the Commission would make to repay these Bonds, calculated to the final maturity date.

AIRPORTS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 91-0210

AIRPORTS COMMISSION OF THE CITY AND COUNTY
OF SAN FRANCISCO

Resolution authorizing the issuance of

SAN FRANCISCO INTERNATIONAL AIRPORT
SECOND SERIES REVENUE BONDS

and providing for the issuance of
the first series of such bonds

(under and pursuant to Section 3.06
of Resolution No. 73-0065)

Adopted on December 3, 1991

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AIRPORTS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 91-0210

Resolution Authorizing the Issuance of
San Francisco International Airport
Second Series Revenue Bonds and Providing for the
Issuance of the First Series of Such Bonds

WHEREAS, under Section 3.691 of the Charter of the City and County of San Francisco (the "Charter"), the Airports Commission of the City and County of San Francisco (the "Commission") has possession, management, supervision, operation and control of San Francisco International Airport and of all other airport properties wherever situated as it may acquire or which may be placed under its control (the "Airport"); and

WHEREAS, under Section 7.306 of the Charter, the Commission has the authority to issue airport revenue bonds for the purpose of acquiring, constructing, improving or developing airports or airport facilities under its jurisdiction under such terms and conditions as the Commission may authorize by resolution; and

WHEREAS, the Commission has previously authorized and issued \$544,375,000 of its San Francisco International Airport Revenue Bonds, Series A through Series E (the "1973 Resolution Bonds"), pursuant to Resolution No. 73-0065 of the Commission, adopted on March 20, 1973, as supplemented and amended (the "1973 Resolution"); and

WHEREAS, Section 3.06 of the 1973 Resolution provides in relevant part that nothing in the 1973 Resolution shall prevent the Commission from issuing at any time while any of the 1973 Resolution Bonds are outstanding revenue bonds which are junior and subordinate to the payment of principal of and interest and reserve fund requirements on the 1973 Resolution Bonds; and

WHEREAS, the Commission deems it necessary and desirable and in the public interest to authorize the issuance of additional airport revenue bonds (the "1991 Resolution Bonds" or the "Bonds") under and in accordance with Section 3.06 of the 1973 Resolution and pursuant to the terms and conditions set forth herein, which Bonds shall be junior and subordinate to the payment of principal of and interest and reserve fund requirements on the 1973 Resolution Bonds for so long as the 1973 Resolution Bonds shall remain Outstanding; and

WHEREAS, the Airline-Airport Lease and Use Agreements, dated as of July 1, 1981, by and between the City, acting by and through the Commission, and the respective airlines serving the Airport which are parties thereto (the "Lease and Use Agreements") provide for the issuance of Airport Revenue Bonds (as defined therein) pursuant to a successor resolution of the Commission to the 1973 Resolution, prescribing the covenants and conditions attendant upon such issuance, and not inconsistent with the provisions of the Lease and Use Agreements; and

WHEREAS, the Commission hereby finds and determines that (i) the 1991 Resolution Bonds are being authorized under and in accordance with the 1973 Resolution and Section 3.06 thereof, (ii) the authorization and issuance of the 1991 Resolution Bonds by the Commission pursuant to this 1991 Resolution is contemplated in and permitted by the Lease and Use Agreements, and (iii) the covenants and conditions of this Resolution are not inconsistent with the provisions of the Lease and Use Agreements; and

WHEREAS, the Commission has previously issued \$143,475,000 San Francisco International Airport Revenue Bonds, Series A, of which \$112,885,000 aggregate principal amount remain Outstanding (the "Series A Bonds"); and

WHEREAS, the Commission has previously issued \$110,000,000 San Francisco International Airport Revenue Bonds, Series C, of which \$102,575,000 aggregate principal amount remain Outstanding (the "Series C Bonds") (collectively with the Series A Bonds, the "Prior Bonds") pursuant to the 1973 Resolution; and

WHEREAS, the Commission has determined that an initial Series of 1991 Resolution Bonds (the "Issue 1 Bonds") should be issued in the aggregate principal amount of up to \$225,000,000 for the purpose of refunding the Prior Bonds and providing funds for the payment of the principal of all Prior Bonds outstanding, expenses incidental to the calling, retiring of and payment of the Prior Bonds and the issuance of the Issue 1 Bonds and the redemption premium for the Prior Bonds;

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

91-0210

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. The following terms, for all purposes of this 1991 Resolution and any Supplemental Resolution, shall have the following meanings unless a different meaning clearly applies from the context:

"Accreted Value" shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Bond, the initial principal amount thereof plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, and (b) with respect to any Compound Interest Bond, the initial offering price thereof plus the amount of principal which has accreted thereon, in each case as determined in accordance with the provisions of the Supplemental Resolution authorizing the issuance thereof.

"Act" shall mean the Charter of the City and County of San Francisco, as supplemented and amended, all enactments of the Board adopted pursuant thereto, and all laws of the State of California incorporated therein by reference.

"Airport" shall mean the San Francisco International Airport, located in San Mateo County, State of California, together with all additions, betterments, extensions and improvements thereto. Unless otherwise specifically provided in any Supplemental Resolution, the term shall include all other airports, airfields, landing places and places for the take-off and landing of aircraft, together with related facilities and property, located elsewhere, which are hereafter owned, controlled or operated by the Commission or over which the Commission has possession, management, supervision or control.

"Airport Consultant" shall mean a firm or firms of national recognition with knowledge and experience in the field of advising the management of airports as to the planning, development, operation and management of airports and aviation facilities, selected and employed by the Commission from time to time.

"Amortized Bonds" shall mean (a) with respect to any Series of Bonds, those scheduled payments of principal (whether at maturity or by mandatory sinking fund redemption) and interest in any Fiscal Year which exceed the scheduled payments of principal and interest in any other Fiscal Year by 25%, unless the sum of (i) Annual Debt Service on all other 1973 Resolution Bonds and 1991 Resolution Bonds, plus (ii) such scheduled payments of principal and interest, in

each Fiscal Year from and after the date of calculation, does not exceed 110% of such sum in any other such Fiscal Year during which any 1973 Resolution Bonds or 1991 Resolution Bonds are then scheduled to be Outstanding; (b) those Bonds subject, pursuant to their terms, to optional or mandatory tender for purchase prior to maturity by or on behalf of the Commission or a Credit Provider, and (c) the Authorized Amount of any existing or proposed Commercial Paper Program.

"Annual Debt Service" shall mean the amount scheduled to become due and payable on the Outstanding 1973 Resolution Bonds and on the Outstanding 1991 Resolution Bonds or any one or more Series thereof in any Fiscal Year as (a) interest, plus (b) principal at maturity, plus (c) mandatory sinking fund redemptions. For purposes of calculating Annual Debt Service, the following assumptions shall be used:

(i) All principal payments and mandatory sinking fund redemptions shall be made as and when the same shall become due;

(ii) Outstanding Variable Rate Bonds shall be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the average of the actual rates on such Bonds for each day during the 365 consecutive days (or any lesser period such Bonds have been outstanding) ending on the last day of the month next preceding the date of computation, or at the effective fixed annual rate thereon as a result of an Interest Rate Swap with respect to such Bonds.

(iii) Variable Rate Bonds proposed to be issued shall be deemed to bear interest at a fixed annual rate equal to the estimated initial rate or rates thereon, as set forth in a certificate of a Financial Consultant dated within 30 days prior to the date of delivery of such Bonds, or at the effective fixed annual rate thereon as a result of an Interest Rate Swap with respect to such Bonds;

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

(v) Payments of principal of and interest on Repayment Obligations shall be deemed to be payments of principal of and interest on Bonds to the extent provided in Section 2.15 hereof; and

(vi) Capitalized interest on any Bonds and accrued interest paid on the date of initial delivery of any Series of Bonds shall be excluded from the calculation of Annual Debt Service if cash and/or Permitted Investments have been irrevocably deposited with and are held by the Trustee or other fiduciary for the Owners of such 1973 Resolution Bonds and 1991 Resolution Bonds sufficient to pay such interest.

"Annual Service Payments" shall mean the amounts paid to the City pursuant to paragraphs (7) and (8) of Section 6.408(b) of the Charter, including but not limited to the amounts paid pursuant to that certain Settlement Agreement, made and entered into as of July 1, 1981, by and among the City and certain regular airline users of the Airport.

"Authenticating Agent" shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission herein or in the Supplemental Resolution authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

"Authorized Amount" shall mean, with respect to a Commercial Paper Program, the maximum Principal Amount of such Bonds which is then authorized by the Commission to be Outstanding at any one time.

"Authorized Commission Representative" shall mean the Director of Airports or the Deputy Director of Airports, Business and Finance, or the respective successors to the powers and duties thereof, or such other person as may be designated to act on behalf of the Commission by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Commission by the Director of Airports or the Deputy Director of Airports, Business and Finance, or their respective successors.

"Authorized Newspapers" shall mean a financial newspaper or journal, printed in the English language and customarily published on each business day, of general circulation in the financial community in San Francisco, California, and a similar newspaper or journal of general circulation in New York, New York.

"Board of Supervisors" shall mean the Board of Supervisors of the City and County of San Francisco, as duly elected, appointed and qualified from time to time in accordance with the provisions of the Charter.

"Bonds" or "1991 Resolution Bonds" shall mean any evidences of indebtedness for borrowed money issued from time to time by the Commission hereby or by Supplemental Resolution pursuant to Article II hereof, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein and Repayment Obligations to the extent provided in Section 2.15 hereof.

"Bond Counsel" shall mean an attorney or firm or firms of attorneys of national recognition selected or employed by the Commission with knowledge and experience in the field of municipal finance.

"Business Day" shall mean, unless otherwise specified by Supplemental Resolution, any day of the week other than Saturday, Sunday or a day which shall be, in the State of California, the State of New York or in the jurisdiction in which the Corporate Trust Office of the Trustee or the principal office of the Registrar is located, a legal holiday or a day on which banking institutions are authorized or obligated by law or executive order to close.

"Capital Appreciation Bonds" shall mean Bonds the interest on which is compounded and accumulated at the rate or rates and on the date or dates set forth in the Supplemental Resolution authorizing the issuance thereof and which is payable only upon redemption and/or on the maturity date thereof.

"Charter" shall mean the Charter of the City and County of San Francisco, as supplemented and amended, and any new or successor Charter.

"City" shall mean the City and County of San Francisco, a chartered city and county and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations, rulings and procedures proposed or promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

"Commercial Paper Program" shall mean Bonds with maturities of not more than 365 or 366 days, as the case may be, from the dates of issuance thereof which are issued and reissued by the Commission from time to time and are Outstanding up to an Authorized Amount.

"Commission" shall mean the Airports Commission of the City and County of San Francisco as duly constituted from time to time under the Charter, and all commissions, agencies or public bodies which shall succeed to the powers, duties and obligations of the Commission.

"Compound Interest Bonds" shall mean Bonds which are sold at an initial offering price of less than 95% of the principal amount thereof payable at maturity, and which are specifically designated as such in the Supplemental Resolution authorizing the issuance thereof.

"Construction Fund" shall mean the Airport Construction Fund established pursuant to Section 4.01 hereof.

"Contingency Account" shall mean the account of that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"Corporate Trust Office" shall mean the office of the Trustee at which its principal corporate trust business is conducted, which at the date hereof is located in San Francisco, California.

"Credit Facility" shall mean a letter of credit, line of credit, standby purchase agreement, municipal bond insurance policy, surety bond or other financial instrument which obligates a third party to pay or provide funds for the payment of the principal or purchase price of and/or interest on any Bonds and which is designated as a Credit Facility in the Supplemental Resolution authorizing the issuance of such Bonds.

"Credit Provider" shall mean the person or entity obligated to make a payment or payments with respect to any Bonds under a Credit Facility.

"Debt Service Fund" shall mean the 1991 Resolution Debt Service Fund established pursuant to Section 5.02 hereof.

"Event of Default" shall mean any one or more of those events set forth in Section 7.01 hereof.

"Financial Consultant" shall mean a firm or firms of financial advisors of national recognition with knowledge and experience in the field of municipal finance selected or employed by the Commission.

"Fiscal Year" shall mean the one-year period beginning on July 1 of each year and ending on June 30 of the succeeding year, or such other one-year period as the Commission shall designate as its Fiscal Year.

"Fund" or "Account" shall mean any fund or account established pursuant to this 1991 Resolution.

"General Obligation Bond Account" shall mean the account of that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"General Purpose Account" shall mean the account of that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"Government Certificates" shall mean evidences of ownership of proportionate interests in future principal or interest payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Government Obligations" shall mean direct and general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Holder," "Bondholder," "Owner" and "Bondowner" shall mean the person or persons in whose name any Bond or Bonds are registered on the records maintained by the Registrar or, in the case of bearer obligations, who hold any Bond or Bonds, and shall include any Credit Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond pursuant to Section 2.15 hereof.

"Independent Auditor" shall mean a firm or firms of independent certified public accountants with knowledge and experience in the field of governmental accounting and auditing selected or employed by the City.

"Index Rate" shall mean a fixed annual interest rate equal to the rate most recently published by the Bond Buyer as the 25-Bond Revenue Index of revenue bonds maturing in 30 years, or if such index ceases to be published, such other successor index as shall be designated by the Commission.

"Insolvent" shall be used to describe the Trustee, any Paying Agent, Authenticating Agent, Registrar, other agent appointed under the 1991 Resolution or any Credit Provider, if (a) such person shall have instituted proceedings to be adjudicated a bankrupt or insolvent, shall have consented to the institution of bankruptcy or insolvency proceedings against it, shall have filed a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall have consented to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator or other similar official of itself or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to the entry of an order for relief under the federal Bankruptcy Code or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due; or (b) a decree or order by a court having jurisdiction in the premises adjudging such person as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such person under the federal Bankruptcy Code or any other similar applicable federal or state law or for relief under the federal Bankruptcy Code after an involuntary petition has been filed against such person, or appointing a receiver, liquidator, assignee, trustee or sequestrator or other similar official of such person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, shall have been entered and shall have continued unstayed and in effect for a period of 90 consecutive days.

"Insurance Consultant" shall mean a firm or firms of national recognition with knowledge and experience in the fields of insurance and risk management selected or employed by the Commission.

"Interest Payment Date" shall mean, with respect to any Series of Bonds, each date specified herein or in the Supplemental Resolution authorizing the issuance thereof for the payment of interest on such Bonds.

"Interest Rate Swap" shall mean an agreement between the Commission or the Trustee and a Swap Counter Party related to Bonds of one or more Series whereby a variable rate cash flow (which may be subject to an interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount. If the Agency enters into more than one Interest Rate Swap with

respect to a Series of Bonds, each Interest Rate Swap shall specify the same payment dates.

"Maximum Annual Debt Service" shall mean the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the 1991 Resolution Bonds and the 1973 Resolution Bonds.

"Moody's" shall mean Moody's Investors Service, a corporation existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall no longer perform the functions of a securities rating agency, "Moody's" shall mean any other nationally recognized rating agency designated by the Commission.

"Net Revenues" shall mean Revenues less Operation and Maintenance Expenses.

"1991 Resolution" shall mean this Resolution No. _____, adopted by the Commission on December 3, 1991, as the same shall be amended or supplemented pursuant to the terms hereof.

"1973 Bond Funds" shall mean the Airport Revenue Bond Interest Fund, the Airport Revenue Bond Redemption Fund and the Airport Revenue Bond Reserve Fund established pursuant to the 1973 Resolution.

"1973 Resolution" shall mean Resolution No. 73-0065, adopted by the Commission on March 20, 1973, as supplemented and amended, authorizing the issuance of the 1973 Resolution Bonds.

"1973 Resolution Bonds" shall mean the Commission's San Francisco International Airport Revenue Bonds, Series A through Series E, issued and at any time Outstanding pursuant to the 1973 Resolution, and any refunding bonds issued under and pursuant to Section 3.05 of the 1973 Resolution.

"Operation and Maintenance Account" shall mean the account of that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"Operation and Maintenance Expenses" shall mean, for any period, all expenses of the Commission incurred for the operation and maintenance of the Airport, as determined in accordance with generally accepted accounting principles. Operation and Maintenance Expenses shall not include: (a) the principal of, premium, if any, or interest on any 1991 Resolution Bonds, 1973 Resolution Bonds, Subordinate Bonds or

general obligation bonds issued by the City for Airport purposes; (b) any allowance for amortization, depreciation or obsolescence of the Airport; (c) any expense for which, or to the extent to which, the Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; (d) any extraordinary items arising from the early extinguishment of debt; (e) Annual Service Payments; (f) any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Airport which, under generally accepted accounting principles, are properly chargeable to the capital account or the reserve for depreciation; and (g) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Airport properties. Operation and Maintenance Expenses shall include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Commission may establish or the Board of Supervisors may require with respect to employees of the Commission, as now provided in Section 6.408 of the Charter.

"Opinion of Bond Counsel" shall mean a written opinion of Bond Counsel.

"Opinion of Counsel" shall mean a written opinion of an attorney or firm or firms of attorneys acceptable to the Trustee and the Commission, and who (except as otherwise expressly provided herein) may be either counsel for the Commission or for the Trustee.

"Outstanding" when used with reference to a Series of 1991 Resolution Bonds shall mean, as of any date of determination, all Bonds of such Series which have been executed and delivered under this 1991 Resolution except: (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds which are deemed paid and no longer Outstanding as provided in Section 10.01 hereof or in any Supplemental Resolution authorizing the issuance thereof; (c) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof or of any Supplemental Resolution authorizing the issuance thereof; and (d) for purposes of any consent or other action to be taken under the 1991 Resolution by the Holders of a specified percentage of Principal Amount of Bonds of a Series or all Series, Bonds held by or for the account of the Commission. "Outstanding" when used with reference to a Series of 1973 Resolution Bonds shall have the meaning set forth in the 1973 Resolution.

"Paying Agent" shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission herein or in the Supplemental

Resolution authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

"Payment Date" shall mean, with respect to any Series of Bonds, each Interest Payment Date and Principal Payment Date.

"Permitted Investments" shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Commission's money:

(a) Government Obligations and Government Certificates.

(b) Obligations issued or guaranteed by any of the following:

- (i) Federal Home Loan Banks System;
- (ii) Export-Import Bank of the United States;
- (iii) Federal Financing Bank;
- (iv) Government National Mortgage Association;
- (v) Farmers Home Administration;
- (vi) Federal Home Loan Mortgage Corporation;
- (vii) Federal Housing Administration;
- (viii) Private Export Funding Corporation;
- (ix) Federal National Mortgage Association;
- (x) Federal Farm Credit System;
- (xi) Resolution Funding Corporation;
- (xii) Student Loan Marketing Association; and
- (xiii) any other instrumentality or agency of the United States.

(c) Pre-refunded municipal obligations rated in the highest rating category by at least two Rating Agencies and meeting the following conditions:

- (i) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been

given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal and premium payments of such obligations;

(iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations or Government Certificates serving as security for the obligations have been irrevocably deposited with and are held by an escrow agent or trustee; and

(v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any State of the United States of America or the District of Columbia (a "State") to the payment of which the full faith and credit of such State is pledged and that are rated in either of the two highest rating categories by at least two Rating Agencies.

(e) Direct and general short-term obligations of any State to the payment of which the full faith and credit of such State is pledged and that are rated in the highest rating category by at least two Rating Agencies.

(f) Interest-bearing demand or time deposits with, or interests in money market portfolios rated in the highest rating category by at least two Rating Agencies issued by, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits or interests must either be: (i) continuously and fully insured by FDIC; (ii) if they have a maturity of one year or less, with or issued by banks that are rated in one of the two highest short term rating categories by at least two Rating Agencies; (iii) if they have a maturity longer than one year, with or issued by banks that are rated in one of the two highest rating categories by at least two Rating Agencies; or (iv) fully secured by Government

Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party must have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral must be free from all other third party liens.

(g) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by at least two Rating Agencies.

(h) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest rating categories by at least two Rating Agencies.

(i) Repurchase agreements with maturities of either (A) 30 days or less, or (B) 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" or better) by at least two Rating Agencies. The repurchase agreement must be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:

(1) the third party (who shall not be the provider of the collateral) has possession of the repurchase agreement securities and the Government Obligations and Government Certificates;

(2) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and

(3) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(j) Prime commercial paper of a corporation, finance company or banking institution rated in the highest short-term rating category by at least two Rating Agencies.

(k) Public housing bonds issued by public agencies which are either: (i) fully guaranteed by the United States of America; or (ii) temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or (iii) state or public agency or municipality obligations rated in the highest credit rating category by at least two Rating Agencies.

(l) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, as amended, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that has been rated in the highest rating category by at least two Rating Agencies.

(m) Money market accounts of any state or federal bank, or bank whose holding parent company is, rated in the top two short-term or long-term rating categories by at least two Rating Agencies.

(n) Investment agreements the issuer of which is rated in one of the two highest rating categories by at least two Rating Agencies.

(o) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments otherwise permitted in paragraphs (a) through (m) above.

(p) Any other debt or fixed income security specified by the Commission (except securities of the City and any agency, department, commission or instrumentality thereof other than the Commission) and rated in the highest category by at least two Rating Agencies.

"Principal Amount" shall mean, as of any date of calculation, (a) with respect to any Capital Appreciation Bond or Compound Interest Bond, the Accreted Value thereof, and (b) with respect to any other Bonds, the stated principal amount thereof.

"Principal Payment Date" shall mean, with respect to any Series of Bonds, each date specified herein or in the Supplemental Resolution authorizing the issuance thereof for the payment of the principal of such Bonds either at maturity or upon prior redemption from mandatory sinking fund payments.

"Qualified Self-Insurance" shall mean either (a) a program of self-insurance, or (b) insurance maintained with a fund, company or association in which the Commission shall have a material interest and of which the Commission shall have control, either singly or with others, and in each case which meets the requirements of Section 6.07 hereof.

"Rating Agency" shall mean Moody's and Standard & Poor's and any other nationally recognized credit rating agency specified in a Supplemental Resolution.

"Record Date" shall mean, with respect to any Series of Bonds, each date, if any, specified herein or in the Supplemental Resolution authorizing the issuance thereof as a Record Date.

"Registrar" shall mean, with respect to any Series of Bonds, each person or entity, if any, designated as such by the Commission herein or in the Supplemental Resolution authorizing the issuance of such Bonds, and its successors and assigns and any other person or entity which may at any time be substituted for it pursuant thereto.

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

"Reserve Fund" shall mean the 1991 Resolution Reserve Fund established pursuant to Section 5.02 hereof.

"Responsible Officer" when used with respect to the Trustee shall mean any corporate trust officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

"Revenue Bond Account" shall mean the account of that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"Revenue Fund" shall mean the Airports Revenue Fund created pursuant to Section 6.408 of the Charter and held by the Treasurer, and any successor to such fund.

"Revenues" shall mean all revenues earned by the Commission from or with respect to its possession, management, supervision, operation and control of the Airport, as determined in accordance with generally accepted accounting principles. Revenues shall not include: (a) interest income on, and any profit realized from, the investment of moneys in (i) the Construction Fund or any other construction fund funded from proceeds of 1973 Resolution Bonds or any Subordinate Bonds, or (ii) the Debt Service Fund which constitute capitalized interest, to the extent required to be paid into the Debt Service Fund, or (iii) the Reserve Fund if and to the extent there is any deficiency therein; (b) interest income on, and any profit realized from, the investment of the proceeds of any Special Facility Bonds; (c) Special Facility Revenues and any interest income or profit realized from the investment thereof, unless such receipts are designated as Revenues by the Commission; (d) any passenger facility charge or similar charge levied by or on behalf of the Commission against passengers, unless all or a portion thereof are designated as Revenues by the Commission; (e) grants-in-aid, donations and/or bequests; (f) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles; (g) the proceeds of any condemnation award; (h) the proceeds of any sale of land, buildings or equipment; and (i) any money received by or for the account of the Commission from the levy or collection of taxes upon any property in the City.

"Revenues Account" shall mean the account of that name in the Revenue Fund established pursuant to Section 5.02 hereof.

"Series of Bonds" or "Bonds of a Series" or "Series" shall mean a series of Bonds issued pursuant to this 1991 Resolution or the 1973 Resolution, as the case may be.

"Special Facility" shall mean any existing or planned facility, structure, equipment or other property, real or personal, which is at the Airport or a part of any facility or structure at the Airport and which is designated as a Special Facility pursuant to Section 2.16 hereof.

"Special Facility Bonds" shall mean any revenue bonds, notes, bond anticipation notes, commercial paper or other evidences of indebtedness for borrowed money issued by the Commission to finance a Special Facility, the principal of, premium, if any, and interest on which are payable from and secured by the Special Facility Revenues derived from such Special Facility, and not from or by Net Revenues.

"Special Facility Revenues" shall mean the revenues earned by the Commission from or with respect to a Special Facility and which are designated as such by the Commission, including but not limited to contractual payments to the Commission under a loan agreement, lease agreement or other written agreement with respect to the Special Facility by and between the Commission and the person, firm, corporation or other entity, either public or private, as shall operate, occupy or otherwise use the Special Facility.

"Standard & Poor's" shall mean Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, and its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, Standard & Poor's shall mean any other nationally recognized securities rating agency designated by the Commission.

"Subordinate Bonds" shall mean any evidences of indebtedness for borrowed money issued from time to time by the Commission pursuant to Section 2.13 hereof, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein.

"Supplemental Resolution" shall mean a resolution supplementing or amending the provisions of the 1991 Resolution which is adopted by the Commission pursuant to Article IX hereof.

"Swap Counter Party" shall mean a member of the International Swap Dealers Association rated in one of the three top rating categories by at least one Rating Agency.

"Swap Payments" shall mean as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Swap Counter Party by the Trustee, on behalf of the Commission.

"Swap Receipts" shall mean as of each payment date specified in an Interest Rate Swap, the amount, if any, payable to the Trustee for the account of the Commission by the Swap Counter Party.

"Transfer" shall mean the amounts deposited as of the last Business Day of any Fiscal Year from the Contingency Account into the Revenues Account.

"Treasurer" shall mean the Treasurer of the City, and any successor to his or her duties hereunder.

"Trustee" shall mean First Interstate Bank, Ltd., and any successor to its duties hereunder.

"Variable Rate Bonds" shall mean any Bonds the interest rate on which is not fixed to maturity as of the date of calculation.

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this 1991 Resolution:

(a) Any reference herein to the Commission or any officer thereof shall include any persons or entities succeeding to their functions, duties or responsibilities pursuant to or by operation of law or who are lawfully performing their functions.

(b) The use of the neuter, masculine or feminine gender is for convenience only and shall be deemed to mean and include the neuter, masculine and feminine gender.

(c) Words importing the singular number shall include the plural number and vice versa.

(d) All references herein to particular articles, sections or other subdivisions are references to articles, sections or other subdivisions of this 1991 Resolution.

(e) The headings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this 1991 Resolution nor shall they affect its meaning, construction or effect.

(f) All terms such as herein, hereunder and hereto shall refer to this 1991 Resolution, as amended or supplemented.

(g) All references herein to the time of day shall mean San Francisco, California time.

Section 1.03. Due Authorization. This Commission has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and does hereby find and determine, that the Commission has duly and regularly complied with all applicable provisions of law and is duly authorized by law to issue the Bonds in the manner and upon the terms provided in this 1991 Resolution and that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the issuance of the Bonds exist, have happened and have been performed in regular and due time, form and

manner as required by law, and this Commission is now duly empowered to issue the Bonds.

ARTICLE II

TERMS OF BONDS

Section 2.01. Issuance. Bonds may be issued in one or more Series under and subject to the terms of this 1991 Resolution from time to time as the issuance thereof is authorized by the Commission hereby or by Supplemental Resolution for any purposes of the Commission now or hereafter permitted by law. The maximum principal amount of Bonds which may be issued hereunder is not limited by this 1991 Resolution.

Section 2.02. Terms. The Issue 1 Bonds are authorized hereby, and the terms and provisions with respect thereto are set forth herein. The Bonds of each additional Series shall be authorized by a Supplemental Resolution which shall provide, among other things: (a) the authorized principal amount or Authorized Amount of such Bonds and the Series designation therefor; (b) the general purpose or purposes for which such Bonds are being issued, and the deposit and disbursement of the proceeds thereof; (c) the dated date or dates of and Principal Payment Dates for such Bonds, and the principal amounts maturing or subject to redemption on each Principal Payment Date or the means of determining such amounts; (d) the interest rate or rates on such Bonds (which may be a rate of zero) and the Interest Payment Dates therefor, and whether such interest rate or rates shall be fixed or variable, or a combination thereof, and, if necessary, the manner of determining such rate or rates; (e) the currency or currencies in which such Bonds shall be payable; (f) the authorized denominations of and manner of dating and numbering such Bonds; (g) the Record Date or Dates and the place or places of payment of the principal, redemption price, if any, purchase price, if any, of and interest on such Bonds; (h) the form or forms of such Bonds and any coupons attached thereto, which may include but shall not be limited to registered form as to principal and/or interest, bearer form with or without coupons, and book-entry form, and the methods, if necessary, for the registration, transfer and exchange thereof; (i) the terms and conditions, if any, for the optional or mandatory redemption of such Bonds prior to maturity, including but not limited to the redemption date or dates, the redemption price or prices and any mandatory sinking fund payments with respect thereto; (j) the terms and conditions, if any, for the optional or mandatory tender of such Bonds for purchase prior to maturity, including

but not limited to the tender date or dates and the purchase price or prices; (k) the authorization of and terms and conditions with respect to any Credit Facility for such Bonds; (l) the Authenticating Agent or Agents for such Bonds, if any, and the duties and obligations thereof; (m) the Paying Agent or Agents for such Bonds, if any, and the duties and obligations thereof; (n) the tender agent or agents for such Bonds, if any, and the duties and obligations thereof; (o) the remarketing agent or agents for such Bonds, if any, and the duties and obligations thereof; (p) the Registrar or Registrars for such Bonds, if any, and the duties and obligations thereof; (q) the manner of sale of such Bonds, whether public or private and with or without a premium or discount, and any terms and conditions necessary with respect thereto; and (r) any other provisions which the Commission deems necessary or desirable with respect to the authorization and issuance of such Bonds.

All Bonds shall be sold by competitive sale; provided, however, that the Commission may authorize the negotiated sale of refunding Bonds to be issued pursuant to Section 2.12 hereof upon the written recommendation of the Director of Airports to the effect that such sale is necessary in order either (i) to accomplish the timely sale of such refunding Bonds, or (ii) to achieve the lowest possible interest, issuance and other costs to the Commission with respect to such refunding Bonds. The Commission shall include a specific finding to the effect of (i) or (ii) above in the Supplemental Resolution authorizing the issuance of such refunding Bonds.

Refunding Bonds may be sold by negotiated sale only if the net present value of the debt service savings on the refunding Bonds, after deducting any refunding escrow deposits or contributions, redemption premiums, costs of issuance, escrow fees and related expenses of the Commission not paid from the proceeds of such refunding Bonds, is at least equal to five percent (5%) of the Principal Amount of the 1973 Resolution Bonds, 1991 Resolution Bonds or Subordinate Bonds to be refunded, as certified in writing by an Independent Auditor. Net present value savings may be calculated after taking into account payments to be made to or by the Commission as part of a transaction or series of transactions to be entered into in conjunction with and as a part of such refunding, including without limitation Swap Payments or Swap Receipts pursuant to an Interest Rate Swap, if and to the extent recommended in writing by a Financial Consultant. Net present value savings shall be calculated using a discount rate with respect to the refunding Bonds which is consistent with then current municipal finance industry standards, as certified in writing by a Financial Consultant.

Refunding Bonds may be sold by negotiated sale without regard to present value savings (i) upon a finding and determination by the Commission, based upon the written recommendation of the Director of Airports, that a financial or other emergency exists with respect to the Airport which requires the issuance of refunding Bonds for purposes other than to achieve debt service savings, or (ii) as part of a plan or program adopted by the Commission to refund and defease all of the 1973 Resolution Bonds then Outstanding.

Section 2.03. Limited Obligation; Recitals on Bonds. (a) The Bonds shall be special, limited obligations of the Commission, and shall be payable as to principal, purchase price, if any, redemption premium, if any, and interest, out of the Net Revenues of the Airport, and not out of any other funds or moneys of the Commission not pledged thereto, as further provided in Section 5.01 hereof. No Holder of the Bonds shall have the right to compel any exercise of the taxing power of the City to pay the principal or purchase price, if any, of or the redemption premium, if any, or interest on the Bonds.

(b) Each of the Bonds shall bear a certification and recital that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by that Bond, and in the issuing of said Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter of the City and County of San Francisco, and that said Bond, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said Charter. From and after the issuance of the Bonds of any Series the findings and determinations of the Commission respecting that Series shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of such Bonds is at issue.

Section 2.04. Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Trustee or if the Commission, the Registrar, if any, and the Trustee receive evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Trustee such security or indemnity as may be required by them to hold the Commission, the Registrar, if any, and the Trustee harmless, then, in the absence of notice to the Commission, the Registrar, if any, or the Trustee that such Bond has been acquired by a bona fide purchaser and upon

the Holder paying the reasonable expenses of the Commission, the Registrar, if any, and the Trustee, then the Commission, the Registrar, if any, and the Trustee shall cause to be executed and the Authenticating Agent, if any, shall authenticate and deliver, in exchange for such mutilated Bond or in lieu of and substitution for such destroyed, lost or stolen Bond, a new Bond of the same Series, interest rate and maturity date. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, then the Trustee and any Paying Agent may, in its discretion, pay such Bond when due instead of delivering a new Bond. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and redelivered to, or upon the order of, the Commission. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be destroyed, lost or stolen shall be equally and proportionately entitled to the benefits of this 1991 Resolution and any Supplemental Resolution authorizing the issuance thereof with all other Bonds of the same Series secured thereby. Neither the Commission nor the Trustee shall be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and substitute Bond shall be treated as one and the same.

Section 2.05. Execution and Authentication of Bonds. All of the Bonds shall be executed in the name and on behalf of the Commission, with the signature of its President and the countersignature of its Secretary. All of the Bonds shall have affixed the seal of the City. Such signatures may be printed, lithographed, engraved or otherwise reproduced, but at least one of such signatures shall be manually affixed to the Bonds (unless such Bonds shall have endorsed thereon a certificate of authentication, as hereinafter provided). The seal of the City may be impressed or reproduced by facsimile on the Bonds.

In case any such officer whose signature appears on the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until the delivery of the Bonds, and such Bonds shall be issued and Outstanding hereunder and shall be as binding upon the Commission as though the person who signed such Bonds had been such official on the date borne by the Bonds and on the date of delivery. Any Bond may be signed and sealed on behalf of the Commission by such person as at the actual date of execution of such Bond shall be its President or Secretary, as

the case may be, although on the date borne by such Bond such person shall not have been such official.

The Commission may provide at any time prior to the issuance of any Series of Bonds that such Bonds shall bear a certificate of authentication executed by the Authenticating Agent. In the event the Commission shall require the authentication of any Bond issued under this 1991 Resolution, then there shall be included in the text of such Bonds a statement to the following effect: "This Bond shall not be entitled to any benefit under the 1991 Resolution, or become valid or obligatory for any purpose, until the certificate of authentication endorsed hereon shall have been signed by the Authenticating Agent."

In the case of Bonds requiring authentication, only such Bonds as shall bear thereon a certificate of authentication in the form provided, executed by the Authenticating Agent, shall be or become valid or obligatory for any purpose or entitled to the benefits of this 1991 Resolution. Such certificate of the Authenticating Agent shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this 1991 Resolution.

Section 2.06. Exchange of Bonds. Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same Series, interest rate and maturity date in authorized denominations upon presentation and surrender thereof to the Trustee or the Registrar, as the case may be, together with written instructions satisfactory to the Trustee or the Registrar, and duly executed, in the case of registered Bonds, by the Holder or the Holder's attorney duly authorized in writing.

Section 2.07. Transfer of Bonds. (a) All bearer Bonds shall be negotiable instruments transferable by delivery. The Commission, the Trustee and any Paying Agent may treat the Holder of any bearer Bond or any coupon as the absolute owner of such Bond or coupon for the purpose of receiving payment thereof and for all other purposes, and the Commission, the Trustee and any Paying Agent shall not be affected by any notice or knowledge to the contrary.

(b) The Commission shall appoint a Registrar or Registrars with respect to each Series of Bonds issued in registered form to act as Registrar of the Bonds. Each Registrar will keep or cause to be kept sufficient records for the registration, transfer and exchange of the Bonds of such Series, which shall at all times be open to inspection by the Commission; and, upon presentation for such purpose, each

Registrar shall, under such reasonable regulations as it may prescribe, register, transfer or exchange, or cause to be registered, transferred or exchanged, on said records, the Bonds of such Series as herein provided.

(c) Any fully registered Bond may, in accordance with its terms, be transferred, upon the records required to be kept by the Registrar, by the person in whose name it is registered, in person or by the Holder's attorney duly authorized in writing, upon surrender of such fully registered Bond for cancellation, accompanied by a written instrument of transfer in a form approved by the Registrar, duly executed. Whenever any fully registered Bond or Bonds shall be surrendered for transfer, the Commission shall execute and the Authenticating Agent shall authenticate and deliver in the name of the transferee a new fully registered Bond or Bonds in authorized denominations of the same Series, interest rate and maturity date and for a like aggregate principal amount.

(d) As to any fully registered Bond, the person in whose name such Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal of, premium, if any, and interest on any Bond shall be made, as provided herein or in the applicable Supplemental Resolution, only to or upon the written order of the Holder thereof. Such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the amount so paid.

Section 2.08. Provisions with Respect to Transfers and Exchanges. (a) All Bonds surrendered for exchange or transfer shall forthwith be cancelled by the Registrar.

(b) In connection with any such exchange or transfer of Bonds, the Holder requesting such exchange or transfer shall, as a condition precedent to the exercise of the privilege of making such exchange or transfer, remit to the Trustee or the Registrar, as the case may be, an amount sufficient to pay any tax or other governmental charge required to be paid with respect to such exchange or transfer.

(c) The Supplemental Resolution authorizing the issuance of a Series of Bonds may provide such additional provisions or limitations on the exchange or transfer of such Bonds prior to an Interest Payment Date, redemption date or otherwise as the Commission shall deem appropriate.

Section 2.09. Conditions for Delivery of Bonds. Whenever the Commission determines to issue any additional Series of Bonds under the terms of this 1991 Resolution, the Commission shall adopt a Supplemental Resolution authorizing the issuance thereof.

Before the delivery of any Series of Bonds to the purchaser or purchasers thereof, the Commission shall deliver the following to the Trustee:

(a) Certified copies of this 1991 Resolution and any Supplemental Resolution authorizing the issuance of such Series of Bonds and containing the terms and provisions thereof.

(b) A certificate of the Director of Airports or Deputy Director, Business and Finance, or their respective successors, to the effect that the Commission is not then in default under the terms and provisions of this 1991 Resolution or any Supplemental Resolution.

(c) The amounts specified herein or in the Supplemental Resolution for deposit to the respective Funds and Accounts created hereunder or thereunder.

(d) An Opinion of Bond Counsel to the effect that such Series of Bonds has been duly authorized in conformity with law and all prior proceedings of the Commission, and such Bonds constitute valid and binding obligations of the Commission.

(e) The certificate required pursuant to Section 2.11 of this 1991 Resolution.

(f) If the Series of Bonds to be issued are to be refunding Bonds, the certificate required pursuant to Section 2.12 of this 1991 Resolution.

(g) If the Series of Bonds to be issued are to be Special Facility Bonds, the certificate required pursuant to Section 2.16 of this 1991 Resolution.

(h) Written instructions executed by an Authorized Commission Representative directing the Trustee (or any other Person designated to act as Authenticating Agent) to authenticate the Bonds and/or to deliver the Bonds to one or more designated Persons.

(i) Such other documents as required hereby or by the Supplemental Resolution or as the Commission or the Trustee reasonably may specify.

Section 2.10. Temporary Bonds. (a) Until definitive Bonds are prepared, the Commission may execute and deliver, or, in the case of registered Bonds, upon request by the Commission, the Authenticating Agent shall authenticate and deliver, temporary Bonds which may be typewritten, printed

or otherwise reproduced in lieu of definitive Bonds subject to the same provisions, limitations and conditions as definitive Bonds. The temporary Bonds shall be dated as provided herein or in the applicable Supplemental Resolution, shall be in such denomination or denominations and shall be numbered as the Commission shall determine, and shall be of substantially the same tenor as the definitive Bonds of such Series, but with such omissions, insertions and variations as the officers of the Commission executing the same may determine. The temporary Bonds shall only be issued in fully registered form, and may be issued in the form of a single Bond.

(b) Without unreasonable delay after the issuance of any temporary Bonds, the Commission shall cause the definitive Bonds to be prepared, executed and delivered. Any temporary Bonds issued shall be exchangeable for definitive Bonds of such Series upon surrender to the Trustee or, in the case of registered Bonds, to the Registrar of any such temporary Bond or Bonds, and, upon such surrender, the Commission shall execute and deliver, or, in the case of registered Bonds, upon request by the Commission, the Authenticating Agent shall authenticate and deliver to the Holder of the temporary Bond or Bonds, in exchange therefor, a like principal amount of definitive Bonds of such Series in authorized denominations of the same interest rate and maturity date. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefits as definitive Bonds of such Series executed and delivered pursuant hereto.

(c) All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall forthwith be cancelled by the Trustee or the Registrar.

Section 2.11. Additional Bonds. Except as set forth in Section 2.12 hereof, the Commission shall not issue any additional Series of Bonds unless the Trustee has been provided with either:

(a) a certificate of an Airport Consultant dated within 30 days prior to the date of delivery of the Bonds stating that:

(i) for the period, if any, from and including the first full Fiscal Year following the issuance of such Bonds through and including the last Fiscal Year during any part of which interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenues, together with any Transfer, in each such Fiscal Year will be at least equal to 1.25 times Annual Debt Service; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such Bonds during which no interest on such Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Bonds, or (B) the third full Fiscal Year during which no interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenues together with any Transfer, if applicable, in each such Fiscal Year will be at least sufficient to satisfy the rate covenants set forth in subsection (a) of Section 6.04 hereof; or

(b) a certificate of an Independent Auditor stating that Net Revenues together with any Transfer, in the most recently completed Fiscal Year were at least equal to 125% of the sum of (i) Annual Debt Service on the 1973 Resolution Bonds and the 1991 Resolution Bonds in such Fiscal Year, plus (ii) Maximum Annual Debt Service on the Bonds proposed to be issued.

In determining projected Net Revenues for purposes of subsection (a) above, the Airport Consultant may take into account any reasonably anticipated changes in Revenues and Operation and Maintenance Expenses over such period, which assumed changes shall be referenced in the certificate. In determining Annual Debt Service for purposes of (a) or (b) above, (i) 1973 Resolution Bonds and 1991 Resolution Bonds that will be paid or discharged immediately after the issuance of the Series of Bonds proposed to be issued from the proceeds thereof or other moneys shall be disregarded, and (ii) Variable Rate Bonds shall be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to 1.25 times the rate determined pursuant to paragraphs (ii) and (iii), as the case may be, of the definition of Annual Debt Service in Section 1.01 hereof.

In the event that the Commission proposes to assume any indebtedness for borrowed money in connection with assuming the possession, management, supervision and control of any airport or other revenue-producing facilities, such indebtedness may constitute additional Bonds under this 1991 Resolution entitled to an equal pledge of and lien on Net Revenues as the Bonds provided that the requirements of this Section 2.11 are satisfied with respect to the assumption of such indebtedness.

Section 2.12. Refunding Bonds. The Commission may issue Bonds for the purpose of refunding any 1973 Resolution Bonds, 1991 Resolution Bonds or Subordinate Bonds on or prior to maturity or thereafter. Refunding Bonds may be issued in a

principal amount sufficient to provide funds for the payment of the following:

(a) The principal of all 1991 Resolution Bonds, 1973 Resolution Bonds or Subordinate Bonds to be refunded by such refunding Bonds;

(b) All expenses incidental to the calling, retiring or payment of the 1991 Resolution Bonds, 1973 Resolution Bonds or Subordinate Bonds and the issuance of the refunding Bonds;

(c) Any amount necessary to be made available for the payment of interest upon the refunding Bonds from the date of their sale to the date of maturity, payment or redemption of the 1991 Resolution Bonds, 1973 Resolution Bonds or Subordinate Bonds to be refunded out of the proceeds thereof; and

(d) The premium, if any, necessary to be paid in order to call or retire the 1991 Resolution Bonds, 1973 Resolution Bonds or Subordinate Bonds and also the amount of the interest accruing on the 1991 Resolution Bonds, 1973 Resolution Bonds or Subordinate Bonds to the date of the call or retirement thereof.

The Commission shall issue refunding Bonds only (i) upon compliance with the conditions set forth in Section 2.11 hereof, or (ii) if the Commission shall deliver to the Trustee with a certificate of an Airport Consultant or Financial Consultant that (A) aggregate Annual Debt Service in each Fiscal Year with respect to all 1991 Resolution Bonds and 1973 Resolution Bonds to be Outstanding after the issuance of such refunding Bonds shall be less than aggregate Annual Debt Service in each such Fiscal Year in which 1991 Resolution Bonds and 1973 Resolution Bonds are Outstanding prior to the issuance of such refunding Bonds, and (B) Maximum Annual Debt Service with respect to all 1991 Resolution Bonds and 1973 Resolution Bonds to be Outstanding after issuance of such refunding Bonds shall not exceed Maximum Annual Debt Service with respect to all 1991 Resolution Bonds and 1973 Resolution Bonds Outstanding immediately prior to such issuance.

Section 2.13. Subordinate Bonds. Nothing in this 1991 Resolution shall prevent the Commission from issuing at any time while any of the Bonds issued hereunder are Outstanding Subordinate Bonds with a pledge of, lien on, and security interest in Net Revenues which are junior and subordinate to those of the Bonds, whether then issued or thereafter to be issued. The principal and purchase price of and interest, redemption premium and reserve fund requirements

on such Subordinate Bonds shall be payable from time to time out of Net Revenues only if all amounts then required to have been paid or deposited hereunder from Net Revenues with respect to principal, purchase price, redemption premium, interest and reserve fund requirements on the Bonds then Outstanding or thereafter to be Outstanding shall have been paid or deposited as required in this 1991 Resolution and any Supplemental Resolution.

Section 2.14. Non-Presentation of Bonds. (a) If any Bond is not presented for payment when the principal thereof becomes due (whether at maturity or call for redemption or otherwise), all liability of the Commission to the Holder thereof for the payment of such Bond shall be completely discharged if funds sufficient to pay such Bond and the interest due thereon shall be held by the Trustee for the benefit of such Holder, and thereupon it shall be the duty of the Trustee to hold such funds subject to subsection (b) below, without liability for interest thereon, for the benefit of such Holder, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature under this 1991 Resolution or on, or with respect to, such Bond.

(b) Notwithstanding any provisions of this 1991 Resolution to the contrary, any moneys deposited with the Trustee or any Paying Agent in trust for the payment of the principal of, or interest or premium on, any Bonds and remaining unclaimed for one (1) year after the same has become due and payable (whether at maturity or upon call for redemption or otherwise), shall then be repaid to the Commission upon its written request, and the Holders of such Bonds shall thereafter be entitled to look only to the Commission for repayment thereof, and all liability of the Trustee or any Paying Agent with respect to such moneys shall thereupon cease. Before the repayment of such moneys to the Commission, the Trustee or Paying Agent, as the case may be, shall (at the cost of the Commission) first publish at least once in Authorized Newspapers a notice, in such form as may be deemed appropriate by the Trustee or such Paying Agent, in respect of the Bonds so payable and not presented and in respect of the provisions relating to the repayment to the Commission of the moneys held for the payment thereof, or in the case of registered Bonds shall send a written notice to the Holders of such Bonds at their last known addresses as shown on the records maintained by the Registrar. In the event of the repayment of any such moneys to the Commission, the Holders of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be unsecured creditors of the Commission for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Commission (without interest thereon).

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, a Repayment Obligation may be accorded the status of a Bond solely for purposes of this 1991 Resolution, provided, however, that the Credit Facility with respect thereto shall not constitute a bond for any other purpose, including without limitation for purposes of the Charter. The Credit Provider 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 was provided. Notwithstanding the stated terms of the Repayment Obligation, the Bond deemed to be held by the Credit Provider shall be deemed to be amortized on a level debt service basis at the Index Rate over a period equal to the 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 (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 under this Section 2.15 shall be in addition to any rights of subrogation which the Credit Provider may otherwise have or be granted under law or pursuant to any Supplemental Resolution.

Section 2.16. Special Facilities and Special Facility Bonds. The Commission from time to time, subject to the terms and conditions of this Section 2.16, may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is at the Airport or part of any facility or structure at the Airport as a "Special Facility," (b) provide that revenues earned by the Commission from or with respect to such Special Facility shall constitute "Special Facility Revenues" and shall not be included as Revenues, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating or improving, or providing financing to a third party to acquire, construct, renovate or improve, such Special Facility. The Special Facility Bonds shall be payable as to principal, purchase price, if any, redemption premium, if any, and interest from and secured by the Special Facility Revenues with respect thereto, and not from or by Net Revenues. The

Commission from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

No Special Facility Bonds shall be issued by the Commission unless there shall have been filed with the Trustee a certificate of an Airport Consultant to the effect that:

(i) The estimated Special Facility Revenues with respect to the proposed Special Facility shall be at least sufficient to pay the principal (either at maturity or by mandatory sinking fund redemptions) or purchase price of and interest on such Special Facility Bonds as and when the same shall become due, all costs of operating and maintaining such Special Facility not paid by a party other than the Commission, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds as and when the same shall become due; and

(ii) The estimated Net Revenues calculated without including the Special Facility Revenues and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses will be sufficient so that the Commission will be in compliance with Section 6.04(a) of this 1991 Resolution during each of the five Fiscal Years immediately following the issuance of such Special Facility Bonds; and

(iii) No Event of Default then exists under Article VII of this 1991 Resolution.

At such time as the Special Facility Bonds issued for a Special Facility, including Special Facility Bonds issued to refinance such Special Facility Bonds, are fully paid or otherwise discharged, the Special Facility Revenues with respect to such Special Facility shall be included as Revenues.

ARTICLE III

REDEMPTION OF BONDS

Section 3.01. Right to Redeem. Bonds of a Series may be subject to redemption prior to maturity at such times, to the extent and in the manner provided herein and in any Supplemental Resolution authorizing the issuance thereof.

Section 3.02. Sinking Fund Redemption. Bonds of a Series may be subject to mandatory sinking fund redemption and shall be redeemed at such times, to the extent and in the manner provided herein and in any Supplemental Resolution authorizing the issuance thereof.

Section 3.03. Notice of Redemption. (a) If less than all Bonds of a Series are to be redeemed, and subject to the provisions of subsection (b) hereof, the Bonds to be redeemed shall be identified by reference to the Series designation, date of issue, serial numbers and maturity dates. Each notice of redemption shall specify: (i) the date of such notice and the date fixed for redemption, (ii) the principal amount of Bonds or portions thereof to be redeemed, (iii) the applicable redemption price, (iv) the place or places of payment, (v) that payment of the principal amount and premium, if any, shall be made upon presentation and surrender to the Trustee or Paying Agent, as applicable, of the Bonds to be redeemed, unless provided otherwise herein or in the applicable Supplemental Resolution, (vi) that interest accrued to the date fixed for redemption shall be paid as specified in such notice, (vii) that on and after said date interest on Bonds called for redemption shall cease to accrue, and (viii) the designation, including Series, and the CUSIP and serial numbers, if any, of the Bonds to be redeemed and, if less than the face amount of any such Bond is to be redeemed, the principal amount to be redeemed. Notice of redemption of any Bonds shall be mailed at the times and in the manner set forth in subsection (b) of this Section.

(b) Except as may otherwise be provided herein or in any Supplemental Resolution authorizing the issuance of the Bonds to be redeemed, any notice of redemption shall be sent by the Trustee not less than 30 nor more than 60 days prior to the date set for redemption by first class mail (i) with respect to each Bond to be redeemed which is in registered form, to the Holder of such Bond at his or her address as it appears on the records maintained by the Registrar, (ii) to all organizations registered with the Securities and Exchange Commission as securities depositories, and (iii) to at least two information services of national recognition which disseminate redemption information with respect to municipal securities. In preparing such notice, the Trustee shall take into account, to the extent applicable, the prevailing municipal securities industry standards and any regulatory statement of any federal or state administrative body having jurisdiction over the Commission or the municipal securities industry, including without limitation Release No. 34-23856 of the Securities and Exchange Commission, or any subsequent amending or superseding release. Failure to give any notice specified in (i), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds with respect to which no such failure has occurred and failure to give any notice specified in (ii) or (iii), or any defect therein, shall not affect the validity of any proceedings for the redemption of any Bonds with respect to which the notice specified in (i) is given correctly.

(c) Notice of redemption may also be given by publication at the direction of the Commission at least once prior to the redemption date in Authorized Newspapers, each such publication to be not less than 30 nor more than 60 days before each redemption date, but no failure to give any such notice or any defect therein shall affect the validity of the proceedings for redemption of any Bonds.

(d) Notice of redemption shall be given by the Trustee for and on behalf of the Commission, at the written request of the Commission (which request shall be given to the Trustee at least 45 days prior to the date fixed for redemption). The Commission shall deposit with, or otherwise make available to, the Trustee the moneys required for payment of the redemption price of all Bonds then to be called for redemption at least one Business Day before the date fixed for such redemption. Any notice of redemption may be cancelled and annulled if for any reason funds are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default hereunder.

Section 3.04. Selection of Bonds to be Redeemed.

Except as otherwise provided herein or in any Supplemental Resolution authorizing the issuance thereof: (a) if less than all Bonds of a Series are to be redeemed, the maturities to be redeemed or the method of their selection shall be determined by the Commission, and (b) if less than all such Bonds of a single maturity are to be redeemed, such Bonds to be redeemed shall be selected by lot in such manner as the Trustee shall determine.

Section 3.05. Partial Redemption of Bonds.

Upon surrender of any Bond redeemed in part only, the Commission shall execute, the Authenticating Agent shall authenticate, if applicable, and the Trustee shall deliver to the Holder thereof, at the expense of the Commission, a new Bond or Bonds, of the same Series, interest rate and maturity date, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

Section 3.06. Effect of Redemption.

Notice of redemption having been duly given and moneys for payment of the redemption price being held by the Trustee, the Bonds to be redeemed shall, on the date designated in such notice, become due and payable at the redemption price specified in such notice, and from and after the date designated interest on the Bonds to be redeemed shall cease to accrue, and the Holders of such Bonds shall have no rights in respect thereto, except to receive payment of the redemption price thereof. Upon surrender for payment of any Bonds to be redeemed, such

Bonds shall be paid by the Trustee or the Paying Agent, as the case may be, at the applicable redemption price.

Section 3.07. Disposition of Redeemed Bonds. All Bonds redeemed pursuant to the provisions of this Article III shall be delivered to and cancelled by the Trustee and shall thereafter be delivered by the Trustee to, or upon the order of, the Commission, and no Bonds shall be issued in place thereof.

ARTICLE IV

CONSTRUCTION FUND AND ACCOUNTS

Section 4.01. Construction Fund. The Airport Construction Fund is hereby created as a separate fund to be maintained and accounted for by the Treasurer, and the moneys in said fund shall be used for the purposes for which the Bonds are authorized to be issued, including but not limited to the payment of principal and purchase price of and interest and redemption premium on the Bonds and the costs of issuance and sale thereof. A separate account shall be created within the Construction Fund with respect to each Series of the Bonds.

ARTICLE V

REVENUES AND FUNDS

Section 5.01. Revenues; Pledge of Net Revenues; Trust Estate. The Bonds shall be payable as to principal, purchase price, if any, premium, if any, and interest exclusively from, and shall be secured by a pledge of, lien on and security interest in the Net Revenues. The Net Revenues shall constitute a trust fund for the security and payment of the principal of, purchase price, if any, premium, if any, and interest on, the Bonds. The Commission hereby grants a lien on and security interest in, assigns, transfers, pledges and grants and conveys to the Trustee and its successors and assigns forever, for the benefit of the Bondholders, the following property:

(a) Amounts on deposit from time to time in the Funds and Accounts created pursuant to this 1991 Resolution, including the earnings thereon, subject to the provisions of this 1991 Resolution permitting the application thereof for the purposes and on the terms and conditions set forth herein; provided, however, that there expressly is excluded from any pledge, assignment, lien or security interest created by this

1991 Resolution, Revenues appropriated, transferred, deposited, expended or used for (i) the payment of Operation and Maintenance Expenses; and (ii) any required payments into the 1973 Bond Funds;

(b) Amounts constituting Net Revenues (excluding the amounts described in (ii) in the preceding paragraph); and

(c) Any and all other property of any kind from time to time hereafter by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Bonds, by the Commission or anyone on its behalf or with its written consent in favor of the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof.

The pledge of the Net Revenues and other moneys and property herein shall be irrevocable until all of the Bonds have been paid and retired. Such pledge shall be valid and binding from and after the date hereof and all Net Revenues shall immediately be subject to the lien of such pledge as and when received by the Commission, without any physical delivery thereof or further act, and the lien of any such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Commission.

All Bonds issued hereunder and at any time Outstanding shall be equally and ratably secured with all other Outstanding Bonds, with the same right, lien, preference and priority with respect to Net Revenues, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds or otherwise. All Bonds of a particular Series shall in all respects be equally and ratably secured and shall have the same right, lien and preference hereunder established for the benefit of such Series of Bonds, including, without limitation, rights in any related account in the Construction Fund, the Debt Service Fund or the Reserve Fund. Amounts drawn under a Credit Facility with respect to particular Bonds and all other amounts held in Funds or Accounts established with respect to such Bonds pursuant to the provisions hereof and of any Supplemental Resolution with respect thereto shall be applied solely to make payments on such Bonds.

Section 5.02. Creation of Funds and Accounts.

(a) The Revenue Fund has heretofore been created and shall be continued and held by the Treasurer. The following accounts are hereby created within the Revenue Fund and shall be held by the Treasurer:

- (i) the Revenues Account;
- (ii) the Operation and Maintenance Account;
- (iii) the Revenue Bond Account;
- (iv) the General Obligation Bond Account;
- (v) the General Purpose Account; and
- (vi) the Contingency Account.

(b) There is hereby created a 1991 Resolution Debt Service Fund and a 1991 Resolution Reserve Fund to be held by the Trustee in trust for the benefit of the Bondholders.

(c) The Commission may create such other Funds or Accounts for the allocation and application of Revenues or other moneys as it shall deem necessary or desirable.

Section 5.03. Debt Service Fund. The Commission shall establish a separate account or accounts in the Debt Service Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Debt Service Fund and the accounts therein shall be held in trust and applied to pay principal and purchase price of and interest and redemption premium on such Bonds, in the amounts, at the times and in the manner set forth herein and in the Supplemental Resolutions with respect thereto; provided, however, that each Supplemental Resolution shall require to the extent practicable that amounts be accumulated in the applicable accounts in the Debt Service Fund so that moneys sufficient to make any regularly scheduled payment of principal of or interest on the Bonds are on deposit therein at least one month prior thereto. Moneys in the accounts in the Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided herein or in the Supplemental Resolutions with respect thereto.

If and to the extent provided in any Supplemental Resolution authorizing the issuance of a Series of Bonds, Swap Payments may be paid directly out of, and Swap Receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds.

Section 5.04. Reserve Fund. The Commission may establish a separate account or accounts in the Reserve Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Reserve Fund and the accounts therein shall be held in trust for the benefit and security of the Holders of the Bonds to which such accounts are pledged, and

shall not be available to pay or secure the payment of any other Bonds. Each account in the Reserve Fund shall be funded and replenished in the amounts, at the times and in the manner provided herein or in the Supplemental Resolutions with respect thereto, including without limitation through the use of a Credit Facility. Moneys in the respective accounts in the Reserve Fund shall be applied to pay and secure the payment of such Bonds as provided herein or in the Supplemental Resolution with respect thereto. Moneys in an account in the Reserve Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided herein or in the Supplemental Resolution with respect thereto.

Section 5.05. Revenue Fund.

(a) Revenues Account. All Revenues shall be set aside and deposited by the Treasurer in the Revenues Account in the Revenue Fund as received.

(b) Operation and Maintenance Account. Moneys in the Operation and Maintenance Account shall be applied to pay Operation and Maintenance Expenses as the same become due, and shall not be pledged or applied to pay or secure the payment of the Bonds.

(c) Revenue Bond Account. Moneys in the Revenue Bond Account shall be applied by the Treasurer first, to make the required payments and deposits into the 1973 Bond Funds in the amounts, at the times and in the manner required by the 1973 Resolution; second, to make the required payments and deposits in the Debt Service Fund and Reserve Fund and the accounts therein in the amounts, at the times and in the manner required hereby and by the Supplemental Resolutions with respect thereto; and third, to make the required payments and deposits in any funds and accounts hereafter created to pay or secure the payment of the principal or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts, at the times and in the manner required by the resolutions and other agreements authorizing the issuance and providing the terms and conditions thereof.

(d) General Obligation Bond Account. Moneys in the General Obligation Bond Account shall be applied by the Treasurer to make the required periodic payments to the City for the payment when due of the principal of and interest on general obligation bonds of the City issued for Airport purposes.

(e) General Purpose Account. Moneys in the General Purpose Account shall be used for any other lawful purpose of

the Commission, including without limitation to make Swap Payments.

(f) Contingency Account. The Commission shall deposit in the Contingency Account such amounts, if any, as the Commission may determine from time to time. Moneys in the Contingency Account shall be applied upon the direction of an Authorized Commission Representative (i) to pay Operation and Maintenance Expenses; (ii) to make any required payments or deposits to pay or secure the payment of the principal or purchase price of or interest or redemption premium on the 1973 Resolution Bonds or the 1991 Resolution Bonds; and (iii) to pay the cost of any additions, improvements, repairs, renewals or replacements to the Airport, in each case only if and to the extent that moneys otherwise available to make such payments or deposits are insufficient therefor. Moneys in the Contingency Account shall be deposited by the Treasurer in the Revenues Account as of the last Business Day of each Fiscal Year, unless and to the extent the Commission shall otherwise direct. On the first Business Day of each Fiscal Year, moneys deposited in the Revenues Account from the Contingency Account shall be deposited by the Treasurer in the Contingency Account.

Section 5.06. Application of Revenues. On the first Business Day of each month, moneys in the Revenues Account shall be set aside and applied by the Treasurer for the following purposes in the following amounts and order of priority, each priority to be fully satisfied before the next priority in order:

(a) Operation and Maintenance Account. In the Operation and Maintenance Account an amount equal to one-twelfth (1/12th) of the estimated Operation and Maintenance Expenses for the then current Fiscal Year as set forth in the budget of the Airport for such Fiscal Year as finally approved by the Commission. In the event that the balance in the Operation and Maintenance Account at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments shall immediately be deposited in the Operation and Maintenance Account from the Revenues Account, and may be credited against the next succeeding monthly deposit upon the written direction to the Treasurer of an Authorized Commission Representative.

(b) Revenue Bond Account. In the Revenue Bond Account such amount as shall be necessary:

(i) to make all payments and deposits required to be made during such month into the 1973 Bond Funds in the amounts and at the times required by the 1973 Resolution;

(ii) to make all payments and deposits required to be made during such month into the Debt Service Fund and the Reserve Fund and the accounts therein in the amounts and at the times required hereby and by the Supplemental Resolutions with respect to the Bonds; and

(iii) to make all payments and deposits required to be made during such month into any funds and accounts created to pay or secure the payment of the principal or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts and at the times required by the resolutions and other agreements authorizing the issuance and providing the terms and conditions thereof.

(c) General Obligation Bond Account. In the General Obligation Bond Account an amount equal to one-sixth (1/6) of the aggregate amount of interest coming due on the next succeeding interest payment date, plus one-twelfth (1/12) of the aggregate amount of principal coming due on the next succeeding principal payment date, with respect to general obligation bonds of the City issued for Airport purposes.

(d) General Purpose Account. In the General Purpose Account an amount at least equal to the payments estimated to be made therefrom during such month.

(e) Contingency Account. In the Contingency Account such amount, if any, as shall be directed by the Commission from time-to-time.

Section 5.07. Deficiencies in Funds and Accounts. In the event that Revenues in the Revenues Account together with other available moneys are insufficient as of the first Business Day of any month to make the required payments and deposits pursuant to paragraph (b)(ii) of Section 5.06, after having made the payments and deposits required pursuant to paragraphs (a) and (b)(i) of that Section, the Treasurer shall allocate available Net Revenues to make all payments or deposits then required, first, with respect to interest on Bonds; second, with respect to principal, redemption price or purchase price of Bonds; and third, with respect to any reserve requirements for Bonds. Available Net Revenues shall be allocated within each order of priority, to the extent necessary, on a pro rata basis in proportion to the respective amounts of payments or deposits required to be made during such month with respect to principal or purchase price of, interest on or reserve requirements for Bonds, as the case may be.

Section 5.08. Investment of Moneys. (a) Moneys in all Funds and Accounts held by the Trustee shall be invested as soon as practicable upon receipt in Permitted Investments as directed in writing by an Authorized Commission Representative, or as selected by the Trustee in the absence of direction by the Commission; provided, that (i) the maturity date or the date on which such Permitted Investments may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds or Accounts for which the investments were made will be required for the purposes thereof, and (ii) in the absence of direction from an Authorized Commission Representative, the Trustee shall select Permitted Investments in accordance with prudent investment standards. Anything herein to the contrary notwithstanding, moneys in all Funds and Accounts held by the Treasurer shall be invested in Permitted Investments in accordance with the policies and procedures of the Treasurer in effect from time to time.

(b) Investment of amounts in any Fund or Account shall be made in the name of such Fund or Account.

(c) Amounts credited to a Fund or Account may be invested, together with amounts credited to one or more other Funds or Accounts, in the same Permitted Investment; provided, however, that (i) each such investment complies in all respects with the provisions of subsection (a) of this Section as they apply to each Fund or Account for which the joint investment is made, and (ii) separate records are maintained for each Fund and Account and such investments are accurately reflected therein.

(d) The Trustee may make any investment permitted by this Section through or with its own commercial banking or investment departments, unless otherwise directed by the Commission.

(e) Except as otherwise specifically provided herein, in computing the amount in any Fund or Account, Permitted Investments purchased as an investment of moneys therein shall be valued at the current market value thereof or at the redemption price thereof, if then redeemable at the option of the holder, in either event inclusive of accrued interest.

(f) Any transfer to or deposit in any Fund or Account required by this Resolution may be satisfied by transferring or depositing an investment with a market value equal to the required transfer or deposit in lieu of transferring or depositing cash.

Section 5.09. Limited Liability of Trustee for Investments. The Trustee shall not be liable for making any investment authorized by the provisions of this Article in the manner provided in this Article or for any loss resulting from any such investment so made, except for its own negligence, willful misconduct or self-dealing constituting a breach of trust under applicable law.

Section 5.10. Purchase of Bonds. (a) The Commission, or the Trustee upon the written direction of the Commission, from surplus Net Revenues or other available funds, may purchase Bonds of any Series at public or private sale, as and when and at such prices as the Commission may in its discretion determine to be prudent, upon receipt of a recommendation of the Director of Airports.

(b) If authorized hereby or by the relevant Supplemental Resolution, the Trustee shall apply any or all amounts deposited in an account in the Debt Service Fund with respect to mandatory sinking fund payments to the purchase of term Bonds, at such prices and in accordance with such terms as may be prescribed hereby or by said Supplemental Resolution.

(c) Absent written directions to the contrary from an Authorized Commission Representative, all Bonds so purchased and the appurtenant coupons, if any, shall be delivered to and cancelled by the Trustee and shall thereafter be delivered by the Trustee to, or upon the order of, the Commission, and no Bonds shall be issued in place thereof.

ARTICLE VI

GENERAL COVENANTS OF THE COMMISSION

Section 6.01. Payment of Principal and Interest; Negative Pledge; Annual No Default Certificate. (a) The Commission covenants and agrees that it promptly will pay or cause to be paid the principal and purchase price of, premium, if any, and interest on each Bond issued hereunder at the place, on the dates and in the manner provided herein, in any applicable Supplemental Resolution and in said Bond according to the terms thereof but solely from the sources pledged to such payment or from such other sources or revenues as may be used for such payment.

(b) The Commission covenants and agrees that it will not create any pledge of, lien on, security interest in or encumbrance upon, or permit the creation of any pledge of, lien on, security interest in or encumbrance upon, Revenues or

Net Revenues except for a pledge, lien, security interest or encumbrance subordinate to the pledge, lien and security interest granted hereby for the benefit of the Bonds.

(c) The Commission shall deliver to the Trustee, within 90 days after the close of each Fiscal Year, a certificate signed by an Authorized Commission Representative stating that during such Fiscal Year, and as of the date of such certificate, no event or condition has happened or existed, or is happening or existing, which constitutes, or which, with notice or passage of time or both, would constitute, an Event of Default, or if such an event or condition has happened or existed, or is happening or existing, specifying the nature and period of such event or condition and what action the Commission has taken, is taking or proposes to take with respect thereto.

Section 6.02. Performance of Covenants. The Commission covenants that it faithfully will perform at all times any and all covenants, undertakings, stipulations and provisions on its part to be performed as provided herein, in each and every Bond executed, authenticated and delivered hereunder and in all proceedings of the Commission pertaining thereto.

Section 6.03. Instruments of Further Assurance. The Commission covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such instruments supplemental hereto and such further acts, instruments and transfers as the Trustee reasonably may require for the better assuring, transferring, conveying, pledging, assigning and confirming unto the Trustee the Commission's interest in and to the Net Revenues and all other property that is conveyed, pledged or assigned to secure or provide for the payment of the principal, premium, if any, purchase price, if any, and interest on any Bonds in the manner and to the extent contemplated herein or therein.

Section 6.04. Rate Covenants. (a) The Commission covenants and agrees that it will establish and at all times maintain rentals, rates, fees and charges for the use of the Airport and for services rendered by the Commission in connection with the Airport so that:

(i) Net Revenues in each Fiscal Year will be at least sufficient (A) to make all required payments and deposits in such Fiscal Year into the Revenue Bond Account and the General Obligation Bond Account pursuant to paragraphs (b) and (c) of Section 5.06 hereof, and (B) to make the Annual Service Payment to the City; and

(ii) Net Revenues, together with any Transfer, in each Fiscal Year will be at least equal to 125% of aggregate Annual Debt Service with respect to the 1991 Resolution Bonds and 1973 Resolution Bonds for such Fiscal Year.

(b) The Commission covenants that if Net Revenues, together with any Transfer, in any Fiscal Year are less than the amount specified in subsection (a)(ii) of this Section, the Commission will retain and direct an Airport Consultant to make recommendations as to the revision of the Commission's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport and for services rendered by the Commission in connection with the Airport, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Commission shall take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Net Revenues, together with any Transfer, in the amount specified in paragraph (a)(ii) of this Section in the next succeeding Fiscal Year.

(c) In the event that Net Revenues for any Fiscal Year are less than the amount specified in subsection (a)(ii) of this Section, but the Commission promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by subsection (b) of this Section, such deficiency in Net Revenues shall not constitute an Event of Default under the provisions of Section 7.01(d). Nevertheless, if after taking the measures required by subsection (b) of this Section to revise the schedule of rentals, rates, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Commission for such Fiscal Year) are less than the amount specified in subsection (a)(ii) of this Section, such deficiency in Net Revenues shall constitute an Event of Default under the provisions of Section 7.01(e).

Section 6.05. Operation and Maintenance of Airport. The Commission covenants that it will operate and maintain the Airport as a revenue producing enterprise in accordance with the Act. The Commission will make such repairs to the Airport as shall be necessary or appropriate in the prudent management thereof. The Commission covenants that it will operate and maintain the Airport in a manner which will entitle it at all times to charge and collect fees, charges and rentals in accordance with airport use agreements, if any, or as otherwise permitted by law, and shall take all reasonable measures permitted by law to enforce prompt payment to it of such fees, charges and rentals when and as due.

The Commission will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Airport or upon any part thereof, or upon the revenues from the operation thereof, when the same shall become due, as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon the Airport or such revenues, or which might impair the security of the Bonds. Notwithstanding the foregoing, the Commission need not pay or discharge any tax, assessment or other governmental charge, or claim for labor, materials or supplies, if and so long as the Commission shall contest the validity or application thereof in good faith.

The Commission will continuously operate the Airport so that all lawful orders of the Federal Aviation Administration and any other governmental agency or authority having jurisdiction in the premises shall be complied with, but the Commission shall not be required to comply with any such orders so long as the validity or application thereof shall be contested in good faith.

Section 6.06. Maintenance of Powers; Retention of Assets. (a) The Commission covenants that it will use its best efforts to keep the Airport open for landings and takeoffs of commercial aircraft using facilities similar to those at the Airport, and to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or any other obligation secured hereby or the performance or observance of any of the covenants herein contained.

(b) The Commission covenants that it will not dispose of assets necessary to operate the Airport in the manner and at the levels of activity required to enable it to perform its covenants contained herein, including, without limitation, the covenants contained in Section 6.04.

Section 6.07. Insurance. Subject in each case to the condition that insurance is obtainable at reasonable rates from responsible insurers and upon reasonable terms and conditions:

(a) The Commission shall procure or provide and maintain, at all times while any of the Bonds shall be outstanding, insurance or Qualified Self-Insurance on the Airport against such risks as are usually insured by other major airports. Such insurance or Qualified Self-Insurance

shall be in an adequate amount as to the risk insured against as determined by the Commission. The Commission need not carry insurance or Qualified Self-Insurance against losses caused by land movement, including but not limited to seismic activity.

(b) Any Qualified Self-Insurance shall be established in accordance with applicable law; shall include reserves or reinsurance in amounts which the Commission determines to be adequate to protect against risks assumed under such Qualified Self-Insurance, including without limitation any potential retained liability in the event of the termination of such Qualified Self-Insurance; and shall be reviewed at least once every twelve (12) months by an Insurance Consultant who shall deliver to the Commission a report on the adequacy of the reserves established or reinsurance provided thereunder. If the Insurance Consultant determines that such reserves or reinsurance are inadequate, it shall make a recommendation as to the amount of reserves or reinsurance that should be established and maintained, and the Commission shall comply with such recommendation unless it can establish to the satisfaction of, and receive a certification from, the Insurance Consultant that a lower amount is reasonable to provide adequate protection to the Airport and the Commission.

(c) The Commission shall secure and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for funds of the Commission, except to the extent that such insurance is provided by the City.

(d) Within 120 days after the close of each Fiscal Year, the Commission shall file with the Trustee a certificate of an Authorized Commission Representative containing a summary of all insurance policies and Qualified Self-Insurance then in effect with respect to the Airport and the Commission.

(e) The proceeds of any insurance shall be applied solely for Airport purposes.

Section 6.08. Financial Records and Statements.

The Commission shall maintain proper books and records in which full and correct entries shall be made in accordance with generally accepted accounting principles, of all its business and affairs. The Commission shall have an annual audit made by an Independent Auditor and shall within 120 days after the end of each of its Fiscal Years furnish to the Trustee copies of the audited financial statements of the Commission for such Fiscal Year.

All books of records and accounts relating to the Airport and the Revenues may be kept by the Controller for and on behalf of the Commission. All such books and records pertaining to the Airport shall be open upon reasonable notice during regular business hours to the Trustee or the representatives thereof duly authorized in writing.

Section 6.09. Tax Covenants. Except as otherwise provided herein or in any Supplemental Resolution with respect to a Series of Bonds, the Commission covenants as follows:

(a) The Commission will make no use of the proceeds of any Series of Bonds or take any other action or permit any other action to be taken that would affect adversely the exclusion from gross income of, interest on such Series of Bonds for federal income tax purposes or, if applicable, the non-preference status of such interest for federal alternative minimum income tax purposes.

(b) The Commission shall comply with covenants with respect to the use of proceeds of Bonds as provided herein or in any applicable Supplemental Resolution.

Section 6.10. Prohibition Against Issuance of Additional 1973 Resolution Bonds. The Commission hereby agrees that so long as any Bonds are Outstanding under this 1991 Resolution, it will not issue any additional bonds or other obligations under the 1973 Resolution with a pledge of and lien on Net Revenues equal to that of the 1973 Resolution Bonds, except that the Commission may issue refunding bonds pursuant to Section 3.05 of the 1973 Resolution to refund any or all of the 1973 Resolution Bonds outstanding on the original date of adoption of this 1991 Resolution; provided, that any such refunding 1973 Resolution Bonds shall be issued only if there is no increase in the aggregate principal amount of such refunding 1973 Resolution Bonds which will be scheduled to come due, either at maturity or by mandatory sinking fund redemption, over the aggregate principal amount of 1973 Resolution Bonds to be refunded which are then scheduled to come due in any Fiscal Year during which any 1991 Resolution Bonds are then scheduled to be Outstanding. The Commission further agrees that so long as the 1973 Resolution is in effect, the Commission will make full and timely payment of the 1973 Bonds in accordance with the terms of said 1973 Resolution and will comply with all the terms, conditions, covenants and agreements as set forth in said 1973 Resolution.

Section 6.11. Eminent Domain. If an Airport facility or Airport facilities are taken by eminent domain proceedings or conveyance in lieu thereof, the Commission shall, to the extent the 1973 Resolution is then in effect and

such 1973 Resolution directs the use of the net proceeds, comply with the terms of the 1973 Resolution and, otherwise or to the extent such document does not control the use of such net proceeds, the Commission shall create within the Airports Revenue Fund a special account and credit the net proceeds received as a result of such taking or conveyance to such account and shall within a reasonable period of time, not to exceed three years after the receipt of such amounts, use such proceeds to (1) replace the Airport facilities which were taken or conveyed, (2) provide additional revenue-producing Airport facilities, (3) redeem Bonds or (4) create an escrow fund pledged to pay specified Bonds and thereby cause such Bonds to be deemed to be paid as provided in Article X hereof.

Section 6.12. Conflicts with 1973 Resolution. The covenants and agreements of the Commission set forth in the 1973 Resolution shall govern over the covenants and agreements of the Commission set forth herein to the extent of any conflict and only in the event that it is not possible to comply with both, for so long as any 1973 Resolution Bonds remain Outstanding.

ARTICLE VII

DEFAULT AND REMEDIES

Section 7.01. Events of Default. Each of the following is hereby declared an "Event of Default" hereunder with respect to a Series of Bonds:

- (a) if payment of any installment of interest on any Bond of such Series shall not be made in full when the same becomes due and payable;
- (b) if payment of the principal or Accreted Value of any Bond of such Series shall not be made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;
- (c) if payment of the purchase price of any Bond tendered for optional or mandatory purchase in accordance with the provisions of the Supplemental Resolution providing for the issuance of such Bond shall not be made in full when due;
- (d) if the Commission shall fail to observe or perform any other covenant or agreement on its part under this 1991 Resolution, other than the covenant or agreement set forth in Section 6.04(a), for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, shall have been given to the Commission

by the Trustee, or to the Commission and the Trustee by the Owners of at least 25% in aggregate Principal Amount of Bonds of such Series then Outstanding; provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it shall not be an Event of Default with respect to such Series as long as the Commission has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy;

(e) subject to subsection (c) of Section 6.04, if the Commission is required pursuant to Section 6.04(b) to take measures to revise the schedule of rentals, rates, fees and charges for the use of the Airport and Net Revenues, together with any Transfers, for the Fiscal Year in which such adjustments are made are less than the amount specified in Section 6.04(a);

(f) if either the Commission or the City shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Commission or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to entry of an order for relief under the federal Bankruptcy Code, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due;

(g) If there is a default in the payment of principal of, premium, if any, or interest on any 1973 Resolution Bond or there occurs and continues any event of default under the 1973 Resolution which would permit the 1973 Resolution Bonds to be accelerated; or

(h) The occurrence of any other Event of Default with respect to such Series of Bonds as is provided in a Supplemental Resolution.

An Event of Default with respect to one Series of Bonds shall not in and of itself constitute an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default

with respect to such other Series of Bonds pursuant to this Section 7.01.

Section 7.02. Limited Acceleration.

(a) Immediately upon the acceleration of the payment of principal of and interest on the 1973 Resolution Bonds, without any action on the part of the Trustee, the principal of all of the Bonds then Outstanding, and the interest accrued thereon, shall be and shall become immediately due and payable, anything in this 1991 Resolution or in the Bonds contained to the contrary notwithstanding. The Bonds shall not be subject to acceleration under any other circumstances or for any other reason, including without limitation upon the occurrence and continuance of an Event of Default hereunder. The Bonds shall not be subject to mandatory redemption or mandatory purchase or tender for purchase as a result of the occurrence and continuance of an Event of Default to the extent the redemption or purchase price is payable from Net Revenues.

(b) Promptly after receipt by the Trustee of written notice of any acceleration of the Bonds, the Trustee shall cause a notice thereof to be mailed, first class, postage prepaid, to all Holders of registered Bonds and, if provided hereby or by a Supplemental Resolution, to one or more Credit Providers. Failure to mail any such notice, or any defect in any notice so mailed, shall not affect such acceleration.

(c) Notwithstanding subsection (a) of this Section 7.02, if at any time after the principal of the Bonds shall have become due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this 1991 Resolution, (i) the acceleration of the 1973 Resolution Bonds shall have been rescinded and annulled, (ii) sufficient moneys (other than moneys drawn by the Trustee under any Credit Facility) shall have accumulated in the Debt Service Fund to pay the principal of all matured Bonds of each Series and all arrears of interest, if any, upon all such Bonds then Outstanding (except the principal of any such Bonds not then due and payable by their terms and the interest accrued on such Bonds since the last Interest Payment Date), (iii) the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and all other amounts then payable by the Commission hereunder shall have been paid or moneys sufficient to pay the same shall have been deposited with the Trustee, and (iv) every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds of each Series

or in the 1991 Resolution (other than a default in the payment of the principal of such Bonds then due and payable only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, and if provided hereby or by a Supplemental Resolution, with the consent of one or more Credit Providers, then and in every such case the Trustee shall, by a notice in writing to the Commission, rescind and annul such acceleration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

(d) Upon any acceleration of the Bonds and subsequent payment under each Credit Facility, so long as moneys sufficient to pay principal and accrued interest on the Bonds to the date of acceleration have been deposited and on hand in the Debt Service Fund by the Trustee from and after such date, then interest on the Bonds shall cease to accrue as of the date of acceleration.

Section 7.03. Remedies and Enforcement of Remedies. (a) Subject to the provisions of Section 7.13, upon the occurrence and continuance of an Event of Default with respect to one or more Series of Bonds, the Trustee may, or upon the written request of the Holders of not less than a majority in aggregate Principal Amount of the Bonds of such Series together with indemnification of the Trustee to its satisfaction therefor shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders hereunder and under the Act and such Bonds by such suits, actions or proceedings as the Trustee, being advised by counsel, shall deem expedient, including but not limited to:

(i) Actions to recover money or damages due and owing;

(ii) Actions to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of such Bonds; and

(iii) Enforcement of any other right of such Bondholders conferred by law, including the Act, or hereby, including without limitation by suit, action, injunction, mandamus or other proceedings to enforce and compel the performance by the Commission of actions required by the Act or the 1991 Resolution, including the fixing, changing and collection of fees or other charges.

(b) Subject to the provisions of Section 7.13, regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in aggregate Principal Amount of the Bonds of one or more Series, shall upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder by any acts or omissions to act which may be unlawful or in violation hereof, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions hereof and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds of each Series not making such request.

(c) Notwithstanding anything else in this Section 7.03 to the contrary, the remedies herein provided for with respect to obtaining moneys on deposit in Funds or Accounts hereunder shall be limited to the Funds or Accounts hereunder pledged to the applicable Series of Bonds with respect to which an Event of Default exists.

Section 7.04. Application of Revenues and Other Moneys After Default. During the continuance of an Event of Default with respect to one or more Series of Bonds, all moneys held and received by the Trustee with respect to each such Series of Bonds pursuant to any right given or action taken under the provisions of this Article shall, after payment of the costs and expenses of the proceedings which result in the collection of such moneys and of the fees, expenses and advances incurred or made by the Trustee with respect to such Event of Default, be applied as follows; provided, however, that any proceeds of a Credit Facility if any, and amounts held in the Debt Service Fund and the Reserve Fund pledged to a particular Series of Bonds shall be applied solely to pay principal, premium, if any, purchase price, if any, of or interest, as applicable, on the related Series of Bonds:

First: To the payment to the persons entitled thereto of all installments of interest then due on such Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid Principal Amounts and premium, if any, of any such Bonds which shall have become due (other than

Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions hereof), whether at maturity, upon purchase or acceleration or by proceedings for redemption or otherwise or upon the tender of any Bond pursuant to the terms of the Supplemental Resolution providing for the issuance of such Bonds, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds of such Series due on any date, then to the payment thereof ratably, according to the Principal Amounts due on such date, to the persons entitled thereto, without any discrimination or preference.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by it at such times, and from time to time, as the Trustee shall determine in accordance with this 1991 Resolution, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be a Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the Principal Amounts to be paid on such dates shall cease to accrue if so paid. The Trustee shall give such notice as it may deem appropriate in accordance with this 1991 Resolution of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement of any partial payment or for cancellation if fully paid.

Whenever the Principal Amount, premium, if any, purchase price, if any, and interest thereon of all Bonds of a Series have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid, and each Credit Provider, if any, has been reimbursed for all amounts drawn under the applicable Credit Facility, if any, and used to pay principal, premium, if any, purchase price, if any, and interest on the Bonds and no Repayment Obligation shall be outstanding, any balance remaining shall be paid first to such Credit Provider to the extent any other amounts are then owing to such Credit Provider under the applicable agreement, and then to the Commission or as a court of competent jurisdiction may direct.

Section 7.05. Remedies Not Exclusive. No remedy by the terms hereof conferred upon or reserved to the Trustee or the Bondholders or any Credit Provider is intended to be exclusive of any other remedy but each and every such remedy shall be cumulative and shall be in addition to every other

remedy given hereunder or existing at law or in equity or by statute, including the Act, on or after the date hereof.

Section 7.06. Remedies Vested in Trustee. All rights of action (including the right to file proof of claims) hereunder or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceedings relating thereto. Any such suit or proceeding instituted by the Trustee may be brought in its name as the Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds. Subject to the provisions of Sections 7.03 and 7.04, any recovery or judgment shall be for the equal benefit of the Holders of the Outstanding Bonds.

Section 7.07. Control of Proceedings. (a) If an Event of Default with respect to one or more but not all Series of Bonds Outstanding shall have occurred and be continuing, the Holders of a majority in aggregate Principal Amount of the Bonds of such one or more Series then Outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken with respect to funds or assets solely securing such one or more Series in connection with the enforcement of the terms and conditions hereof; provided, that such direction is in accordance with law and the provisions hereof (including indemnity to the Trustee as provided herein) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders of such Series of Bonds not joining in such direction; and provided further, that nothing in this Section shall impair the right of the Trustee in its discretion to take any other action hereunder which it may deem proper and in accordance with the 1991 Resolution and which is not inconsistent with such direction by Bondholders.

(b) If an Event of Default with respect to all Series of Bonds shall have occurred and be continuing, the Holders of a majority in aggregate Principal Amount of all Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee to direct the method and place of conducting any proceeding to be taken with respect to Net Revenues or other assets securing all Bonds in connection with the enforcement of the terms and conditions hereof; provided, that such direction is in accordance with law and the provisions hereof (including indemnity to the Trustee as provided herein) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders not joining in such direction; and provided further, that nothing in this Section shall impair

the right of the Trustee in its discretion to take any other action hereunder which it may deem proper in accordance with this 1991 Resolution and which is not inconsistent with such direction by Bondholders.

Section 7.08. Individual Bondholder Action

Restricted. (a) No Holder of any Bond of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement hereof or for the execution of any trust hereunder or for any remedy hereunder unless:

(i) an Event of Default has occurred with respect to such Series (A) under subsection (a), (b), (c), (g) or (h) of Section 7.01 of which the Trustee is deemed to have notice, or (B) under subsection (d), (e) or (f) of Section 7.01 as to which the Trustee has actual knowledge, or (C) as to which the Trustee has been notified in writing by the Commission, or (D) as to which the Commission and the Trustee have been notified in writing by the Holders of at least 25% in aggregate Principal Amount of the Bonds of all such Series then Outstanding with respect to which an Event of Default has occurred;

(ii) the Holders of at least a majority in aggregate Principal Amount of Bonds of all such Series then Outstanding with respect to which an Event of Default has occurred shall have made written request to the Trustee to proceed to exercise the powers granted herein or to institute such action, suit or proceeding in its own name; and

(iii) such Bondholders shall have offered the Trustee indemnity as provided in Section 8.02; and

(iv) the Trustee shall have failed or refused to exercise the powers herein granted or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

(b) No one or more Holders of Bonds of such Series shall have any right in any manner whatsoever to affect, disturb or prejudice the security hereof or to enforce any right hereunder except in the manner herein provided and for the equal benefit of the Holders of all Bonds of such Series then Outstanding.

(c) Nothing contained herein shall affect or impair, or be construed to affect or impair, the right of the Holder of any Bond of such Series (i) to receive payment of the principal of, premium, if any, purchase price, if any, or

interest on such Bond on or after the due date thereof, or (ii) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Holder of any Bond of such Series may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien hereof on the moneys, funds and properties pledged hereunder for the equal and ratable benefit of all Holders of Bonds of such Series.

Section 7.09. Termination of Proceedings. In case any proceeding taken by the Trustee on account of an Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or to the Bondholders, then the Commission, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee and the Bondholders shall continue as if no such proceeding had been taken.

Section 7.10. Waiver of Event of Default. (a) No delay or omission of the Trustee, of any Holder of the Bonds or, if provided hereby or by Supplemental Resolution, any Credit Provider, to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein. Every power and remedy given by this Article to the Trustee, the Holders of the Bonds and, if provided hereby or by Supplemental Resolution, any Credit Provider, respectively, may be exercised from time to time and as often as may be deemed expedient by them.

(b) The Trustee, with the consent of any Credit Provider if provided hereby or by Supplemental Resolution (provided, however, that such Credit Provider's consent may be required only in connection with an Event of Default on a Series of Bonds with respect to which such Credit Provider is providing a Credit Facility), may waive any Event of Default with respect to the Bonds that, in its opinion, shall have been remedied at any time, regardless of whether any suit, action or proceeding has been instituted, before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions hereof, or before the completion of the enforcement of any other remedy hereunder.

(c) Notwithstanding anything contained herein to the contrary, the Trustee, upon the written request of (i) the Credit Provider, if any, if provided hereby or by Supplemental Resolution, with respect to an Event of Default which applies

only to the related Series of Bonds, (ii) Holders of at least a majority of the aggregate Principal Amount of Bonds of a Series then Outstanding with respect to any Event of Default which applies only to such Series, with the consent of the applicable Credit Provider, if any, if provided for hereby or by Supplemental Resolution, or (iii) Holders of at least a majority of the aggregate Principal Amount of Bonds then Outstanding with respect to any Event of Default which applies to all Bonds, shall waive any such Event of Default hereunder and its consequences; provided, however, that a default in the payment of the Principal Amount of, premium, if any, purchase price, if any, or interest on any such Bond, when the same shall become due and payable by the terms thereof or upon call for redemption, may not be waived without the written consent of the Holders of all the Bonds then Outstanding of such Series to which an Event of Default applies and any consent of the applicable Credit Provider, if any, if provided for hereby or by Supplemental Resolution.

(d) In case of any waiver by the Trustee of an Event of Default hereunder, the Commission, the Trustee, the Bondholders and, if provided for hereby or by Supplemental Resolution, the Credit Provider, if any, shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent thereon. The Trustee shall not be responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with this Section.

Section 7.11. Notice of Default. (a) Promptly, but in any event within 30 days after the occurrence of an Event of Default with respect to a Series of Bonds of which the Trustee is deemed to have notice pursuant to Section 8.10 of this 1991 Resolution, the Trustee shall, unless such Event of Default shall have theretofore been cured, give written notice thereof by first class mail to each Holder of registered Bonds of such Series then Outstanding, provided that, except in the case of a default in the payment of Principal Amounts, sinking fund installments, purchase price or the redemption price of or interest on any of the Bonds of such Series, the Trustee may withhold such notice to such Holders if, in its sole judgment in accordance with the 1991 Resolution, it determines that the withholding of such notice is in the best interests of the Holders of such Series of Bonds.

(b) The Trustee shall promptly notify the Commission, the Registrar and any Credit Provider, if required to hereby or by a Supplemental Resolution, of the occurrence of an Event of Default of which the Trustee is deemed to have notice pursuant to Section 8.10 of this 1991 Resolution.

Section 7.12. Limitations on Remedies. It is the purpose and intention of this Article to provide rights and remedies to the Trustee and Bondholders which lawfully may be granted under the provisions of the Act, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Bondholders shall be entitled as above set forth to every other right and remedy provided in this 1991 Resolution and by law.

Section 7.13. Credit Providers to Control Remedies. While a Credit Facility with respect to any Bonds is in effect, notwithstanding anything else herein to the contrary, a Supplemental Resolution may provide that so long as the Credit Provider is not Insolvent and is not in default under its Credit Facility, no right, power or remedy hereunder with respect to such Bonds may be pursued without the prior written consent of such Credit Provider. The Supplemental Resolution may further provide that the Credit Provider shall have the right to direct the Trustee to pursue any right, power or remedy available hereunder with respect to any assets available hereunder which secure no Bonds other than the Bonds secured by such Credit Facility.

Section 7.14. Inconsistent or Lack of Directions in Default. Notwithstanding anything else herein to the contrary, if any applicable Credit Providers or Holders of separate Series in default do not direct remedies or proceedings to be taken pursuant to this Article, the Trustee shall take whatever action, if any, pursuant to Section 7.03 it deems to be in the best interest of Bondholders without regard to the existence of any Credit Facility that may exist with respect to any or all Bonds.

Section 7.15. Incontestability of Bonds. The provisions of this 1991 Resolution shall constitute a contract between the Commission and the Owners of the Bonds, and from and after the issuance of a Series of Bonds and their sale and delivery by the Commission, the Bonds shall be incontestable by the Commission.

Section 7.16. Limitation on Commission's Obligation. The Owners of the Bonds issued hereunder expressly understand and agree by their acceptance of the Bonds, that as of the date of this 1991 Resolution the Commission has no taxing power whatsoever, and nothing herein contained shall be deemed to require the Commission to advance any moneys derived from the levy or collection of taxes by the City for the payment of the principal of, purchase price, if any, premium, if any, or interest on the Bonds. Neither the credit nor the taxing power of the City is pledged for the payment of the principal of, premium, if any, purchase price,

if any, or interest on the Bonds, and the general fund of the City is not liable for the payment of the Bonds or the interest thereon. The Owners of the Bonds cannot compel the exercise of the taxing power by the City or the forfeiture of its property or the property of the Commission.

The principal of and interest on the Bonds and any premiums upon the redemption of any thereof are not a debt of the Commission nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or on any of its income, receipts or revenues except the Net Revenues and other funds that may be legally applied, pledged or otherwise made available to their payment as in this 1991 Resolution provided.

Neither the Commission nor any officer thereof shall be liable or obligated for the payment of the principal, premium, if any, purchase price, if any, of or interest on the Bonds or for any payment agreed to be made or contemplated to be made pursuant to any of the terms of this 1991 Resolution, save and except solely and exclusively from Net Revenues and the other moneys pledged thereto pursuant to this 1991 Resolution or any Supplemental Resolution authorizing the issuance thereof. Nothing herein contained shall prevent the Commission from making advances of its funds howsoever derived to any of the uses and purposes in this 1991 Resolution mentioned, provided such funds are derived from any source legally available for such purpose and may be used by the Commission for such purpose without incurring indebtedness. No property or rights of the Commission shall ever be subject to forfeiture by reason of any default on the part of the Commission hereunder, provided, however, that nothing herein contained shall operate to excuse the Commission from making payments herein required to be made for the benefit of the Owners of the Bonds.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Acceptance of Trust; General. By an instrument in writing delivered to the Commission, the Trustee shall evidence its acceptance of the powers, duties and obligations of the Trustee only as are specifically set forth herein. The Trustee shall have no duty, responsibility or obligation for the issuance of Bonds or for the validity or exactness hereof, or of any other document relating to such issuance. The Trustee shall have no duty, responsibility or obligation for the payment of Bonds except for payment in accordance with the terms and provisions hereof from, and to the extent of, funds which are held in trust by the Trustee for the purpose of such payment.

Prior to an Event of Default and after the curing or waiving of all Events of Default which may have occurred, the Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. The Trustee shall have no liability for any act or omission to act hereunder, or under any other instrument or document executed pursuant hereto except for the Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Trustee shall be determined solely by the express provisions hereof, and no implied powers, duties or obligations of the Trustee shall be read into this 1991 Resolution.

During an Event of Default, the Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct.

Notwithstanding any other provision hereof, the Trustee shall have no liability for any (a) error of judgment made in good faith by an officer or officers of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, or (b) action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than the Principal Amount of Bonds Outstanding specified in Section 7.03 or Section 7.07, as the case may be, then existing relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred upon the Trustee hereunder.

Section 8.02. Trustee Not Required to Take Action Unless Indemnified. Except as expressly required herein (including the requirements of the next sentence) the Trustee neither shall be required to institute any suit or action or other proceeding in which it may be a defendant, nor to take any steps to enforce its rights and expose it to liability, nor shall the Trustee be deemed liable for failure to take any such action, unless and until it shall have been indemnified, to its satisfaction, against any and all reasonable costs, expenses, outlays, counsel and other fees, other disbursements including its own reasonable fees and against all liability and damages. The Trustee nevertheless, may begin suit, or

appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Trustee, without prior assurance of indemnity, and in such case the Commission shall reimburse the Trustee for all reasonable costs, expenses, outlays, counsel and other fees, and other reasonable disbursements including its own fees, and for all liability and damages suffered by the Trustee in connection therewith, except for the Trustee's own negligent action, its own negligent failure to act, its own willful misconduct or self-dealing constituting a breach of trust under applicable law. If the Trustee begins, appears in or defends such a suit, the Trustee shall give prompt notice of such action to the Commission and shall give such notice prior to taking such action if possible. If the Commission shall fail to make such reimbursement, the Trustee may reimburse itself for any costs and expenses in accordance with Section 7.04.

Section 8.03. Employment of Experts. The Trustee is hereby authorized to employ as its agents such attorneys at law, and other qualified independent consultants (who are not employees of the Trustee), as it may deem necessary to carry out any of its obligations hereunder, and shall be reimbursed by the Commission for all reasonable expenses and charges in so doing. The Trustee shall not be responsible for any misconduct or negligence of any such agent appointed with due care by the Trustee.

Section 8.04. Enforcement of Performance by Others. It shall not be the duty of the Trustee, except as herein specifically provided, to seek the enforcement of any duties and obligations herein imposed upon the Commission.

Section 8.05. Right to Deal in Bonds and Take Other Actions. The Trustee may in good faith buy, sell or hold and deal in any Bonds with like effect as if it were not such Trustee and may commence or join in any action which a Holder is entitled to take with like effect as if the Trustee were not the Trustee. It is understood and agreed that the Trustee engages in a general banking business and no provision hereof is to be construed to limit or restrict the right of the Trustee to engage in such business with the Commission or any Holder. So engaging in such business shall not, in and of itself, and so long as the Trustee duly performs all of its duties as required hereby, constitute a breach of trust on the part of the Trustee.

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

In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved, becomes Insolvent or otherwise becomes incapable to act as the Trustee, the Commission shall be entitled to appoint a successor Trustee. In such event, the successor Trustee shall cause notice to be mailed to the Holders of all Bonds then Outstanding in such manner deemed appropriate by the Commission. If the Trustee resigns, the resigning Trustee shall pay for such notice. If the Trustee is removed, is dissolved, becomes Insolvent or otherwise becomes incapable of acting as Trustee, the Commission shall pay for such notice.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee shall be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business within the State of California and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$50,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

Every successor Trustee howsoever appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Commission an instrument in writing, accepting such appointment hereunder, and thereupon such successor Trustee, without further action, shall become fully vested with all the rights, immunities, powers, trusts, duties and obligations of its predecessor, and such predecessor shall execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of such predecessor. The predecessor Trustee shall

execute any and all documents necessary or appropriate to convey all interest it may have to the successor Trustee. The predecessor Trustee promptly shall deliver all records relating to the trust or copies thereof and communicate all material information it may have obtained concerning the trust to the successor Trustee.

Each successor Trustee, not later than 10 days after its assumption of the duties hereunder, shall mail a notice of such assumption to each Holder of a registered Bond and shall publish notice of such assumption in Authorized Newspapers.

Section 8.07. Proof of Claim. The Trustee shall have the right and power to act in its name or in the name and place of the Commission or Holders to make proof of claim in any proceeding, bankruptcy, reorganization or otherwise where proof of claim may be required, including proofs of claim against Credit Providers. Any amount recovered by the Trustee as a result of any such claim, after payment of all fees (including reasonable attorneys' fees), costs, expenses and advances paid or incurred by the Trustee or its agents in pursuing such claim, shall be for the equal benefit of all holders of Outstanding Bonds of the affected Series.

Section 8.08. Trustee's Fees and Expenses. The Commission hereby agrees to pay fees to and expenses of the Trustee for its services hereunder as agreed to by the Commission and the Trustee pursuant to the terms of a separate agreement.

Section 8.09. Reliance Upon Documents. 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 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, 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.

Except where other evidence is required hereby, any request or direction of the Commission mentioned herein shall be sufficiently evidenced by a certified copy of such request executed by a Authorized Commission Representative.

Section 8.10. Recitals and Representations. The recitals, statements and representations contained herein or in any Bond shall be taken and construed as made by and on the part of the Commission and not by the Trustee, and the Trustee neither assumes nor shall be under any responsibility for the correctness of the same other than the Trustee's certification of authentication of any Bonds as to which it is Authenticating Agent.

The Trustee makes no representation as to, and is not responsible for, the validity or sufficiency hereof or, except as herein required, the filing or recording or registering of any document. The Trustee shall be deemed not to have made representations as to the security afforded hereby or hereunder or as to the validity or sufficiency of such document. The Trustee shall not be concerned with or accountable to anyone for the use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof. The Trustee shall not be responsible or liable for any loss suffered in connection with the investment of any funds made by it in accordance with the provisions hereof.

Except with respect to Events of Default described in Section 7.01(a), (b) and (c) hereof, the Trustee shall have no duty of inquiry with respect to any default which constitutes or with notice or lapse of time or both would constitute an Event of Default without actual knowledge of the Trustee or receipt by the Trustee of written notice of a default which constitutes or with notice or lapse of time or both would constitute an Event of Default from the Commission or any Holder.

The Trustee shall be deemed to have knowledge of the existence of an Event of Default only in the following circumstances: (i) in the case of an Event of Default referred to in paragraphs (a), (b) and (c) of Section 7.01 of this 1991 Resolution, upon the occurrence of such Event of Default, (ii) in the case of an Event of Default referred to

in paragraph (d), (e), (f) and (g) of this 1991 Resolution, when any Responsible Officer of the Trustee obtains actual knowledge of the occurrence of such Event of Default or when the Trustee receives written notice thereof from the Commission or from any Holder, and (iii) in the case of an Event of Default referred to in paragraph (h) of this 1991 Resolution, when any Responsible Officer of the Trustee obtains actual knowledge of the occurrence of such Event of Default or when the Trustee receives written notice thereof from the Commission or from any Holder, unless otherwise expressly provided in the applicable Supplemental Resolution.

Section 8.11. Reports and Records. (a) The Trustee shall at all times keep or cause to be kept proper records in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of the Bonds and all Funds and Accounts established and maintained by the Trustee pursuant to this 1991 Resolution. Such records shall be available for inspection by the Commission on each Business Day during reasonable business hours and by any Owner or its agent or representative duly authorized in writing at reasonable hours and under reasonable circumstances. The Trustee shall not be required to maintain records with respect to transactions made by the Treasurer or the Commission or with respect to Funds and Accounts established and maintained by the Treasurer.

(b) The Trustee shall provide to the Commission each month a report of the amounts deposited in each Fund and Account held by it under this 1991 Resolution and the amount disbursed from such Funds and Accounts, the earnings thereon, the ending balance in each of such Funds and Accounts, the investments in each such Fund and Account and the yield on each investment calculated in accordance with the directions of an Authorized Commission Representative.

(c) The Trustee shall annually, within a reasonable period after the end of the Fiscal Year, provide to the Commission and to each Owner who shall have filed its name and address with the Trustee for such purpose (at such Owner's cost) a statement, which need not be audited, covering receipts, disbursements, allocation and application of Bond proceeds, Net Revenues and any of the moneys in any of the Funds and Accounts established pursuant to this 1991 Resolution for the proceeding year.

Section 8.12. Paying Agent, Authenticating Agent and Registrar. The Commission may appoint a Paying Agent, an Authenticating Agent and a Registrar with respect to a Series of Bonds in the Supplemental Resolution pursuant to which such Series is issued. Each Paying Agent, Authenticating Agent and

Registrar shall (i) designate to the Trustee its principal office and (ii) signify its acceptance of the duties and obligations imposed upon it hereunder and under such Supplemental Resolution by written instrument of acceptance delivered to the Commission and the Trustee.

Each Paying Agent, Authenticating Agent or Registrar shall exercise its duties in accordance with the terms of and shall have the protection provided to the Trustee in this 1991 Resolution.

If any Paying Agent, Authenticating Agent or Registrar shall resign or be removed, the Commission shall designate a successor. If the Commission shall designate a successor, then, upon the Trustee's receipt of the written designation and the written acceptance of such designated successor, such entity shall thereupon, without further action by the Commission, be appointed as successor Paying Agent, Authenticating Agent or Registrar, as the case may be.

In the event that any Paying Agent, Authenticating Agent or Registrar shall resign or be removed, or be dissolved, or if the property or affairs of any Paying Agent, Authenticating Agent or Registrar shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and no successor shall have been appointed, the Trustee shall, ipso facto be deemed to be Paying Agent, Authenticating Agent or Registrar, until the appointment of a successor. In each case in which the Trustee is acting as Paying Agent, Authenticating Agent or Registrar for any Series of Bonds, the Trustee in such capacities shall be entitled to all of the immunities and protections from liability that are provided in this Article VIII.

Any corporation into which any Paying Agent, Authenticating Agent or Registrar may be merged or converted or with which it may be consolidated, or any corporation resulting from any such merger, consolidation or conversion, or succeeding to the corporate trust business of Paying Agent, Authenticating Agent or Registrar, shall be the successor of the Paying Agent, the Authenticating Agent and the Registrar if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the Trustee or the entity serving as Paying Agent, Authenticating Agent or Registrar or such successor corporation.

Section 8.13. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Trustee may be merged or converted or with which it may be

consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such corporation shall be otherwise qualified and eligible under this Article, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 8.14. Other Agents. The Commission or the Trustee with the consent of the Commission may from time to time appoint other agents as may be appropriate at the time to perform duties and obligations under this 1991 Resolution or under a Supplemental Resolution all as provided by Supplemental Resolution or resolution of the Commission.

ARTICLE IX

SUPPLEMENTAL RESOLUTIONS

Section 9.01. Supplemental Resolutions Not Requiring Consent of Bondholders. The Commission may adopt, without the consent of or notice to any of the Holders, one or more Supplemental Resolutions for one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission herein;
- (b) to correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising hereunder that shall not have a material adverse effect on the interests of the Holders;
- (c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (d) to secure additional revenues or provide additional security or reserves for payment of any Bonds;
- (e) to preserve the excludability of interest on any Bonds from gross income for purposes of federal income taxes, or to change the tax covenants set forth in Section 6.09, pursuant to an Opinion of Bond Counsel that such action will not affect adversely such excludability;
- (f) to provide for the issuance of, and to set the terms and conditions of, each additional Series of Bonds

hereunder, including covenants and provisions with respect thereto which do not violate the terms of this 1991 Resolution;

(g) to add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;

(h) to confirm, as further assurance, any interest of the Trustee in and to the Net Revenues or in and to the Funds and Accounts held by the Trustee or in and to any other moneys, securities or funds of the Commission provided pursuant to this 1991 Resolution;

(i) to comply with the requirements of the Trust Indenture Act of 1939, as amended, to the extent applicable;

(j) to provide for uncertificated Bonds or for the issuance of coupon or bearer Bonds or Bonds registered only as to principal;

(k) to accommodate the use of a Credit Facility for specific Bonds or a Series of Bonds;

(l) to designate any other airports, airfields, landing places or places for the take-off and landing of aircraft, together with related facilities or property, which are hereafter owned, controlled or operated by the Commission or over which the Commission has possession, management, supervision or control as not a part of the Airport; and

(m) to make any other change or addition hereto which, in the Opinion of Bond Counsel, shall not have a material adverse effect on the interests of the Holders.

Section 9.02. Supplemental Resolutions Requiring Consent of Bondholders. (a) Other than Supplemental Resolutions referred to in Section 9.01 and subject to the terms, provisions and limitations contained in this Article and not otherwise, the Holders of not less than a majority in aggregate Principal Amount of the Bonds of all Series affected may consent to or approve, from time to time, which consent to or approval shall be in writing, anything contained herein to the contrary notwithstanding, the adoption by the Commission of such Supplemental Resolutions as shall be deemed necessary and desirable by the Commission for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions with respect to such Series contained in the 1991 Resolution; provided, however, nothing in this Section shall permit or be construed as permitting a Supplemental Resolution which would:

(i) extend the stated maturity of or time or change the currency for paying the principal or purchase price of, premium, if any, or interest on any Bond or reduce the Principal Amount or purchase price of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond;

(ii) except as expressly permitted by this 1991 Resolution, prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or

(iii) permit the creation of a lien not expressly permitted by this 1991 Resolution upon or pledge of the Net Revenues ranking prior to or on a parity with the lien of this 1991 Resolution or reduce the aggregate Principal Amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplemental Resolution, without the consent of the Holders of all Bonds then Outstanding.

(b) If at any time the Commission shall propose the adoption of a Supplemental Resolution pursuant to this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed adoption of such Supplemental Resolution to be mailed by first class mail, postage prepaid, to all Holders of registered Bonds of any affected Series then outstanding at their addresses as they appear on the registration books herein provided for. In addition, the Trustee shall publish notice of the proposed adoption of such Supplemental Resolution to be published in Authorized Newspapers. The Trustee, however, shall not be subject to any liability to any Bondholder by reason of its failure to mail, or the failure of such Bondholder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section. Such notice shall set forth briefly the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the office of the Trustee for inspection by all Bondholders.

(c) 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.

(d) Any such consent shall be binding upon the Holder of the Bond giving such consent and upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (regardless of whether such subsequent Holder thereof has notice thereof), unless such consent is revoked in writing by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the acceptance by the Trustee of such Supplemental Resolution, such revocation. At any time after the Holders of the required Principal Amount of Bonds shall have filed their consents to the Supplemental Resolution, the Trustee shall make and file with the Commission a written statement to that effect. Such written statement shall be conclusive that such consents have been so filed.

(e) If the Holders of the required Principal Amount of the Bonds Outstanding shall have consented to and approved the adoption by the Commission of such Supplemental Resolution as herein provided, no Holder of any Bond shall have any right to object to the adoption thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof or to enjoin or restrain the Trustee or the Commission from adopting the same or taking any action pursuant to the provisions thereof.

Section 9.03. Execution and Effect of Supplemental Resolutions. (a) The Trustee may but shall not be obligated to accept any such Supplemental Resolution which affects the Trustee's own rights, duties or immunities.

(b) Upon the adoption of any Supplemental Resolution in accordance with this Article, the provisions hereof shall be modified in accordance therewith and such Supplemental Resolution shall form a part hereof for all purposes and every Holder of a Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

(c) Any Bond authenticated and delivered after the adoption of any Supplemental Resolution in accordance with this Article may, and if required by the Commission or the Trustee shall, bear a notation in form approved by the Commission and Trustee as to any matter provided for in such Supplemental Resolution. If the Commission shall so

determine, new Bonds so modified as to conform in the opinion of the Trustee and the Commission to any such Supplemental Resolution may be prepared and executed by the Commission and authenticated and delivered by the Trustee and the Registrar in exchange for and upon surrender of the Bonds then outstanding.

ARTICLE X

SATISFACTION, DISCHARGE AND DEFEASANCE

Section 10.01. Discharge. If payment of all principal of, premium, if any, and interest on a Series of Bonds in accordance with their terms and as provided herein is made, or is provided for in accordance with this Article, and if all other sums payable by the Commission hereunder with respect to such Series of Bonds shall be paid or provided for, then the pledge, lien, and security interests granted hereby shall cease with respect to such Series; provided, however, that the rebate provisions, if any, hereof or of the related Supplemental Resolution shall survive so long as there is any amount due to the federal government pursuant to the provisions hereof or of such Supplemental Resolution. Thereupon, upon the request of the Commission, and upon receipt by the Trustee of an Opinion of Counsel stating that all conditions precedent to the satisfaction and discharge as provided above of the lien hereof have been satisfied with respect to such Series of Bonds, the Trustee shall execute and deliver proper instruments acknowledging such satisfaction and discharging the lien hereof with respect to such Series of Bonds. If the lien hereof has been discharged with respect to all Series of Bonds, the Trustee shall transfer all property held by it hereunder, other than moneys or obligations held by the Trustee for payment of amounts due or to become due on the Bonds, to the Commission or such other person as may be entitled thereto as their respective interests may appear. Such satisfaction and discharge shall be without prejudice to the rights of the Trustee thereafter to charge and be compensated or reimbursed for services rendered and expenditures incurred in connection herewith.

The Commission may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered which the Commission at its option may have acquired in any manner whatsoever and such Bond upon such surrender and cancellation shall be deemed to be paid and retired.

Section 10.02. Defeasance. Payment of any Bonds may be provided for by the deposit with the Trustee of moneys,

noncallable Governmental Obligations, noncallable Government Certificates or pre-refunded municipal obligations described in paragraph (c) of the definition of Permitted Investments in Section 1.01, or any combination thereof. The moneys and the maturing principal and interest income on such Government Obligations, Government Certificates or pre-refunded municipal obligations, if any, must be sufficient and available without reinvestment to pay when due the principal, whether at maturity or upon fixed redemption dates, or purchase price of and premium, if any, and interest on such Bonds. The moneys, Government Obligations, Government Certificates and pre-refunded municipal obligations shall be held by the Trustee irrevocably in trust for the Holders of such Bonds solely for the purpose of paying the principal or purchase price or redemption price of, including premium, if any, and interest on such Bonds as the same shall mature or become payable upon prior redemption, and, if applicable, upon simultaneous direction, expressed to be irrevocable, to the Trustee to give notice of redemption and to notify all Owners of affected Bonds that the deposit required by this Section 10.02 has been made and that such Bonds are deemed to be paid in accordance with the 1991 Resolution and stating the applicable maturity date or redemption date and redemption price.

The Trustee shall receive a verification report from an Independent Auditor as to the sufficiency of moneys and investments to provide for payment of any Bonds in the case of a defeasance thereof.

Bonds the payment of which has been provided for in accordance with this Section 10.02 shall no longer be deemed Outstanding hereunder. The obligation of the Commission in respect of such Bonds shall nevertheless continue but the Holders thereof shall thereafter be entitled to payment only from the moneys, Government Obligations, Government Certificates and pre-refunded municipal obligations deposited with the Trustee to provide for the payment of such Bonds.

No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any Bond with respect to which an Opinion of Bond Counsel has been rendered that such interest is excluded from gross income for federal income tax purposes is made subject to federal income taxes. The Trustee shall receive and may rely upon an Opinion of Bond Counsel to the effect that the provisions of this paragraph will not be breached by so providing for the payment of any Bonds.

Section 10.03. Payment of Bonds After Discharge.

Notwithstanding the discharge of the lien hereof as in this Article provided, the Trustee nevertheless shall retain such rights, powers and duties hereunder as may be necessary and convenient for the payment of amounts due or to become due on the Bonds, including without limitation pursuant to any mandatory sinking fund redemptions, and the registration, transfer, exchange and replacement of Bonds as provided herein. Nevertheless, any moneys held by the Trustee or any Paying Agent for the payment of the principal of, premium, if any, or interest on any Bond remaining unclaimed for one (1) years after such payment has become due and payable, or such other period provided by law, whether at maturity or upon proceedings for redemption, shall be disposed of pursuant to the provisions of Section 2.14. After discharge of the lien hereof, but prior to payment of such amounts to Holders or as provided pursuant to Section 2.14, the Trustee shall invest such amounts in Government Obligations or pre-refunded municipal obligations described in paragraph (c) of the definition of Permitted Investments in Section 1.01 for the benefit of the Commission.

ARTICLE XI

MISCELLANEOUSSection 11.01. Evidence of Acts of Bondholders.

Any request, direction, consent or other instrument provided hereby to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by an agent appointed in writing. Proof of the execution of any such request, direction or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes hereof and shall be conclusive in favor of the Trustee and the Commission with regard to any action taken by them, or either of them, under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments in such jurisdiction, that the person signing such writing acknowledged before him or her the execution thereof, or by the affidavit of a witness of such execution; and

(b) The ownership of all registered Bonds shall be proved by the records maintained by the Registrar. Except as

otherwise herein expressly provided, the amount of Bonds transferable by delivery held by any person executing such request, declaration or other instrument or writing as a Bondholder, and the numbers thereof, and the date of its holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by a trust company, bank or other depository wherever situated, showing that at the date therein mentioned such person had on deposit with, or exhibited to, such depository the Bonds described in such certificate. Continued ownership after the date of deposit stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by the depository that the Bonds therein referred to will not be surrendered without the surrender of the certificate to the depository, except with the consent of the Trustee. The Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

Nothing in this Section 11.01 shall be construed as limiting the Trustee to the proof herein specified, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient.

Any action taken or suffered by the Trustee pursuant to any provision hereof, upon the request or with the assent of any person who at the time is the Holder of any Bond or Bonds shall be conclusive and binding upon all future Holders of the same Bond or Bonds.

Section 11.02. Limitation of Rights. With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this 1991 Resolution or the Bonds is intended or shall be construed to give to any person other than the Commission, the Trustee, the Holders of the Bonds and any Paying Agents, Registrars, Authenticating Agents and Credit Providers, if any, any legal or equitable right, remedy or claim under or in respect to this 1991 Resolution or any covenants, conditions and provisions herein contained. This 1991 Resolution and all of the covenants, conditions and provisions hereof are intended to be and are for the sole and exclusive benefit of the Commission, the Trustee, the Holders of the Bonds and any Paying Agents, Registrars, Authenticating Agents and Credit Providers, if any, as herein provided.

Section 11.03. Credit Provider Defaults. Upon the failure of any Credit Provider to pay principal of, premium, if any, interest on or the purchase price of the Bonds required to be paid by the Credit Provider pursuant to its Credit Facility, such Credit Provider shall be deemed to be in default for purposes of this 1991 Resolution.

Section 11.04. Notices to Rating Agencies. The Trustee hereby agrees that if at any time (a) the Commission shall redeem the entire principal amount of the Bonds Outstanding hereunder prior to maturity, (b) a successor Trustee is appointed hereunder, or (c) the Bondholders shall consent to any amendment to this 1991 Resolution or shall waive any provision of this 1991 Resolution then, in each case, the Trustee promptly will give notice of the occurrence of such event to each Rating Agency rating the Bonds, which notice in the case of an event referred to in clause (c) hereof shall include a copy of such amendment or waiver.

Section 11.05. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this 1991 Resolution on the part of the Commission (or the Trustee or of any Paying Agent, Registrar, Authenticating Agent or other agent pursuant to this 1991 Resolution) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of the 1991 Resolution or of the Bonds; but the Owners shall retain all the rights and benefits accorded to them under the Act or under any other applicable provision of law.

Section 11.06. Holidays. When the date on which principal of or interest or premium on any Bond is due and payable is a day which is not a Business Day, payment may be made on Bonds on the next Business Day with the same effect as though payment were made on the due date, and, if such payment is made, no interest shall accrue from and after such due date. When any other action is provided herein to be done on a day named or within a time period named, and the day or the last day of the period falls on a day other than a Business Day, it may be performed on the next Business Day with the same effect as though performed on the appointed day or within the specified period.

Section 11.07. Governing Law. This 1991 Resolution and the Bonds shall be governed and construed under and in accordance with the laws of the State of California.

Section 11.08. Notices. (a) Unless otherwise expressly specified or permitted by the terms hereof, all notices, consents or other communications required or permitted hereunder shall be deemed sufficiently given or served if given in writing, mailed by first class mail, postage prepaid and addressed as follows:

(i) If to the Commission, addressed to:

Airports Commission of the City
and County of San Francisco
Attention: Deputy Director of Airports --
Business and Finance
San Francisco International Airport
P.O. Box 8097
San Francisco, CA 94128

(ii) If to the Trustee, addressed to:

First Interstate Bank, Ltd.

(iii) If to the registered Holder of a Bond,
addressed to such Holder at the address
shown on the books of the Registrar kept
pursuant hereto.

(b) The Commission and the Trustee may from time to
time by notice in writing designate a different address or
addresses for notice hereunder.

Section 11.09. Waiver of Notice. Whenever in this
1991 Resolution the giving of notice by mail or as otherwise
is required, the giving of such notice may be waived by notice
in writing by the person entitled to receive such notice. In
any such case the giving or receipt of such notice shall not
be a condition precedent for the validity of any action taken
in reliance upon such waiver.

Section 11.10. Waiver of Personal Liability. No
member of the Commission and no officer, agent or employee of
the Commission or of the City shall be individually or
personally liable for the payment of the principal or purchase
price of, premium if any, or interest on the Bonds; but
nothing herein contained shall relieve any such member,
officer, agent or employee from the performance of any
official duty provided by law.

Section 11.11. Repeal of Inconsistent Resolutions.
Any resolution of the Commission, and any part of any
resolution, inconsistent with this 1991 Resolution is hereby
repealed to the extent of such inconsistency. Notwithstanding
the preceding sentence, this Section 11.11 shall not repeal
any provisions of the 1973 Resolution whether or not
inconsistent with this 1991 Resolution.

Section 11.12. Effectiveness. This 1991 Resolution shall be effective from and after its date of adoption.

ARTICLE 1-XII

ISSUE 1 BONDS --
DEFINITIONS AND GENERAL PROVISIONS

Section 1-12.01. Definitions.

For the purposes of Articles 1-XII and 1-XIII, the following words shall have the following meanings:

"Aggregate Maximum Annual Debt Service" shall mean the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the Participating Series.

"Bond Depository" shall mean the securities depository for the Issue 1 Bonds appointed as such pursuant to Section 1-13.03, and its successors and assigns.

"Call Protection Date" shall mean the date determined in accordance with Article 1-13.04 before which the Issue 1 Bonds are not subject to optional redemption.

"Closing Date" shall mean the date upon which the Issue 1 Bonds are initially issued and delivered in exchange for the proceeds representing the purchase price of the Issue 1 Bonds paid by the original purchaser thereof.

"Escrow Agent" shall mean Bank of America National Trust and Savings Association and its successors as Escrow Agent under the Escrow Agreement.

"Escrow Agreement" shall mean the Escrow Agreement between the Escrow Agent and the Commission relating to the proceeds of the Issue 1 Bonds and certain other moneys to be applied to the redemption of the Prior Bonds.

"Escrow Fund" shall mean the fund created by the Escrow Agreement to be held by the Escrow Agent and applied to the redemption of the Prior Bonds.

"Information Services" shall mean: Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services' "Called Bond Service," 55 Broad Street, 28th Floor, New York, New York 10004; Moody's Investors Services' "Municipal and Government," 99 Church

Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's Corporation's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with the then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Commission may designate in writing to the Trustee.

"Issue 1 Bonds" shall mean the not to exceed \$225,000,000 aggregate principal amount of San Francisco International Airport Second Series Refunding Revenue Bonds, Issue 1.

"Issue 1 Debt Service Accounts" shall mean the Issue 1 Interest Account, the Issue 1 Principal Account and the Issue 1 Redemption Account.

"Issue 1 Rebate Account" shall mean the Issue 1 Rebate Account created pursuant to Section 1-13.13

"Issue 1 Reserve Account" shall mean the Issue 1 Reserve Account created pursuant to Section 1-13.07

"Issue 1 Sale Resolution" shall mean a resolution of the Commission, awarding the Issue 1 Bonds to the successful bidder in accordance with the terms of the Official Notice of Sale, and determining the interest rates to be borne by the Issue 1 Bonds, whether principal payments in any given year are to be serial maturities or mandatory sinking fund payments, and the dates of any mandatory sinking fund payments, the Call Protection Date, the redemption premiums, the purchase price of the Issue 1 Bonds, providing for bond insurance for any or all of the Issue 1 Bonds and determining such other matters relating to the Issue 1 Bonds as may be permitted or authorized to be determined by the Commission in accordance with this 1991 Resolution.

"Maximum Annual Debt Service" shall mean the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of a single Series of 1991 Resolution Bonds.

"Nominee" shall mean the nominee of the Bond Depository as determined from time to time in accordance with Section 1-13.03.

"Participating Series" shall mean the Issue 1 Bonds and any other Series of Bonds hereafter designated by Supplemental Resolution as being secured by the Issue 1 Reserve Account.

"Record Date" shall mean the fifteenth day of the month before each Payment Date.

"Redemption Price" shall mean the Principal Amount and premium, if any, payable in accordance with the terms thereof of Issue 1 Bonds called for redemption.

"Regulations" shall mean the Income Tax Regulations promulgated or proposed by the Department of the Treasury pursuant to the Code from time to time.

"Securities Depositories" shall mean: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax: (516) 277-4039 or -4190; Midwest Securities Trust Company, Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax: (312) 663-2343; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax: (215) 496-5058; or, in accordance with the then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Commission may designate in writing to the Trustee.

"Tax Certificate" shall mean a certificate executed and delivered by an Authorized Commission Representative on the Closing Date, or any functionally similar replacement certificate subsequently executed and delivered by an Authorized Commission Representative with respect to the requirements of Section 148 of the Code relating to the Issue 1 Bonds.

Section 1-12.02. 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, agreements, notices, consents, warrants and other documents, which they, or any of them, might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of the Issue 1 Bonds and the refunding and defeasance of the Prior Bonds in accordance with the provisions hereof and of the 1991 Resolution.

ARTICLE 1-XIII

ISSUE 1 BONDS --
TERMS AND PROVISIONS

Section 1-13.01. Authorization and Terms of Issue 1 Bonds. A series of Bonds to be issued under the 1991 Resolution, in the aggregate principal amount of up to Two Hundred Twenty- Five Million Dollars (\$225,000,000) at any one time outstanding, is hereby created. Said Bonds shall be known as the "San Francisco International Airport Second Series Refunding Revenue Bonds, Issue 1" (the "Issue 1 Bonds"). The Issue 1 Bonds shall be issued only in fully registered form, shall be issued in denominations of \$5,000 or any integral multiple thereof, and shall be dated as hereinafter provided. The Issue 1 Bonds shall be assigned the prefix "1-", and shall be numbered in such manner as the Registrar shall determine.

The Issue 1 Bonds shall bear interest at such rate or rates, not exceeding twelve percent (12%) per annum, as may be fixed by the Commission at the time of award thereof by the Issue 1 Sale Resolution. Interest on Issue 1 Bonds shall be payable on November 1, 1992, and semiannually thereafter on May 1, and November 1 (each an "Interest Payment Date"), in each year, by check or draft mailed to the persons shown as the registered owners of the Issue 1 Bonds on the registration books for the Issue 1 Bonds as of the close of business on the Record Date before such Interest Payment Date, or, upon request to the Trustee prior to the Record Date, by wire transfer to a financial institution within the continental United States to the registered owner of at least \$1,000,000 in aggregate Principal Amount of the Issue 1 Bonds. Payment of the principal or redemption price of the Issue 1 Bonds shall be made upon surrender thereof at the office of the Trustee in San Francisco, California. Payment of principal of, premium, if any, and interest on the Issue 1 Bonds shall be made in any lawful currency of the United States of America. Interest on the Issue 1 Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months.

The Issue 1 Bonds shall mature on May 1, in the years and in the amounts established by the Issue 1 Sale Resolution. Principal payments, in the form either of maturities or mandatory sinking fund payments (in the latter case, attributable to certain Bonds herein called the "Issue 1 Term Bonds"), shall occur on May 1 in the years and in the amounts as shall be specified in the Official Notice of Sale. The Director of Airports or his designee is hereby authorized and directed to determine the aggregate Principal Amount of

the Issue 1 Bonds, the dated date(s) of the Issue 1 Bonds, and the years and amounts of the annual principal payments, provided, that the final maturity of the Issue 1 Bonds shall not extend beyond 2013, and provided further, that the annual payments of Principal Amount of Issue 1 Bonds shall be in such amounts as will allow for approximately equal annual payments of principal of and interest on the Issue 1 Bonds, given the then prevailing interest rates.

Pursuant to Section 2.02 of the 1991 Resolution, the Issue 1 Bonds shall be sold at competitive sale in accordance with the Official Notice of Sale.

At any time after the adoption of this 1991 Resolution and the Issue 1 Sale Resolution, the Commission may execute and deliver all or any part of the Issue 1 Bonds to the Trustee. The Authenticating Agent shall authenticate and deliver to, or upon the written order of, the Commission, Issue 1 Bonds in an aggregate principal amount not exceeding Two Hundred Twenty-Five Million Dollars (\$225,000,000).

Section 1-13.02. Form of Issue 1 Bonds; Execution. The Issue 1 Bonds and the certificate of authentication to be executed thereon shall be in substantially the form set forth in Exhibit A hereto. The signatures of the officers of the Commission upon such Issue 1 Bonds shall be printed, lithographed or engraved facsimiles thereof.

Section 1-13.03. Book-Entry System. The Issue 1 Bonds shall initially be issued in book-entry form as further provided in this Section 1-13.03.

(a) The Issue 1 Bonds shall initially be issued in the form of a separate single fully-registered Issue 1 Bond for each separate stated maturity of the Issue 1 Bonds. Except as provided in paragraph (c) of this Section 1-13.03 all of the Issue 1 Bonds shall be registered in the name of the Nominee.

The Trustee, the Registrar, the Paying Agents and the Commission may treat the registered owner of each Issue 1 Bond as the sole and exclusive owner thereof for the purposes of payment of the principal or redemption price of or interest on the Issue 1 Bonds, selecting the Issue 1 Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under this 1991 Resolution, registering the transfer of Bonds, obtaining any consent or other action to be taken by Bondholders, and for all other purposes whatsoever, and neither the Trustee, the Registrar, the Paying Agents nor the Commission shall be affected by any notice to the contrary.

Neither the Trustee, the Registrar, the Paying Agents nor the Commission shall have any responsibility or obligation to any participant in the Bond Depository (a "Participant"), any person claiming a beneficial ownership interest in the Issue 1 Bonds under or through the Bond Depository or any Participant, or any other person who is not shown on the registration books as being a Bondholder, with respect to (i) the accuracy of any records maintained by the Bond Depository or any Participant; (ii) the payment by the Bond Depository or any Participant of any amount in respect of the principal of, redemption price of or interest on the Issue 1 Bonds; (iii) the delivery of any notice which is permitted or required to be given to Bondholders under the 1991 Resolution; (iv) the selection by the Bond Depository or any Participant of any person to receive payment in the event of a partial redemption of the Issue 1 Bonds; (v) any consent given or other action taken by the Bond Depository as Bondholder; or (vi) any other purpose.

The Trustee or the Paying Agents, as the case may be, shall pay all principal of and premium, if any, and interest on the Issue 1 Bonds only to or upon the order of the Bond Depository, and all such payments shall be valid and effective to fully satisfy and discharge the Commission's obligations with respect to the payment of the principal of and premium, if any, and interest on the Issue 1 Bonds to the extent of the sum or sums so paid. No person other than the Bond Depository shall receive an authenticated Issue 1 Bond evidencing the obligation of the Commission to make payments of principal of and premium, if any, and interest pursuant to this 1991 Resolution. Upon delivery by the Bond Depository to the Trustee of written notice to the effect that the Bond Depository has determined to substitute a new Nominee in place of the current Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Article 1-XIII shall refer to such new Nominee.

(b) In order to qualify the Issue 1 Bonds for the Bond Depository's book-entry system, the appropriate officers or employees of the Commission are hereby authorized to execute, seal, countersign and deliver on behalf of the Commission to the Bond Depository a Letter of Representation (the "Representation Letter") from the Commission representing such matters as shall be necessary to so qualify the Issue 1 Bonds. The execution and delivery of the Representation Letter shall not in any way limit the provisions of this Section 1-13.03 or in any other way impose upon the Commission any obligation whatsoever with respect to persons having beneficial ownership interests in the Issue 1 Bonds other than the Bondholders.

(c) In the event (i) the Bond Depository determines not to continue to act as securities depository for the Issue 1 Bonds, or (ii) the Commission determines that the Bond Depository shall no longer so act and delivers a written certificate to the Trustee to that effect, then the Commission will discontinue the book-entry system with the Bond Depository for the Issue 1 Bonds. If the Commission determines to replace the Bond Depository for the Issue 1 Bonds with another qualified securities depository, the Commission shall prepare or direct the preparation of a new, single, separate, fully registered Issue 1 Bond for each maturity of the Issue 1 Bonds registered in the name of such successor or substitute qualified Bond Depository or its Nominee, or make such other arrangements acceptable to the Trustee, the Paying Agents and such successor or substitute Bond Depository as are not inconsistent with the terms of this 1991 Resolution. If the Commission fails to identify another qualified Bond Depository to replace the incumbent Bond Depository for the Issue 1 Bonds, then the Issue 1 Bonds shall no longer be restricted to being registered in the bond registration books in the name of the incumbent Bond Depository or its Nominee, but shall be registered in whatever name or names the incumbent Bond Depository or its Nominee transferring or exchanging the Issue 1 Bonds shall designate.

(d) Notwithstanding any provision of the 1991 Resolution to the contrary, so long as the Issue 1 Bonds are registered in the name of the Nominee, all payments with respect to principal of and premium, if any, and interest on the Issue 1 Bonds and all notices with respect to the Issue 1 Bonds shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Bond Depository.

(e) The initial Bond Depository with respect to the Issue 1 Bonds shall be The Depository Trust Company ("DTC"). The initial Nominee with respect to the Issue 1 Bonds shall be CEDE & Co., as nominee of DTC.

Section 1-13.04. Redemption of Issue 1 Bonds.

(a) Optional Redemption. Issue 1 Bonds maturing on or before the Call Protection Date (determined as hereinafter provided) shall not be subject to optional redemption prior to their respective stated maturity dates. Issue 1 Bonds maturing after the Call Protection Date shall be subject to optional redemption prior to their respective stated maturity dates, at the option of the Commission, from any source of available funds, as a whole or in part on any date (and by lot within a maturity), on or after the Call Protection Date, at specified redemption prices (computed upon the Principal

Amount of Bonds called for redemption), together with accrued interest to the date fixed for redemption.

The Director of Airports or his designee is hereby authorized and directed to determine the Call Protection Date and the optional redemption prices for the Issue 1 Bonds; provided, that the Call Protection Date shall be on a May 1 not later than twelve (12) years from the initial principal payment date for the Issue 1 Bonds; and further provided, that the optional redemption premiums shall not exceed five percent (5%) of the Principal Amount of the Bonds called for redemption, nor extend more than five (5) years beyond the Call Protection Date.

(b) Mandatory Redemption. Issue 1 Term Bonds, if any, shall also be subject to redemption prior to their stated maturity or maturities, in part and by lot, from mandatory sinking fund payments required by Section 1-13.06(c), on any May 1, on or after the first date upon which mandatory sinking fund payments are to be made (as established by the Issue 1 Sale Resolution), at the Principal Amount thereof and accrued interest thereon to the date of redemption, but without premium. No Issue 1 Term Bonds maturing on any date shall be redeemed from mandatory sinking fund payments until Issue 1 Term Bonds maturing on preceding term maturity dates, if any, in order of term maturities, shall have been retired.

Except as in this Section 1-13.04 otherwise provided, the redemption of Issue 1 Bonds shall be subject to the provisions of Article II of the 1991 Resolution.

Section 1-13.05. Establishment and Application of Issue 1 Construction Fund Account. In accordance with Section 4.01 of this 1991 Resolution, there is hereby created within the Airport Construction Fund a separate account for the Issue 1 Bonds to be held by the Treasurer and designated as the "Issue 1 Construction Account". Moneys in the Issue 1 Construction Account shall be applied to the payment of costs of issuance of the Issue 1 Bonds. All amounts remaining in the Issue 1 Construction Account on the date which is 180 days after the Closing Date shall be transferred by the Treasurer to the Revenues Account.

Section 1-13.06. Establishment and Application of Issue 1 Debt Service Fund Accounts.

(a) Establishment of Issue 1 Accounts. Pursuant to Section 5.03 of this 1991 Resolution, the following separate accounts for the Issue 1 Bonds to be held by the Trustee are hereby created within the 1991 Resolution Debt Service Fund and designated as indicated: "Issue 1 Interest Account," "Issue 1 Principal Account" and "Issue 1 Redemption Account."

(b) Application of Issue 1 Interest Account. The Trustee shall apply moneys in the Issue 1 Interest Account to the payment of interest on the Issue 1 Bonds when due, including accrued interest on any Issue 1 Bonds purchased or redeemed prior to maturity.

(c) Application of Issue 1 Principal Account.

(1) The Trustee shall apply moneys in the Issue 1 Principal Account to the payment of the Principal Amount of the Issue 1 Bonds when due and the payment of mandatory sinking fund payments on Issue 1 Term Bonds.

(2) At the discretion of the Commission, the Trustee shall apply mandatory sinking fund payments, as rapidly as may be practicable, to the purchase of Issue 1 Term Bonds at public or private sale as and when and at such prices (including brokerage and other expenses, but excluding accrued interest on Issue 1 Bonds, which is payable from the Issue 1 Interest Account) as the Commission may in its discretion determine, but not to exceed the par value thereof.

(3) All Issue 1 Bonds purchased or redeemed under the provisions of this Section 1-13.06 shall be delivered to, and canceled and destroyed by, the Trustee and shall not be reissued.

(d) Application of Issue 1 Redemption Account. The Trustee shall apply moneys in the Issue 1 Redemption Account to the payment of the Redemption Price of the Issue 1 Bonds called for redemption pursuant to Section 1-13.04(a). Accrued interest on Issue 1 Bonds redeemed pursuant to Section 1-13.04(a) shall be paid from the Issue 1 Interest Account.

(e) Deficiencies in the Issue 1 Debt Service Accounts. In the event that the amount on deposit in any Issue 1 Debt Service Account is insufficient to pay the interest or Principal Amount or Redemption Price coming due on the Issue 1 Bonds, the Trustee shall transfer from the Issue 1 Reserve Account to the Issue 1 Interest Account, Issue 1 Principal Account or Issue 1 Redemption Account, as the case may be, not later than five days prior to the date on which such payment is required, the amount of such deficiency.

Section 1-13.07. Establishment, Application and Valuation of Issue 1 Reserve Account.

(a) Pursuant to Section 5.04 of the 1991 Resolution, the Issue 1 Reserve Account is hereby established within the 1991 Resolution Reserve Fund held by the Trustee.

The moneys in said account shall be used solely for the purpose of paying interest, principal or mandatory sinking fund payments on the Issue 1 Bonds and any other Participating Series whenever any moneys then credited to the accounts within the 1991 Resolution Debt Service Fund for the Participating Series are insufficient for such purposes. If at any time the balance in said account shall for any reason be diminished below an amount equal to the Aggregate Maximum Annual Debt Service on the then Outstanding Bonds of the Participating Series, the Trustee shall immediately notify the Commission of such deficiency, and the Commission shall cause the Issue 1 Reserve Account to be replenished by transfers from available Net Revenues over a period not to exceed twelve months from the date the Commission receives notice from the Trustee of such deficiency.

(b) Within ninety (90) days after the end of each Fiscal Year and at such other times as the Commission shall request in writing, the Trustee shall determine the amount in the Issue 1 Reserve Account. Permitted Investments in the Issue 1 Reserve Account shall be valued at cost plus accreted value.

(c) In the event that the Trustee determines on any valuation date that the amount in the Issue 1 Reserve Account exceeds Aggregate Maximum Annual Debt Service on all then Outstanding Bonds of the Participating Series, upon the request of the Commission signed by an Authorized Commission Representative, the Trustee shall transfer the amount of such excess to the Treasurer for deposit in the Revenues Account.

(d) In the event the Issue 1 Bonds are to be redeemed in whole or in part pursuant to Section 1-13.04(a) or the Commission notifies the Trustee in writing of its intention to refund the Issue 1 Bonds in whole or in part, the Trustee shall value the amount in the Issue 1 Reserve Account in accordance with Section 1-13.07(b), and if the Trustee determines that the amount in the Issue 1 Reserve Account exceeds Aggregate Maximum Annual Debt Service on the Bonds of the Participating Series to remain Outstanding after such redemption or refunding, upon the request of the Commission signed by an Authorized Commission Representative, the Trustee shall transfer the amount of such excess in accordance with such request.

(e) 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. 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 1-13.08. Disposition of Proceeds of the Issue 1 Bonds. The proceeds of the sale of the Issue 1 Bonds shall be deposited with the Treasurer and shall be held in trust and set aside by the Treasurer as follows:

(a) The Treasurer shall transfer to the Trustee for deposit in the Issue 1 Interest Account an amount equal to interest accrued on the Issue 1 Bonds to the date of delivery thereof.

(b) The Treasurer shall transfer to the Trustee for deposit in the Issue 1 Reserve Account an amount equal to Maximum Annual Debt Service on the Issue 1 Bonds.

(c) The Treasurer shall deposit in the Issue 1 Construction Account the amount specified in the Issue 1 Sale Resolution for the payment of costs of issuance of the Issue 1 Bonds.

(d) The remaining proceeds from the sale of the Issue 1 Bonds shall be transferred by the Treasurer to the Escrow Agent for deposit into the Escrow Fund. Amounts in the Escrow Fund shall be applied in accordance with the Escrow Agreement.

Section 1-13.09. Deposits of Net Revenues in Issue 1 Debt Service Accounts. In accordance with Section 5.03 of the 1991 Resolution, on the second Business Day of each month, the Treasurer shall allocate and transfer to the Trustee for deposit in the Issue 1 Debt Service Accounts amounts from the Net Revenues, as follows:

(a) In the Issue 1 Interest Account, in approximately equal monthly installments, an amount equal to at least one-sixth (1/6) of the aggregate amount of interest becoming due and payable on the Issue 1 Bonds on the next succeeding semiannual interest payment date; provided, however, that no moneys need be deposited in the Issue 1 Interest Account except to the extent that such moneys are required for the payment of interest to become due on the Issue 1 Bonds on the next succeeding semiannual interest

payment date, after the application of the moneys then on deposit in the Issue 1 Interest Account; and provided, further, that subject to the preceding proviso, during the period preceding the first interest payment date on the Issue 1 Bonds, the amount of each monthly installment shall be equal to the product of a fraction the numerator of which is one and the denominator of which is the number of whole calendar months from the Closing Date to the first interest payment date on the Issue 1 Bonds minus one, and the aggregate amount of interest becoming due and payable on the Issue 1 Bonds on said interest payment date.

(b) In the Issue 1 Principal Account, in approximately equal monthly installments, commencing on the second day of the month set forth in the Issue 1 Sale Resolution, an amount equal to at least one-twelfth (1/12) of the aggregate Principal Amount becoming due and payable on the Outstanding Serial Issue 1 Bonds on the next succeeding Principal Payment Date, until there shall have been accumulated in the Issue 1 Principal Account an amount sufficient to pay the Principal Amount of all Serial Issue 1 Bonds maturing by their terms on the next Principal Payment Date.

(c) The Treasurer shall also transfer to the Trustee for deposit in the Issue 1 Principal Account, in approximately equal monthly installments, commencing on or before the second day of the month set forth in the Issue 1 Sale Resolution, prior to the first mandatory sinking fund payment date, an amount equal to at least one-twelfth (1/12) of the mandatory sinking fund payment required to be made pursuant to the Issue 1 Sale Resolution on the next succeeding mandatory sinking fund payment date, as such mandatory sinking fund payments and mandatory sinking fund payment dates may be set forth in the Issue 1 Sale Resolution.

Section 1-13.10. Permitted Investments. Amounts in the Issue 1 Debt Service Accounts shall be invested in Permitted Investments described in clauses (a) or (b) of the definition of Permitted Investments maturing on or before the Payment Date on which the proceeds of such Permitted Investments are intended to be applied for the purposes of the Issue 1 Debt Service Account to which such Permitted Investments are allocated. Amounts in the Issue 1 Reserve Account shall be invested in Permitted Investments described in clauses (a) or (b) of the definition of Permitted Investments maturing no later than seven years after the date of purchase of said Permitted Investment.

Section 1-13.11. Transfer and Exchange of Issue 1 Bonds; Registrar; Authenticating Agent; Paying Agents. Any Issue 1 Bond may be transferred only as provided in this Section, upon the books required to be kept by the Registrar pursuant hereto, by the person in whose name it is registered, in person or by duly authorized attorney, upon surrender of such Bond to the Registrar for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Registrar, duly executed. Whenever any Issue 1 Bond shall be surrendered for transfer, the Commission shall execute and the Authenticating Agent shall cause to be authenticated and delivered a new Issue 1 Bond of the same maturity and for a like aggregate principal amount. The Registrar shall require the payment by the Bondholder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Issue 1 Bonds may be exchanged at the principal office of the Registrar in San Francisco, California for a like aggregate principal amount of Issue 1 Bonds of other authorized denominations of the same maturity. The Registrar shall require the payment by the Bondholder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee is hereby appointed as Registrar and Authenticating Agent for the Issue 1 Bonds. The Trustee will keep or cause to be kept at its principal corporate trust office in San Francisco, California, sufficient books for the registration, transfer and exchange of the Issue 1 Bonds, which shall at all times be open to inspection by the Commission; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or exchange on said register, Issue 1 Bonds as herein provided.

The Trustee is hereby appointed as Paying Agent for the purpose of paying the principal or Redemption Price of and interest on the Issue 1 Bonds.

Section 1-13.12. No Arbitrage. The Commission shall not take, nor permit to be taken by the Trustee or otherwise, any action which, if such action had been reasonably expected to have been taken or had been deliberately and intentionally taken on the date of the issuance of the Issue 1 Bonds, would have caused the Issue 1 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and Regulations. To that end, the Commission will comply with all requirements of Section 148 of the Code to the extent applicable to the Issue 1 Bonds. In the event that at any time the Commission is of the opinion

that for purposes of this Section 1-13.12 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under this Article 1-XIII, the Commission shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

Section 1-13.13. Rebate to United States. The Commission will pay or cause to be paid to the United States Government the amounts required by Section 148(f) of the Code and any Regulations promulgated thereunder at the times required thereby. To further the satisfaction of such rebate requirement, there is hereby created, to be held by the Trustee as a separate fund distinct from all other funds and accounts held by the Trustee under the 1991 Resolution, a fund designated as the "Issue 1 Rebate Account". The Trustee shall hold any payments received from the Commission for deposit into the Issue 1 Rebate Account for purposes of ultimate rebate to the United States, all as more particularly described in the Tax Certificate. Pending payment to the United States, moneys held in the Issue 1 Rebate Account are hereby pledged to secure such payments to the United States as provided herein and in the Tax Certificate, and neither the Commission, the Bondholders nor any other person shall have any rights in or claim to such moneys. The Trustee shall invest all amounts held in the Issue 1 Rebate Account in Nonpurpose Investments (as defined in the Tax Certificate), as directed by the Commission in the Tax Certificate.

Computations of the rebate amount and all calculations under this Section and the Tax Certificate shall be furnished by or on behalf of the Commission. The Trustee shall be deemed conclusively to have complied with the provisions of this Section if it follows the directions of the Commission consistent with the provisions of the Tax Certificate. The Trustee shall have no liability or responsibility to enforce compliance by the Commission with the Rebate Requirement. The Trustee shall have no obligation to pay any amounts required to be rebated pursuant to this Section, other than from moneys required to be held in the funds and accounts created under the 1991 Resolution, including the Issue 1 Rebate Account, or from other moneys provided to it by the Commission.

The Commission and the Trustee shall keep and retain, for a period of six (6) years following the retirement of the Issue 1 Bonds, records of the determinations made pursuant to this Section 1-13.13.

In order to provide for the administration of this Section 1-13.13, the Commission may provide for the employment

AIRPORTS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 91-0210

of independent attorneys, accountants and consultants, who shall be selected by the Commission with reasonable care and compensated on such reasonable basis as the Commission may deem appropriate, and the Trustee may rely conclusively upon the opinions, calculations, determinations and advice of such attorneys, accountants and consultants employed hereunder.

Section 1-13.14. Tax Covenant. The Commission shall not use or knowingly permit the use of any proceeds of the Issue 1 Bonds or any other funds of the Commission, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Issue 1 Bonds being treated as an obligation not described in Section 103(a) of the Code. Without limiting the generality of the foregoing, the Commission will comply with all the requirements and covenants contained in the Tax Certificate. This covenant shall survive the payment in full or defeasance of the Issue 1 Bonds.

Adopted by the Airports Commission of the City and County of San Francisco this 3rd day of December, 1991 by the following vote:

Ayes: 3

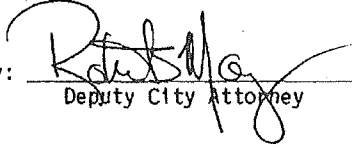
Noes: 0

Absent: 1

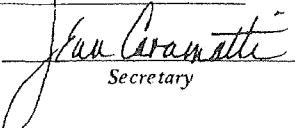
[SEAL]

Approved as to form:

LOUISE H. RENNE
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 Airports Commission
at its meeting of DEC 3 1991


Secretary

AIRPORTS COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO.

91-0210

of independent attorneys, accountants and consultants, who shall be selected by the Commission with reasonable care and compensated on such reasonable basis as the Commission may deem appropriate, and the Trustee may rely conclusively upon the opinions, calculations, determinations and advice of such attorneys, accountants and consultants employed hereunder.

Section 1-13.14. Tax Covenant. The Commission shall not use or knowingly permit the use of any proceeds of the Issue 1 Bonds or any other funds of the Commission, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Issue 1 Bonds being treated as an obligation not described in Section 103(a) of the Code. Without limiting the generality of the foregoing, the Commission will comply with all the requirements and covenants contained in the Tax Certificate. This covenant shall survive the payment in full or defeasance of the Issue 1 Bonds.

Adopted by the Airports Commission of the City and County of San Francisco this 3rd day of December, 1991 by the following vote:

Ayes: 3

Noes: 0

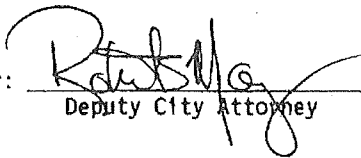
Absent: 1

[SEAL]

Approved as to form:

LOUISE H. RENNE
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 Airports Commission
at its meeting of DEC 3 1991

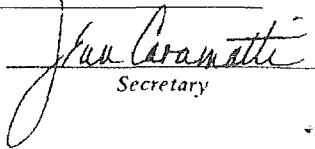

Secretary

EXHIBIT A
[FORM OF BONDS]

\$

No. 1-

STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
AIRPORTS COMMISSION OF THE CITY AND
COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SECOND SERIES REFUNDING REVENUE BONDS
ISSUE 1

<u>Dated Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP No.</u>
_____ 1, 1992		May 1,	

Registered Owner: CEDE & CO.

Principal Sum: DOLLARS

The AIRPORTS COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a commission duly organized and existing under and pursuant to the Charter of the City and County of San Francisco and the laws of the State of California (hereinafter called the "Commission"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, on the maturity date hereinabove stated (subject to any right of prior redemption hereinafter mentioned) the principal sum hereinabove stated together with interest thereon from the interest payment date next preceding the date of registration of this Bond (unless this Bond is registered on an interest payment date, in which event it shall bear interest from the date of registration, or unless this Bond is registered prior to the first interest payment date, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum hereinabove stated, payable on November 1, 1992 and semiannually thereafter on May 1 and November 1 in each year. Both the principal hereof and interest hereon are payable at the principal office of _____, the Trustee, in San Francisco, California, in lawful money of the United States of America.

This Bond is one of a duly authorized issue of San Francisco International Airport Second Series Revenue Bonds of the Commission (hereinafter called the "Bonds") of the series

and designation indicated on the face hereof. Said authorized issue of Bonds is not limited in aggregate principal amount, and consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as in the Resolution hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City and County of San Francisco, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by said Charter (hereinafter called the "Act"). This Bond is issued pursuant to a resolution of the Commission, adopted _____, 1991 as amended, providing for the issuance of the Bonds, and an Issue 1 Sale Resolution, authorizing the issuance of the Issue 1 Bonds (said resolution and Issue 1 Sale Resolution being hereinafter collectively called the "Resolution"). Reference is hereby made to the Resolution and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Bonds; and all the terms of the Resolution and the Act are hereby incorporated herein and constituted a contract between the Commission and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series of Bonds may be issued on a parity with the Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Resolution.

This Bond, including the interest hereon, together with all other Bonds, and the interest thereon, issued under the Resolution (and to the extent set forth in the Resolution), is payable from, and is secured by a charge and lien on, the Net Revenues derived by the Commission from the Airport (as those terms are defined in the Resolution). The lien created by the Resolution on said Net Revenues is subject and subordinate to the lien of Resolution No. 73-0065 adopted by the Commission on March 20, 1973, as supplemented and amended (the "1973 Resolution"), on the Net Revenues as therein defined so long as any bonds issued by the Commission under the 1973 Resolution remain outstanding. The Commission hereby covenants and warrants that, for the payment of the Bonds and interest thereon, there have been created and will be maintained by the Commission, special funds into which there shall be deposited from Net Revenues available for that purpose sums sufficient to pay the principal of, and interest on, all of the Bonds, as such principal and interest become due, and as an irrevocable charge the Commission has allocated Net Revenues to such payment, all in accordance with the Resolution.

The Bonds are special obligations of the Commission, and are payable, both as to principal and interest, and as to any premiums upon the redemption thereof, out of the Net Revenues pertaining to the Airport, and not out of any other fund or moneys of the Commission. No holder of this Bond shall ever have the right to compel any exercise of the taxing power of the City and County of San Francisco to pay this Bond or the interest hereon.

The Issue 1 Bonds maturing on or before May 1, 199_, are not subject to optional redemption prior to their respective stated maturity dates. The Issue 1 Bonds maturing on or after May 1, 200_, are subject to optional redemption prior to their respective stated maturity dates, at the option of the Commission, from any source of available funds, in whole or in part on any date, and by lot within a maturity, on or after May 1, 200_, at the following redemption prices (expressed as a percentage of the principal amount of Issue 1 Bonds called for redemption), together with accrued interest to the date fixed for redemption:

<u>Redemption Period</u> <u>(Dates Inclusive)</u>	<u>Redemption Price</u>
May 1, 200_ to April 30, 200_	%
May 1, 200_ to April 30, 200_	
May 1, 200_ and thereafter	

[The term Issue 1 Bonds maturing May 1, 20__, are subject to mandatory redemption prior to maturity, in part, by lot, from mandatory sinking fund payments, at the principal amount thereof plus accrued interest thereon to the date of redemption, without premium, on each May 1, from May 1, 20__, to and including May 1, 20__.

The term Issue 1 Bonds maturing May 1, 20__, are subject to mandatory redemption prior to maturity, in part, by lot, from mandatory sinking fund payments, at the principal amount thereof plus accrued interest thereon to the date of redemption, without premium, on each May 1, from May 1, 20__, to and including May 1, 20__.]

The Issue 1 Bonds are issuable only as fully registered Bonds without coupons in denominations of \$5,000 and any multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Resolution, fully registered Issue 1 Bonds without coupons may be exchanged for a like aggregate principal amount of fully registered Issue 1 Bonds without coupons of other authorized denominations and of the same series and maturity.

This Bond is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Trustee in San Francisco, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Issue 1 Bond or Issue 1 Bonds without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Commission, the Trustee and any paying agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and any paying agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Resolution, provided that no such modification or amendment shall (i) extend the stated maturity of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof of redemption premium or interest thereon, without the consent of the holder of each Bond so affected, or (ii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Net Revenues prior to or on a parity with the lien of the Resolution, without the consent of the holders of all of the Bonds then outstanding, or (iii) except as expressly permitted by the Resolution, prefer or give priority to any Bond without the consent of the registered owner of each Bond not receiving such preference or priority.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter of the City and County of San Francisco, and that this Bond, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said Charter, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the AIRPORTS COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Bond to be executed in its name and on its behalf by its President and countersigned by its Secretary, and the

seal of said City and County to be imprinted or reproduced by facsimile hereon, and this Bond to be dated as of the ____ day of _____, 1992.

AIRPORTS COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

By _____
President

Countersigned:

Secretary of the Commission

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution and registered this ____ day of _____, _____.

as Trustee

By _____
Authorized Officer

ASSIGNMENT

For value received _____
hereby sell, assign and transfer unto _____
the within Bond and hereby irrevocably constitute and appoint
_____ attorney, to transfer the same on the
books of the Commission at the office of the Trustee, with
full power of substitution in the premises.

Dated: _____

Witness: _____ Tax I.D. No. _____

NOTE: The signature to this Assignment must
correspond with the name as written on the face
of the within registered Bond in every
particular, without alteration or enlargement
or any change whatsoever.

EXHIBIT A
[FORM OF BONDS]

\$

No. 1-

STATE OF CALIFORNIA
CITY AND COUNTY OF SAN FRANCISCO
AIRPORTS COMMISSION OF THE CITY AND
COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT
SECOND SERIES REFUNDING REVENUE BONDS
ISSUE 1

<u>Dated Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP No.</u>
_____ 1, 1992		May 1,	

Registered Owner: CEDE & CO.

Principal Sum: DOLLARS

The AIRPORTS COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO, a commission duly organized and existing under and pursuant to the Charter of the City and County of San Francisco and the laws of the State of California (hereinafter called the "Commission"), for value received, hereby promises to pay (but only out of the Net Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, on the maturity date hereinabove stated (subject to any right of prior redemption hereinafter mentioned) the principal sum hereinabove stated together with interest thereon from the interest payment date next preceding the date of registration of this Bond (unless this Bond is registered on an interest payment date, in which event it shall bear interest from the date of registration, or unless this Bond is registered prior to the first interest payment date, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum hereinabove stated, payable on November 1, 1992 and semiannually thereafter on May 1 and November 1 in each year. Both the principal hereof and interest hereon are payable at the principal office of _____, the Trustee, in San Francisco, California, in lawful money of the United States of America.

This Bond is one of a duly authorized issue of San Francisco International Airport Second Series Revenue Bonds of the Commission (hereinafter called the "Bonds") of the series

and designation indicated on the face hereof. Said authorized issue of Bonds is not limited in aggregate principal amount, and consists or may consist of one or more series of varying denominations, dates, maturities, interest rates and other provisions, as in the Resolution hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City and County of San Francisco, and all laws of the State of California supplemental thereto, including the Revenue Bond Law of 1941 to the extent made applicable by said Charter (hereinafter called the "Act"). This Bond is issued pursuant to a resolution of the Commission, adopted _____, 1991 as amended, providing for the issuance of the Bonds, and an Issue 1 Sale Resolution, authorizing the issuance of the Issue 1 Bonds (said resolution and Issue 1 Sale Resolution being hereinafter collectively called the "Resolution"). Reference is hereby made to the Resolution and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Resolution, and the rights of the registered owners of the Bonds; and all the terms of the Resolution and the Act are hereby incorporated herein and constituted a contract between the Commission and the registered owner from time to time of this Bond, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series of Bonds may be issued on a parity with the Bonds of this authorized issue, but only subject to the conditions and limitations contained in the Resolution.

This Bond, including the interest hereon, together with all other Bonds, and the interest thereon, issued under the Resolution (and to the extent set forth in the Resolution), is payable from, and is secured by a charge and lien on, the Net Revenues derived by the Commission from the Airport (as those terms are defined in the Resolution). The lien created by the Resolution on said Net Revenues is subject and subordinate to the lien of Resolution No. 73-0065 adopted by the Commission on March 20, 1973, as supplemented and amended (the "1973 Resolution"), on the Net Revenues as therein defined so long as any bonds issued by the Commission under the 1973 Resolution remain outstanding. The Commission hereby covenants and warrants that, for the payment of the Bonds and interest thereon, there have been created and will be maintained by the Commission, special funds into which there shall be deposited from Net Revenues available for that purpose sums sufficient to pay the principal of, and interest on, all of the Bonds, as such principal and interest become due, and as an irrevocable charge the Commission has allocated Net Revenues to such payment, all in accordance with the Resolution.

The Bonds are special obligations of the Commission, and are payable, both as to principal and interest, and as to any premiums upon the redemption thereof, out of the Net Revenues pertaining to the Airport, and not out of any other fund or moneys of the Commission. No holder of this Bond shall ever have the right to compel any exercise of the taxing power of the City and County of San Francisco to pay this Bond or the interest hereon.

The Issue 1 Bonds maturing on or before May 1, 199_, are not subject to optional redemption prior to their respective stated maturity dates. The Issue 1 Bonds maturing on or after May 1, 200_, are subject to optional redemption prior to their respective stated maturity dates, at the option of the Commission, from any source of available funds, in whole or in part on any date, and by lot within a maturity, on or after May 1, 200_, at the following redemption prices (expressed as a percentage of the principal amount of Issue 1 Bonds called for redemption), together with accrued interest to the date fixed for redemption:

<u>Redemption Period</u> <u>(Dates Inclusive)</u>	<u>Redemption Price</u>
May 1, 200_ to April 30, 200_	%
May 1, 200_ to April 30, 200_	
May 1, 200_ and thereafter	

[The term Issue 1 Bonds maturing May 1, 20___, are subject to mandatory redemption prior to maturity, in part, by lot, from mandatory sinking fund payments, at the principal amount thereof plus accrued interest thereon to the date of redemption, without premium, on each May 1, from May 1, 20___, to and including May 1, 20___.

The term Issue 1 Bonds maturing May 1, 20___, are subject to mandatory redemption prior to maturity, in part, by lot, from mandatory sinking fund payments, at the principal amount thereof plus accrued interest thereon to the date of redemption, without premium, on each May 1, from May 1, 20___, to and including May 1, 20___.]

The Issue 1 Bonds are issuable only as fully registered Bonds without coupons in denominations of \$5,000 and any multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Resolution, fully registered Issue 1 Bonds without coupons may be exchanged for a like aggregate principal amount of fully registered Issue 1 Bonds without coupons of other authorized denominations and of the same series and maturity.

This Bond is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Trustee in San Francisco, California, but only in the manner, subject to the limitations and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Issue 1 Bond or Issue 1 Bonds without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The Commission, the Trustee and any paying agent may deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the Commission, the Trustee and any paying agent shall not be affected by any notice to the contrary.

The rights and obligations of the Commission and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Resolution, provided that no such modification or amendment shall (i) extend the stated maturity of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof of redemption premium or interest thereon, without the consent of the holder of each Bond so affected, or (ii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Net Revenues prior to or on a parity with the lien of the Resolution, without the consent of the holders of all of the Bonds then outstanding, or (iii) except as expressly permitted by the Resolution, prefer or give priority to any Bond without the consent of the registered owner of each Bond not receiving such preference or priority.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Bond, and in the issuing of this Bond, do exist, have happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of California and the Charter of the City and County of San Francisco, and that this Bond, together with all other indebtedness of the Commission pertaining to the Airport, is within every debt and other limit prescribed by the Constitution and statutes of the State of California and said Charter, and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the AIRPORTS COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO has caused this Bond to be executed in its name and on its behalf by its President and countersigned by its Secretary, and the

seal of said City and County to be imprinted or reproduced by facsimile hereon, and this Bond to be dated as of the ____ day of _____, 1992.

AIRPORTS COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

By _____
President

Countersigned:

Secretary of the Commission

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Resolution and registered this ____ day of _____, _____.

as Trustee

By _____
Authorized Officer

ASSIGNMENT

For value received _____
hereby sell, assign and transfer unto _____
the within Bond and hereby irrevocably constitute and appoint
_____ attorney, to transfer the same on the
books of the Commission at the office of the Trustee, with
full power of substitution in the premises.

Dated: _____

Witness: _____ Tax I.D. No. _____

NOTE: The signature to this Assignment must
correspond with the name as written on the face
of the within registered Bond in every
particular, without alteration or enlargement
or any change whatsoever.

**Airports
Commission**

City and County
of San Francisco
Art Agnos
Mayor

Patrick A. Murphy
President

J. Stanley Mattison
Vice President

Sharon B. Duvall

L. Andrew Jeanpierre

Louis A. Turpen
Director of Airports



San Francisco International Airport

GATEWAY TO THE PACIFIC

MEMORANDUM

November 22, 1991

91-0210

DEC 3 1991
91-0210

TO: AIRPORTS COMMISSION
Hon. Patrick A. Murphy, President
Hon. J. Stanley Mattison, Vice President
Hon. Sharon B. Duvall
Hon. L. Andrew Jeanpierre

FROM: Director of Airports

SUBJECT: \$225 Million Refunding Bond Issue

DIRECTOR'S RECOMMENDATION: APPROVE THE ATTACHED RESOLUTIONS APPROVING A NEW MASTER BOND RESOLUTION, AUTHORIZING THE SALE OF SECOND SERIES REFUNDING BONDS ISSUE ONE, AND APPROVING THE OFFICIAL BOND DOCUMENTS

The first attached resolution represents the new Master Bond Resolution. It also authorizes the issuance of \$225 million principal amount of San Francisco International Airport Second Series Refunding Bonds, Issue 1. The second resolution authorizes the sale of bonds and approves the form of the Series 1 Official Statement and the Official Notice of Sale.

Airport staff and the Airport's bond consultant team have prepared the new less restrictive Master Resolution which will govern the issuance of all future bonds. The new resolution corrects deficiencies in the 1973 resolution and eliminates restrictions which would impede the issuance of the Master Plan bonds. Both Standard and Poors and Moody's have indicated informally that the Airport will likely retain its A+/A1 ratings for bonds issued under the new resolution.

The Series 1 Bonds will be used to refund the Airport's outstanding Series A and C Bonds. Based on current market conditions, the Airport should realize a net present value savings of \$14.9 million or 7% from this refunding issue. The Airport staff and bond consultant team are working towards a February 2, 1992 sale date. As background, the Airport's Series C Bonds have an average interest cost of 8.39% and mature in 2013. The Series A Bonds have an

THIS PRINT COVERS CALENDAR ITEM NO. _____

November 22, 1991

interest cost of 7.32% and mature in 2008. The refunding bonds will have approximately level debt service and will mature in 2013. This effectively lengthens the debt service payment period for the Series A Bonds. The Airport's resulting annual debt service will be \$2.4 million less through 2008. The Airport's debt service will increase by \$7 to \$8 million between 2009 and 2013. Our Financial Advisors have recommended this debt service schedule in view of the issuance of Master Plan bonds over the next few years.

The first attached resolution gives the Director of Airports the option to limit the refunding to only the Series C Bonds should market interest rates rise significantly. A sharp increase in interest rates could eliminate the savings from the refunding of the Series A Bonds.

I recommend Commission approval of the attached resolutions.



A. Turpen
Director of Airports

Prepared by: Angela Gittens

Attachment

AIRPORTS COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. _____

Resolution Authorizing and Directing the Sale
of Not to Exceed \$225,000,000 Principal Amount of San Francisco
International Airport Second Series Refunding Revenue Bonds,
Issue 1, Approving Forms of Notices; Approving Form of Official
Statement and Authorizing Official Action

WHEREAS, the Airports Commission of the City and County of San Francisco, by its Resolution No. _____ adopted this day, duly authorized the issuance of not to exceed \$225,000,000 aggregate principal amount of San Francisco International Airport Second Series Refunding Revenue Bonds, Issue 1 (herein called the "Bonds of Issue 1"), and it is desirable that the Bonds of Issue 1 be offered for public sale at this time;

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

Section 1. The offices of Orrick, Herrington & Sutcliffe, Old Federal Reserve Bank Building, 400 Sansome Street, San Francisco, California, is hereby fixed as the place, and 10:00 a.m. on the date established by the Director of Airports pursuant to Section 2 of this Resolution is hereby fixed as the time, at which bids will be received for the purchase of the Bonds of Issue 1, subject to the terms and conditions of the official notice of sale hereinafter set forth.

Section 2. The date upon which such bids for the purchase of the Bonds of Issue 1 shall be received shall be established by the Director of Airports or his designee and shall be no later than June 30, 1992.

Section 3. The Secretary of the Commission is hereby authorized and directed to cause a notice of intention to sell the Bonds of Issue 1 to be published once, at least fifteen days prior to the date of sale established by the Director of Airports pursuant to Section 2 of this Resolution, in The Wall Street Journal (Western Edition), a financial publication generally circulated throughout the State of California. Such notice shall be in substantially the form set forth in Appendix A to this Resolution (which is incorporated herein by this reference), subject to such variations, omissions, additions, insertions and corrections as may be deemed advisable by the City Attorney.

Section 4. Lazard Freres & Co. and Grigsby Brandford & Co., Inc., co-financial advisors to the Commission (the "Co-Financial Advisors"), are further authorized, in their discretion, to cause said notice of sale, or a summary or general announcement thereof, to be published in The Bond Buyer, New York, New York. Such publication shall constitute an additional notice of sale of the Bonds of Issue 1, but no failure to make

such publication and no defect or error in such publication shall affect the sale of the Bonds of Issue 1.

Section 5. The preliminary official statement describing said Bonds of Issue 1 in substantially the form submitted to the Commission at the meeting at which this resolution is adopted, subject to such variations, omissions, additions, insertions and corrections as may be deemed advisable by the City Attorney, is hereby adopted and approved as the official statement with respect to the Bonds of Issue 1.

Section 6. The Co-Financial Advisors are hereby authorized and directed to cause copies of said preliminary official statement to be printed and mailed to prospective bidders for said Bonds of Issue 1, together with printed copies of an Official Notice of Sale. Such Official Notice of Sale shall be in substantially the form set forth in Appendix B to this Resolution (which is incorporated herein by this reference), with such variations, omissions, additions, insertions and corrections as may be deemed advisable by the City Attorney.

Section 7. 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 any and all actions and to execute and deliver any and all certificates, requisitions, agreements, notices, consents, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the lawful issuance, sale and delivery of said Bonds of Issue 1 in accordance with the provisions hereof.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 17-0045

TWENTIETH SUPPLEMENTAL BOND RESOLUTION, IN CONNECTION WITH THE ON-AIRPORT HOTEL, INCREASING AIRPORT CAPITAL PLAN BONDS AUTHORIZATION BY \$35 MILLION FROM \$243 MILLION TO \$278 MILLION IN PRINCIPAL AMOUNT, AND INCREASING HOTEL SPECIAL FACILITY BONDS AUTHORIZATION BY \$35 MILLION FROM \$225 MILLION TO \$260 MILLION IN PRINCIPAL AMOUNT.

WHEREAS, the Airport Commission (the "Commission") of the City and County of San Francisco (the "City"), on December 3, 1991, 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, Resolution No. 08-0035, adopted on February 19, 2008, Resolution No. 10-0316, adopted on October 26, 2010, Resolution No. 12-0050, adopted on March 20, 2012, Resolution No. 14-0024, adopted on February 18, 2014, Resolution No. 15-0182, adopted on September 22, 2015 (the "Eighteenth Supplemental Resolution"), and Resolution No. 16-0274, adopted on November 1, 2016, 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, as part of implementation of the Airport Master Plan approved by the Commission in 1992, the Commission is undertaking the development of an on-Airport hotel to be owned by the Commission (the "Hotel") on a portion of Plot 2 at the former Hilton Hotel site, along with a new AirTrain station to connect the Hotel with the AirTrain system (the "AirTrain Station" and collectively with the Hotel, the "Hotel Project"); and

WHEREAS, the Commission, pursuant to the 1991 Resolution, has previously authorized the issuance of up to \$7,791,725,000 aggregate principal amount of 1991 Resolution Bonds (the "Capital Plan Bonds") for the purpose of financing and refinancing the development, acquisition, construction, and equipping of capital projects approved by the Commission and costs related thereto, of which an aggregate principal amount of \$5,502,605,000 remains unissued, including an aggregate principal amount of \$4,358,695,227 that remains subject to the approval of the Board of Supervisors; and

WHEREAS, pursuant to the Eighteenth Supplemental Resolution, the Commission: (a) authorized the issuance of not to exceed \$243,000,000 aggregate principal amount of Capital Plan Bonds (the "Airport Capital Plan Bonds") to finance and refinance costs associated with the Hotel Project; and (b) authorized the issuance of special facility bonds in accordance with the terms of the 1991 Resolution in the aggregate principal amount of up to \$225,000,000 (the "Hotel Special Facility Bonds") to finance and refinance costs associated with the Hotel; and

WHEREAS, to maintain the special facility status of the Hotel and finance it at the lowest available interest rates, the Commission determined to combine the desirable features of the Airport Capital Plan Bonds which are secured and payable from Airport net revenues and can therefore be sold to investors at the lowest available interest rates, and the Hotel Special Facility Bonds by selling the Airport Capital Plan Bonds to investors and purchasing the Hotel Special Facility Bonds with the proceeds of the Airport Capital Plan Bonds; and

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 17-0045

- WHEREAS, the Airport Capital Plan Bonds and the Hotel Special Facility Bonds will be issued in accordance with the 1991 Resolution, applicable provisions of the Charter of the City, ordinances and resolutions of the Board of Supervisors, and the statutes of the State of California; and
- WHEREAS, the estimated costs of the Hotel have increased, thus requiring an increase in the authorized principal amount of both the Airport Capital Plan Bonds and the Hotel Special Facility Bonds of \$35,000,000 to pay the costs thereof; and
- WHEREAS, the Airport Master Plan was the subject of a Program Environmental Impact Report ("EIR") certified by the San Francisco Planning Commission on May 28, 1992, by Motion No. 13356; and
- WHEREAS, the Environmental Planning Division of the San Francisco Planning Department reviewed the Hotel Project and issued an addendum to the EIR ("Addendum") on February 5, 2014, determining that the Hotel Project is within the scope of the EIR and no additional environmental review is required under the California Environmental Quality Act (Public Resources Code Section 21000 et seq., "CEQA"); and
- WHEREAS, on May 19, 2014, the Commission, by Resolution No. 14-0095, adopted findings under CEQA related to the Hotel Project, determined to proceed with the Hotel Project, and authorized the Airport Director to proceed with implementation of the Hotel Project; and
- WHEREAS, the project files, including the EIR, Addendum and Commission Resolution No. 14-0095, have been made available for review by the Commission and the public, and those files are part of the record before the Commission; 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, that this Commission has reviewed and considered the information in the EIR and Addendum, and hereby incorporates the CEQA findings contained in Resolution No. 14-0095, including findings of the Statement of Overriding Considerations, by this reference as though fully set forth in this Resolution; and be it further
- RESOLVED, that this Commission finds that since the EIR and Addendum were finalized, there have been no substantial project changes and no substantial changes in project circumstances that would require major revisions to the EIR due to the involvement of new significant environmental effects or an increase in the severity of previously identified significant impacts, and there is no new information of substantial importance that would change the conclusions set forth in the EIR and Addendum; and be it further
- RESOLVED, as follows:
- Section 1. Commission Findings. The Commission hereby finds and determines that the foregoing recitals are true and correct.
- Section 2. Defined Terms. Capitalized terms used but not otherwise defined in this Resolution shall have the meanings set forth in the 1991 Resolution.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 17-0045

- Section 3. Airport Capital Plan Bonds.
- (a) Increased Authorization of Capital Plan Bonds. In accordance with Section 9.01(f) of the 1991 Resolution, the Commission hereby authorizes the issuance of an additional aggregate principal amount of not to exceed \$35,000,000 of Airport Capital Plan Bonds for the Hotel Project.
- (b) Parameters of the Airport Capital Plan Bonds. The Airport Capital Plan Bonds shall be sold prior to June 30, 2020, and may be issued as Variable Rate Bonds.
- Section 4. Hotel Special Facility Bonds. The Commission hereby authorizes the issuance of an additional aggregate principal amount of not to exceed \$35,000,000 of Hotel Special Facility Bonds for the Hotel. The Hotel Special Facility Bonds shall be secured solely by, and payable solely from, the Hotel Revenues.
- Section 5. Ratification of Eighteenth Supplemental Resolution. The Eighteenth Supplemental Resolution, except as supplemented and amended by this Resolution, is hereby ratified, approved and confirmed and remains in full force and effect.
- Section 6. Delegation by Airport Director. The Airport Director is authorized to delegate the authority granted to him pursuant to this Resolution in writing to a member of Airport management upon consultation with the Office of the City Attorney.
- Section 7. Approval of Board of Supervisors. The Commission Secretary, for and on behalf of and in the name of the Commission, is authorized and directed to seek any approvals the Airport Director deems necessary or desirable from the Board of Supervisors of the City in order to carry out the intents and purposes of this Resolution, including approval of the additional Airport Capital Plan Bonds and Hotel Special Facility Bonds, and any necessary supplemental appropriations.
- Section 8. Ratification of Prior Acts. The actions of the officers, agents and employees of the Commission to carry out its intents and purposes taken prior to the adoption of this Resolution are ratified, approved and confirmed.
- Section 9. General Authorization. The Airport Director and the other officers, agents and employees of the Commission are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the Office of the City Attorney, as may be necessary or desirable and in the best interests of the Commission to carry out the purposes and intents of this Resolution and the transactions contemplated hereby.
- Section 10. Effectiveness. This Resolution shall become effective on and as of the date of adoption hereof.
- Section 11. Severability. Should the application of any provision of this Resolution to any particular facts or circumstances be found by a court of competent jurisdiction to be invalid or unenforceable, then (a) the validity of other provisions of this Resolution shall not be affected or impaired thereby, and (b) such provision shall be enforced to the maximum extent possible so as to effect the purposes and intents of this Resolution.

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 17-0046

ADOPTED by the Airport Commission of the City and County of San Francisco this 7th day of March, 2017,
by the following vote:

Ayes: 4

Noes: 0

Absent: 1

[SEAL]

Approved as to Form:

DENNIS J. HERRERA
City Attorney

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

Page 4 of 4

OHSUSA:766396818.1

I hereby certify that the foregoing resolution was adopted by the Airport Commission
at its meeting of MAR 07 2017

Jean Commins
Secretary



San Francisco International Airport

November 5, 2019

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 October 18, 2019 Regarding the Proposed Issuance of Tax-Exempt Airport Revenue Bonds

Dear Ms. Calvillo:

This is to confirm that at 9:30 am on Friday, October 18, 2019, acting in my capacity as Capital Finance Director, 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 plan of financing including the issuance by the Commission of tax-exempt bonds, notes and other obligations, including without limitation revenue bonds, special facility revenue bonds, subordinate revenue bonds, commercial paper notes, and revenue refunding bonds, all in an aggregate principal amount not to exceed \$8,956,789,550, as described in the Notice of Public Hearing that was published in *The San Francisco Examiner* on October 9, 2019.

The hearing was held at the San Francisco International Airport in Conference Room 28R 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,

Ronda Chu
Capital Finance Director

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

MALCOLM YEUNG

IVAR C. SATERO
AIRPORT DIRECTOR

SAN FRANCISCO EXAMINER

This space for filing stamp only

835 MARKET ST, SAN FRANCISCO, CA 94103
Telephone (415) 314-1835 / Fax (510) 743-4178

JENICA LIU
CCSF AIRPORT COMMISSION/AIRPORT COMMISSION
P.O. BOX 8097
SAN FRANCISCO, CA - 94128

EXM #: 3301696

PROOF OF PUBLICATION

(2015.5 C.C.P.)

State of California)
County of SAN FRANCISCO } ss

Notice Type: HRG - NOTICE OF HEARING

Ad Description:

NOTICE OF PUBLIC HEARING Friday, October 18, 2019

I am a citizen of the United States and a resident of the State of California; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer and publisher of the SAN FRANCISCO EXAMINER, a newspaper published in the English language in the city of SAN FRANCISCO, county of SAN FRANCISCO, and adjudged a newspaper of general circulation as defined by the laws of the State of California by the Superior Court of the County of SAN FRANCISCO, State of California, under date 10/18/1951, Case No. 410667. That the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

10/09/2019

Executed on: 10/09/2019
At Los Angeles, California

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Signature



NOTICE OF PUBLIC HEARING
Notice is hereby given by the Airport Commission of the City and County of San Francisco (the "Commission"), which operates and manages the San Francisco International Airport (the "Airport") as a department of the City and County of San Francisco, which owns the Airport, that a public hearing will be held at 9:30 am on Friday, October 18, 2019, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (as amended, the "Code") with respect to the Commission's proposed plan of financing including the issuance by the Commission of tax-exempt bonds, notes and other obligations, including without limitation revenue bonds, special facility revenue bonds, subordinate revenue bonds, commercial paper notes, and revenue refunding bonds, all in an aggregate principal amount not to exceed \$8,958,789,550 (collectively, the "Bonds") to finance or refinance costs of the Airport, as further described below. The Commission intends to issue the Bonds in multiple series or issues from time to time, as part of a plan of financing provided for in Section 147(f)(2)(C) of the Code, and to issue the Bonds as exempt facility bonds for airport facilities pursuant to Section 142(a)(1) of the Code. The hearing will be held at San Francisco International Airport, Administration Offices, North Shoulder Building, International Terminal, Fifth Floor, Conference Room 28R. Interested persons wishing to express their views on the plan of financing and the issuance of the Bonds will be given the opportunity to do so at the public hearing or may, prior to the time of the hearing, submit written comments to the attention of Ms. Ronda Chu, Capital Finance Director, San Francisco Airport Commission, San Francisco International Airport, P.O. Box 8097, San Francisco, California 94128-8097. Conference Room 28R in the International Terminal is wheelchair accessible. Directions to Conference Room 28R may be obtained by calling (650) 821-2828. The closest accessible BART station is the San Francisco International Airport station. Various accessible bus lines serve

the Airport. For more information about accessible transit services, visit <http://511.org>. There is accessible parking available at the Airport. For use of a reader or assisted listening device during the hearing, please contact the Commission Secretary at (650) 821-6042 at least three business days before the hearing. A driver's license or other photo identification is required in order to check out an assisted listening device. In order to assist the Commission's efforts to accommodate persons with severe allergies, environmental illnesses, multiple chemical sensitivity or related disabilities, attendees at public hearings are reminded that other attendees may be sensitive to various chemical-based products. Please help the Commission accommodate these individuals. The proceeds of the Bonds will be used to finance and refinance projects, programs, facilities and improvements of the Airport that will be owned by the Commission, and that are all necessary for the integrated operation of the Airport in accordance with Section 142(a)(1) of the Code, including without limitation the development, acquisition, construction, demolition, reconstruction, expansion, improvement, equipping, furnishing, renewal, restoration and/or replacement of terminals and boarding areas; air traffic control towers and related systems and facilities; cargo, hangar, maintenance and support buildings and facilities; baggage and cargo inspection and other security projects, programs and facilities; electric, power, lighting, water, sewer, drainage, telephone, computer, navigation, communications or other utility facilities and systems, including without limitation solar, wind, natural gas and other electric generating facilities; fuel storage and distribution facilities; aircraft and vehicle fueling and recharging and other utilities and facilities; lodging, meeting and related buildings and facilities; information technology systems; noise and other environmental remediation and mitigation projects, programs and facilities; programs, projects and facilities to address the potential impacts of climate change, including without

limitation sea level) rise, on the Airport, including without limitation sea-walls and flood control systems; ground transportation projects, programs and facilities, including without limitation rail and light rail systems; land and submerged land; parking and vehicle staging lots and structures; signage and structures; maintenance and support buildings and facilities; police, fire, rescue and public safety buildings, systems and facilities; roads, roadways, airfields, taxiways and aprons, including runway safety areas and engineered materials arresting systems; employee facilities, including administration buildings upgrades and redevelopment; and vehicles or other capital equipment related to any of the above; together with related costs and expenses. All such projects, programs, facilities and improvements are or will be located at or adjacent to the Airport except as set forth below. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County bordering the San Francisco Bay and in small portions of the Cities of Millbrae and South San Francisco. Certain Airport noise mitigation projects, programs, facilities and improvements that are also part of an integrated operation with the Airport are located or are expected to be located within the cities of Daly City, Millbrae, Pacifica, San Bruno and South San Francisco, as well as unincorporated areas of San Mateo County.

Dated this 9th day of October, 2019.

Airport Commission of the City and County of San Francisco.

SAN FRANCISCO EXAMINER

This space for filing stamp only

835 MARKET ST, SAN FRANCISCO, CA 94103
Telephone (415) 314-1835 / Fax (510) 743-4178

JENICA LIU
CCSF AIRPORT COMMISSION/AIRPORT COMMISSION
P.O. BOX 8097
SAN FRANCISCO, CA - 94128

EXM#: 3301696

PROOF OF PUBLICATION

(2015.5 C.C.P.)

State of California }
County of SAN FRANCISCO } ss

Notice Type: HRG - NOTICE OF HEARING

Ad Description:

NOTICE OF PUBLIC HEARING Friday, October 18, 2019

I am a citizen of the United States and a resident of the State of California; I am over the age of eighteen years, and not a party to or interested in the above entitled matter. I am the principal clerk of the printer and publisher of the SAN FRANCISCO EXAMINER, a newspaper published in the English language in the city of SAN FRANCISCO, county of SAN FRANCISCO, and adjudged a newspaper of general circulation as defined by the laws of the State of California by the Superior Court of the County of SAN FRANCISCO, State of California, under date 10/18/1951, Case No. 410667. That the notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

10/09/2019

Executed on: 10/09/2019
At Los Angeles, California

I certify (or declare) under penalty of perjury that the foregoing is true and correct.

Signature



NOTICE OF PUBLIC HEARING

Notice is hereby given by the Airport Commission of the City and County of San Francisco (the "Commission"), which operates and manages the San Francisco International Airport (the "Airport") as a department of the City and County of San Francisco, which owns the Airport, that a public hearing will be held at 9:30 am on Friday, October 18, 2019, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (as amended, the "Code") with respect to the Commission's proposed plan of financing including the issuance by the Commission of tax-exempt bonds, notes and other obligations, including without limitation revenue bonds, special facility revenue bonds, subordinate revenue bonds, commercial paper notes, and revenue refunding bonds, all in an aggregate principal amount not to exceed \$8,956,789,550 (collectively, the "Bonds") to finance or refinance costs of the Airport, as further described below. The Commission intends to issue the Bonds in multiple series or issues from time to time, as part of a plan of financing provided for in Section 147(f)(2)(C) of the Code, and to issue the Bonds as exempt facility bonds for airport facilities pursuant to Section 142(a)(1) of the Code. The hearing will be held at San Francisco International Airport, Administration Offices, North Shoulder Building, International Terminal, Fifth Floor, Conference Room 28R. Interested persons wishing to express their views on the plan of financing and the issuance of the Bonds will be given the opportunity to do so at the public hearing or may, prior to the time of the hearing, submit written comments to the attention of Ms. Ronda Chu, Capital Finance Director, San Francisco Airport Commission, San Francisco International Airport, P.O. Box 8097, San Francisco, California 94128-8097. Conference Room 28R in the International Terminal is wheelchair accessible. Directions to Conference Room 28R may be obtained by calling (650) 821-2828. The closest accessible BART station is the San Francisco International Airport station. Various accessible bus lines serve

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limitation sea level rise, on the Airport, including without limitation sea-walls and flood control systems; ground transportation projects, programs and facilities, including without limitation rail and light rail systems; land and submerged land; parking and vehicle staging lots and structures; signage and signage structures; maintenance and support buildings and facilities; police, fire, rescue and public safety buildings, systems and facilities; roads, roadways, airfields, taxiways and aprons, including runway safety areas and engineered materials arresting systems; employee facilities, including administration buildings upgrades and redevelopment; and vehicles or other capital equipment related to any of the above; together with related costs and expenses. All such projects, programs, facilities and improvements are or will be located at or adjacent to the Airport except as set forth below. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County bordering the San Francisco Bay and in small portions of the Cities of Millbrae and South San Francisco. Certain Airport noise mitigation projects, programs, facilities and improvements that are also part of an integrated operation with the Airport are located or are expected to be located within the cities of Daly City, Millbrae, Pacifica, San Bruno and South San Francisco, as well as unincorporated areas of San Mateo County.

Dated this 9th day of October, 2019.

Airport Commission of the City and County of San Francisco.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

SK

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Airport Commission Capital Plan Bonds - \$3,000,000,000
DATE: Tuesday, November 5, 2019

Resolution approving the issuance of up to an additional \$3,000,000,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Bonds to finance and refinance Airport Capital Plan projects; and ratifying and confirming certain Resolutions of the Board and the Airport Commission related to the foregoing.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2019 NOV -5 PM 3:37
BY *SK*