

San Francisco International Airport

MEMORANDUM

November 1, 2016

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

16-0275

NOV 01 2016

FROM: Airport Director

SUBJECT: Resolution Authorizing the Issuance and Re-Issuance of up to an Additional \$100 Million Aggregate Principal Amount of San Francisco International Airport Subordinate Commercial Paper Notes, Increasing the Authorized Maximum from \$400 Million to \$500 Million Aggregate Principal Amount of Commercial Paper Notes Outstanding at Any Time, to Provide Interim Financing for Capital Projects in the Airport's Approved Capital Plan

DIRECTOR'S RECOMMENDATION: ADOPT THE RESOLUTION AUTHORIZING THE ISSUANCE AND RE-ISSUANCE OF UP TO AN ADDITIONAL \$100,000,000 AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SUBORDINATE COMMERCIAL PAPER NOTES OUTSTANDING AT ANY TIME, UP TO AN AGGREGATE PRINCIPAL AMOUNT OUTSTANDING AT ANY TIME OF NOT TO EXCEED \$500,000,000, AND AUTHORIZING CERTAIN RELATED MATTERS, TO PROVIDE INTERIM FINANCING FOR CAPITAL PROJECTS.

Executive Summary

Commercial paper is a short-term debt financing tool that typically bears a low interest rate and has maturities ranging between one day and 270 days. Since 1997, the Airport has utilized up to \$400 million in Commercial Paper Notes as a source of interim financing for capital projects pursuant to Resolution No. 97-0146, as amended. The proposed Supplemental Resolution authorizes the issuance of up to an additional \$100 million total principal amount of Commercial Paper Notes outstanding at any time, which would bring the total principal amount authorization level from \$400 million to \$500 million outstanding at any time. The Commercial Paper Notes program will provide additional interim financing capacity for capital projects, including the projects in the Airport's \$5.7 billion Five-Year Capital Plan, approved by Resolution No. 16-0166. The Airport anticipates continuing to issue Commercial Paper Notes as a source of low-cost interim financing to fund initial project expenditures, and eventually retiring these short-term obligations by issuing the long-term Capital Plan Bonds. Staff reviewed this course of action with the Airport's Financial Advisory Committee on September 9, 2016. An increase in the level of Capital Plan Bond authorization also has been proposed in a separate resolution.

Prior Commercial Paper Authorizations

The Commission authorized the issuance and reissuance from time to time of up to \$400,000,000 aggregate principal amount outstanding at any time of Subordinate Bonds in the form of Commercial Paper Notes for the purposes of financing and refinancing various Airport expenditures under and pursuant to the following resolutions (collectively, the "Commercial Paper Resolutions"):

THIS PRINT COVERS CALENDAR ITEM NO. 3

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

EDWIN M. LEE
MAYORLARRY MAZZOLA
PRESIDENTLINDA S. CRAYTON
VICE PRESIDENT

ELEANOR JOHNS

RICHARD J. GUGGENHIME

PETER A. STERN

IVAR C. SATERO
AIRPORT DIRECTOR

<u>Resolution No.</u>	<u>Date Adopted</u>	<u>Purpose</u>
97-0146	May 20, 1997 (as supplemented and amended)	Resolution authorizing the issuance of San Francisco International Airport Second Series Subordinate Revenue Bonds
97-0147	May 20, 1997	First Supplemental Resolution providing for the issuance of not to exceed \$400 million aggregate principal amount of Commercial Paper Notes
99-0299	September 21, 1999	Amend and restate the First Supplemental Resolution to provide for a third Series of Commercial Paper Notes (Series C Notes)
09-0088	May 5, 2009	Amend and restate the First Supplemental Resolution to provide for a fourth Series of Commercial Paper Notes (Series D Notes) and to provide for one or more subseries of the Series A, B, C, D Notes to accommodate the use of multiple letters of credit
10-0307	October 5, 2010	To consolidate prior commission resolutions regarding the Airport's bonds and Commercial Paper Notes, authorizing additional airport and SFO Fuel Company LLC Bonds, and authorizing certain other debt-related matters

The Commercial Paper Notes program was utilized as an integral component of the Near-Term Master Plan financing plan in the late 1990's, and has continued to serve the Airport as a valuable source of interim capital financing in connection with the financing of more recent capital projects, such as Terminal 2, Boarding Area E, the new Air Traffic Control Tower, and Terminal 3 East, among others.

Current Capital Plan

The \$5.7 billion approved Five-Year Capital Plan was adopted by the Commission on June 1, 2016, and includes major capital projects such as the renovations of Terminal 1 and Terminal 3 West, the AirTrain Extension, the new long-term parking garage, and the on-Airport hotel, among others. Approximately \$5.5 billion (or 96.5%) of the Five-Year Capital Plan is anticipated to be funded with the proceeds of new Capital Plan Bonds, with the remainder funded by grants and other capital sources, as shown in the table below.

Financing Sources for Current Five-Year Capital Plan
(\$ in Millions)

<u>Source of Funds</u>	<u>Five-Year Plan</u>	<u>%</u>
Airport Revenue Bonds ("Capital Plan Bonds")	\$5,503.4	96.5 %
Grants	72.1	1.3%
Other Sources	129.8	2.3%
Total Sources	\$5,705.3	100.0%

Prior to the issuance of Capital Plan Bonds or the receipt of grant funds, Commercial Paper Notes are expected to be used to provide interim financing for many of the projects in the Capital Plan.

Financing Approach for Capital Plan

The Airport's approach to financing its Capital Plan is typically to issue Commercial Paper Notes to provide interim financing for initial project funding needs, and then to refinance the Commercial Paper Notes with the proceeds of a long-term Capital Plan Bond sale. Under its current financing plan, the Airport intends to issue long-term bonds twice a year, the proceeds of which would be used to refinance Commercial Paper Notes and to provide additional financing for projects.

Because of the relatively low interest rates on Commercial Paper Notes and the ability to issue only when funds are actually needed, the Commercial Paper Notes program, at the increased level of authorization, could save the Airport more than \$30 million in present value debt service costs over the next five years.

Proposed Resolution

The proposed Resolution would amend the Commercial Paper Resolutions to authorize the issuance of up to an additional \$100 million aggregate principal amount of Commercial Paper Notes, increasing the maximum authorized level from \$400 million to \$500 million aggregate principal amount of Commercial Paper Notes outstanding at any time, to provide interim financing for capital projects approved by the Commission from time to time.

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, which are approved by separate action of the Commission and/or Board of Supervisors. Proceeds of Commercial Paper Notes will not be used to fund construction of a specific project in the Capital Plan until the necessary environmental review for the project has been completed, if required, and the Commission determines to proceed and California Environmental Quality Act findings have been adopted as required by law. Commercial Paper Note proceeds may also be used to fund planning and development costs necessary to prepare other projects for environmental review and the necessary approvals.

Related Actions

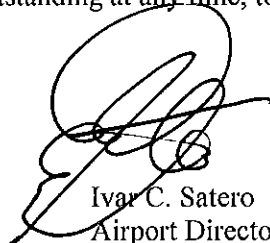
If the Commission and the Board of Supervisors approve the proposed increase in the size of the Airport's Commercial Paper Notes program, staff will pursue a number of required related actions, including but not limited to seeking additional credit support in the form of a letter of credit or similar arrangement. Staff will return to the Commission and the Board of Supervisors for approval to award any new letter of credit in connection with the Commercial Paper Notes program.

Request to the Board of Supervisors

If the attached Resolution is adopted by the Commission, I will request that the Board of Supervisors approve the issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of San Francisco International Airport Subordinate Commercial Paper Notes, increasing the authorized maximum from \$400,000,000 to \$500,000,000 aggregate principal amount of Commercial Paper Notes outstanding at any time and request an appropriation to spend the proceeds of the additional authorized Commercial Paper Notes.

Recommendation

I recommend that this Commission adopt the attached Resolution authorizing the issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of San Francisco International Airport Subordinate Commercial Paper Notes, increasing the authorized maximum from \$400,000,000 to \$500,000,000 aggregate principal amount of Commercial Paper Notes outstanding at any time, to provide interim financing for capital projects in the Airport's approved Capital Plan.



Ivar C. Satero
Airport Director

Prepared by: Leo Fermin
Chief Business and Finance Officer

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 16-0275

RESOLUTION AUTHORIZING THE ISSUANCE AND RE-ISSUANCE OF UP TO AN ADDITIONAL \$100 MILLION AGGREGATE PRINCIPAL AMOUNT OF SAN FRANCISCO INTERNATIONAL AIRPORT SUBORDINATE COMMERCIAL PAPER NOTES, INCREASING THE AUTHORIZED MAXIMUM FROM \$400 MILLION TO \$500 MILLION AGGREGATE PRINCIPAL AMOUNT OF COMMERCIAL PAPER NOTES OUTSTANDING AT ANY TIME, TO PROVIDE INTERIM FINANCING FOR CAPITAL PROJECTS IN THE AIRPORT'S APPROVED CAPITAL PLAN

WHEREAS, the Airport Commission of the City and County of San Francisco (the "Commission"), by Resolution No. 97-0147 adopted on May 20, 1997, which Resolution was amended and restated by Resolution No. 09-0088 adopted on May 5, 2009 and supplemented by Resolution No. 10-0307 adopted on October 5, 2010 (collectively, the "CP Resolution"), authorized the issuance from time to time of its San Francisco International Airport Subordinate Commercial Paper Notes ("CP") in an aggregate principal amount outstanding at any time of not to exceed \$400,000,000 for the purpose of providing interim funding for any lawful purposes of the Airport; and

WHEREAS, the Commission has determined that it is necessary and desirable to authorize the issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of CP, for a new maximum authorized aggregate principal amount of \$500,000,000 of CP outstanding at any time, given the increased financing needs and contingencies of the Airport since such time; now, therefore, be it

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 CP Resolution.

Section 2. Increased Authorization. The issuance and re-issuance of up to an additional \$100,000,000 aggregate principal amount of CP outstanding at any time is hereby authorized. The total authorized aggregate principal amount of CP outstanding at any time is increased to \$500,000,000. CP shall be issued for the purpose of providing interim funding for any authorized purposes of the Airport.

Section 3. Board Approval. The Commission hereby authorizes and directs the Airport Director to request that the Board approve this Resolution, including the issuance and re-issuance by the Commission of up to an additional \$100,000,000 aggregate principal amount of CP outstanding at any time, for a new aggregate principal amount of CP outstanding at any time of not to exceed \$500,000,000, and request an appropriation to spend the proceeds of the additional authorized Commercial Paper Notes.

Section 4. Restriction on Expenditure of CP Proceeds. Proceeds of CP shall not be used for construction costs of any project unless 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. CP proceeds may also be used to fund planning and development costs necessary to prepare other projects for environmental review and the necessary approvals.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 18-0275

Section 5. Ratification of Prior Acts. The actions of the officers, employees and agents of the Commission to carry out the intents and purposes of this Resolution taken prior to the adoption hereof by the Commission are ratified, approved and confirmed.

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. General Authorization. The Airport Director and the other officers, employees and agents 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 8. Ratification of the CP Resolution. The CP Resolution is hereby ratified, approved 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. Any provisions of the CP Resolution inconsistent with the provisions of this Resolution are hereby repealed.

Section 9. Effectiveness. This Resolution shall become effective on and as of the date of adoption hereof.

Section 10. 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 intent of this Resolution.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 16-0275

ADOPTED by the Airport Commission of the City and County of San Francisco this 1st day of November, 2016
by the following vote:

Ayes: 5

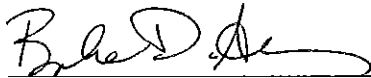
Noes: 0

Absent: 0

[SEAL]

Approved as to Form:

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

By 
Brooke D. Abola
Deputy City Attorney

I hereby certify that the foregoing resolution was adopted by the Airport Commission at its meeting of
November 1, 2016.

Secretary

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at its meeting of NOV 01 2016


Secretary