




OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

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MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Anna Van Degna, Controller's Office – *Director, Office of Public Finance* 

DATE: July 6, 2022

SUBJECT: San Francisco Airport Commission Ordinance Approving an Amendment to Administrative Code Section 2.62

The Office of Public Finance ("OPF") has been briefed by San Francisco International Airport ("Airport") staff with respect to their request for the Board of Supervisors to approve an 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. This amendment would allow for Airport Commission ("Commission") legislation to become effective that would extend the deadline to provide the audited financial statements to its bond trustee by 90 additional days to 210 days after each fiscal year-end. Based on the information provided by the Airport regarding the proposed ordinance, I support this amendment to the Administrative Code.

Background:

The Commission issues airport revenue bonds from time to time for purposes that include financing capital projects at the Airport pursuant to its 1991 Master Bond Resolution, as supplemented and amended, and pursuant to Sections 4.115 and 9.107(4) of the Charter and 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.

The Commission currently covenants in the 1991 Master Bond Resolution to provide audited financial statements to the bond trustee within 120 days after the end of each fiscal year, and the Revenue Bond Law of 1941, at Section 54522, also requires annual

publication of financial statements not more than 120 days after the close of each fiscal year.

Airport 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 additional Governmental Accounting Standards Board financial reporting requirements that have been adopted since 2017.

In order to avoid the risk of a technical default under the 1991 Master Bond Resolution in future years, the Commission adopted Resolution No. 22-0096 (the "Twenty-Fourth Supplemental Resolution") to amend the 1991 Master Bond Resolution to allow its audited financial statements to be provided to the bond trustee within 210 days after the end of each fiscal year. Further, the Twenty-Fourth Supplemental Resolution provides that it shall not become effective until the City has enacted legislation 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.

Changing the requirement to provide the audit financial statements to the bond trustee within 210 days after each fiscal year will be more consistent with the requirements of other enterprise departments of the City, which have deadlines as long as 270 days. The 210-day deadline would also align with the Commission's Continuing Disclosure Certificate requirement to provide audited financial statements to bondholders.

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 by the City.