

LEGISLATIVE DIGEST

[Administrative Code - Airport Revenue Bonds]

Ordinance amending the Administrative Code to provide that Section 54522 of the California Government Code, which requires annual publication of year-end financial statements not more than 120 days after the close of each fiscal year, shall not apply to airport revenue bonds.

Existing Law

Administrative Code Section 2.62 authorizes the Airport Commission to issue airport revenue bonds for specified airport purposes, subject to the approval, amendment, or rejection of the Board of Supervisors in each instance. Section 2.62 further provides that airport revenue bonds shall be issued in accordance with the Revenue Bond Law of 1941 (California Government Code sections 54300 and following), but that the provisions of Sections 54380 through 54387, inclusive, of the California Government Code shall not apply to the issuance and sale of such revenue bonds.

Amendments to Current Law

The proposed ordinance would add Section 54522 of the California Government Code, which requires annual publication of year-end financial statements not more than 120 days after the close of each fiscal year, to the list of provisions from the Revenue Bond Law of 1941 that shall not apply to the issuance and sale of airport revenue bonds.

Background Information

The Airport Commission issues airport revenue bonds from time to time pursuant to its Resolution No. 91-0210, as amended (the "1991 Master Bond Resolution") and pursuant to (a) Sections 4.115 and 9.107(4) of the Charter and (b) Chapter 2, Article VII, Section 2.62 of the Administrative Code, which states that such bonds shall be issued in accordance with certain provisions of the Revenue Bond Law of 1941.

At present, the Airport Commission covenants in the 1991 Master Bond Resolution to provide audited financial statements to the bond trustee within 120 days after the end of each of its fiscal years. The Revenue Bond Law of 1941, at Section 54522, also requires annual publication of year-end financial statements not more than 120 days after the close of each fiscal year. Airport Department staff anticipate that more than 120 days will be needed to complete the audited financial statements going forward, including for Fiscal Year 2021/22, because additional time is needed to coordinate among City staff and the City's outside auditors and actuary in implementing Governmental Accounting Standards Board financial reporting requirements that have been adopted since 2017. Airport Department staff recommended that the Airport Commission amend the 1991 Master Bond Resolution to allow

more time to provide the audited financial statements to the bond trustee, to avoid a technical default.

The Airport Commission adopted Resolution No. 22-0096 (the “Twenty-Fourth Supplemental Resolution”), which would amend the 1991 Master Bond Resolution to allow the Commission’s audited financial statements to be provided to the bond trustee within 210 days after the end of each fiscal year, instead of the current 120-day timeline. The 210-day deadline would be consistent with the Airport Commission’s Continuing Disclosure Certificate that requires providing audited financial statements to bondholders no later than 210 days after the end of each fiscal year. The Twenty-Fourth Supplemental Resolution provides that it shall not become effective until the City has enacted an ordinance amending Section 2.62(a) of the Administrative Code to provide that the provisions of Section 54522 of the California Government Code shall not apply to the airport revenue bonds issued pursuant to said Section 2.62. The proposed ordinance would allow the Twenty-Fourth Supplemental Resolution to become effective, allowing 90 additional days to provide audited financial statements to the airport revenue bond trustee each year.

The proposed ordinance would also make Section 2.62 of the Administrative Code more consistent with Chapter 43, Article VI of the Administrative Code, which provides for issuance and sale of refunding revenue bonds by the City using the procedures of certain provisions of the Revenue Bond Law of 1941. Chapter 43, Article VI lists Section 54522 of the California Government Code as one of the provisions of the Revenue Bond Law of 1941 that shall not apply to the issuance and sale of such refunding revenue bonds.

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