

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

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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.

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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.

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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

[Signature]
Secretary



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.