



San Francisco International Airport

February 28, 2022

The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton Goodlett Place, Room 244
San Francisco, CA 94102

Re: Request for Approval - Trustee Agreement - The Bank of New York Mellon Trust Company, N.A. - San Francisco International Airport Revenue Bonds - Not to Exceed \$3,800,000

Honorable Members of the Board of Supervisors:

The San Francisco Airport Commission (Airport) requests that the San Francisco Board of Supervisors approve Modification No. 6 to Airport Contract No. 9186 (the Agreement) with The Bank of New York Mellon Trust Company, N.A. (the Trustee), for bond trustee services, and retroactively approve the Agreement, and Modification Nos. 1, 2, 3, 4, and 5 to the Agreement, for an indefinite term. The proposed Modification No. 6 will increase the contract amount by \$1,050,000, for a new total not-to-exceed contract amount of \$3,800,000.

Modification No. 6 and the Agreement, as previously modified, are submitted to the Board of Supervisors for its approval in accordance with Section 9.118(b) of the Charter of the City and County of San Francisco (Charter) because the Agreement term exceeds 10 years, and Modification No. 6 would increase the contract amount by more than \$500,000.

Background

The Airport has approximately \$8.2 billion of bonds outstanding under Airport Commission Resolution No. 91-0210, as amended and supplemented (the Master Bond Resolution). The Master Bond Resolution requires the ongoing services of a trustee and paying agent so long as there are bonds outstanding. These services include:

- Investment of reserve funds held by the Trustee under the direction of the Airport.
- Prompt reporting on investment yields and other information requested by the Airport.
- Payment of principal and interest on revenue bonds to bondholders, at the time and in the manner required by the Master Bond Resolution and the related supplemental resolutions.
- Providing notices to bondholders.
- Maintenance of books of registration for revenue bonds.
- The transfer and exchange of revenue bonds and other financing mechanisms.
- Prompt and timely assistance on trustee and paying agent issues related to short-term debt and other funding mechanisms instituted by the Airport.
- Taking action as directed by bondholders in the event of a default under the Master Bond Resolution.

AIRPORT COMMISSION CITY AND COUNTY OF SAN FRANCISCO

LONDON N. BREED
MAYOR

ELEANOR JOHNS
PRESIDENT

MALCOLM YEUNG

EVERETT A. HEWLETT, JR.

JANE NATOLI

IVAR C. SATERO
AIRPORT DIRECTOR

The Master Bond Resolution states that the Airport agrees to pay fees to and expenses of the Trustee for its services under the Master Bond Resolution as agreed to by the Airport and the Trustee pursuant to the terms of a separate agreement. The Agreement is this "separate agreement" setting forth the terms of payment of the Trustee's fees and expenses for its services referenced in the Master Bond Resolution.

The Bank of New York Mellon Trust Company, N.A., has provided these services to the Airport pursuant to the Agreement since 1992, when the first series of bonds were issued under the Master Bond Resolution. The Agreement does not have an expiration date; rather, the Agreement states that it will continue until terminated in accordance with the Master Bond Resolution, which also does not state an end date for the services of the Trustee and requires a replacement trustee to be in place before the Trustee can resign or be removed. This is because continuity in trustee services is essential to both the Airport and its bondholders.

Prior Contract Amendments

The Agreement with the Trustee has been modified five previous times, for various purposes.

After a competitive selection process, on November 4, 1991, the Commission adopted Resolution No. 91-0197, authorizing award of the Agreement to First Interstate Bank, Ltd. (now known as The Bank of New York Mellon Trust Company, N.A., and referred to in this letter as the Trustee), to provide bond trustee and paying agent services under the Master Bond Resolution in the amount of \$260,000. The Agreement was executed in 1992, in connection with the issuance of the Airport's Issue 1 Bonds.

On December 4, 2001, the parties entered into Modification No. 1 to the Agreement, to increase the total compensation by \$600,000 for a new total not-to-exceed amount of \$860,000, as authorized by Airport Commission Resolution No. 01-0360.

On February 6, 2007, the parties entered into Modification No. 2 to the Agreement, to increase the total compensation by \$900,000 for a new total not-to-exceed amount of \$1,760,000, as authorized by Airport Commission Resolution No. 07-0035.

On April 1, 2012, the parties entered into Modification No. 3 to the Agreement, to increase the total compensation by \$800,000 for a new total not-to-exceed amount of \$2,560,000, as authorized by Airport Commission Resolution No. 11-0251.

On April 1, 2017, the parties entered into Modification No. 4 to the Agreement, to increase the total compensation by \$190,000 for a new total not-to-exceed amount of \$2,750,000, as authorized by Airport Commission Resolution No. 17-0022.

On June 1, 2018, the parties entered into Modification No. 5 to the Agreement, to update the appendix listing the Trustee services and the charges for such services, without increasing the not-to-exceed compensation amount, under the delegated authority of the Airport Director to make administrative changes.

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The issuance of bonds under the Master Bond Resolution has been approved by the Board on multiple occasions since 1991 (to date, 24 Board resolutions totaling over \$26.5 billion) as required under Charter Section 4.115, and these approvals contemplated that a third-party trustee would administer the Airport's bonds. But, the Agreement and prior modifications were not presented to the Board for approval under Charter Section 9.118. Given the unique structure of the Agreement, which is intertwined with the Master Bond Resolution, the Airport, in consultation with the City Attorney's office, considered the Agreement and prior modifications to be approved in the ambit of the Board's multiple approvals of the issuance of Airport bonds. For the proposed Modification No. 6, the City Attorney's office advised Staff that, to resolve any uncertainty about whether further Board approval is required, the safest course is to seek Board approval for both Modification No. 6 and the Agreement as previously modified. Staff acknowledges that the past practice was a regrettable error and plans to request Board approval as required under Charter Section 9.118 for all future modifications to the Agreement.

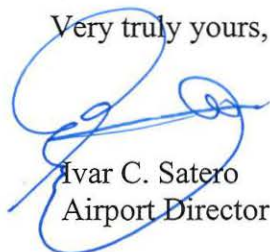
Airport Commission Action

On December 7, 2021, by Resolution No. 21-0229, the Airport Commission approved Modification No. 6 to the Agreement and authorized the Commission Secretary to request Board approval under Charter Section 9.118 for Modification No. 6, as well as retroactive Board approval of the Agreement, as modified by the previous modifications.

Request

The Airport requests that the Board of Supervisors adopt a resolution retroactively approving the Agreement with The Bank of New York Mellon Trust Company, N.A., for bond trustee services, as modified by five previous modifications for an indefinite term and a total not-to-exceed amount of \$2,750,000, and approving Modification No. 6 to the Agreement to increase the contract amount by \$1,050,000, for a new total not-to-exceed amount of \$3,800,000.

Very truly yours,



Ivar C. Satero
Airport Director