

File No. 101579

Committee Item No. 4

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee

Date: January 26, 2011

Board of Supervisors Meeting

Date: _____

Cmte Board

☐	☐	Motion
☒	☐	Resolution
☐	☐	Ordinance
☐	☐	Legislative Digest
☒	☐	Budget Analyst Report
☐	☐	Legislative Analyst Report
☐	☐	Ethics Form 126
☐	☐	Introduction Form (for hearings)
☐	☐	Department/Agency Cover Letter and/or Report
☐	☐	MOU
☐	☐	Grant Information Form
☐	☐	Grant Budget
☐	☐	Subcontract Budget
☐	☐	Contract/Agreement
☐	☐	Award Letter
☐	☐	Application
☐	☐	Public Correspondence

OTHER

(Use back side if additional space is needed)

☒	☐	*Airport Commission Resolutions
☒	☐	*Debt Service Reserve Fund documents
☒	☐	*Variable Rate Bonds documents
☒	☐	*Commercial Paper documents
☒	☐	*Interest Rate Swaps documents
☒	☐	*SFO Fuel documents and agreements

Completed by: Victor Young

Date: January 21, 2011

Completed by: Victor Young

Date: _____

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.

1 [Airport Commission Bond-Related Authorizations]

2
3 **Resolution approving the issuance of not to exceed \$1,600,000,000 aggregate**
4 **principal amount of San Francisco International Airport Second Series**
5 **Refunding Revenue Bonds to refinance Airport Bonds and Subordinate Bonds;**
6 **Approving the issuance of not to exceed \$125,000,000 aggregate principal**
7 **amount of San Francisco International Airport Special Facilities Bonds to finance**
8 **and refinance fuel storage and delivery facilities; Approving the maximum**
9 **interest rates, maturity dates and number of issues of such Refunding Bonds,**
10 **Subordinate Bonds and Special Facilities Bonds; Approving certain resolutions**
11 **of the Airport Commission; Approving the forms of certain agreements related to**
12 **such Bonds and authorizing the execution and delivery thereof; Approving**
13 **certain amendments to the 1991 Resolution; and Approving certain other related**
14 **matters.**

15
16 WHEREAS, The Airport Commission of the City and County of San
17 Francisco (the "Airport Commission"), on December 3, 1991, duly adopted its
18 Resolution No. 91-0210, providing for the issuance of San Francisco International
19 Airport Second Series Revenue Bonds (the "Bonds") for any lawful purpose of the
20 Airport Commission (as supplemented and amended, the "1991 Resolution"); and,

21 WHEREAS, The 1991 Resolution provides that the Airport Commission
22 may issue Bonds from time to time as the issuance thereof is authorized by the Airport
23 Commission; and,

24 WHEREAS, The Airport Commission has authorized the issuance from
25 time to time of San Francisco International Airport Second Series Revenue Refunding

1 Bonds (the "Refunding Bonds"), including most recently by its Resolutions Nos. 05-
2 0181 and 08-0152, for the purpose of refunding outstanding Bonds and Subordinate
3 Bonds; and,

4 WHEREAS, This Board of Supervisors (the "Board") by its prior
5 resolutions, including most recently Resolutions Nos. 235-07 and 471-08, has
6 previously approved the issuance from time to time by the Airport Commission of such
7 Refunding Bonds, of which \$997,345,000 remains authorized but unissued; and,

8 WHEREAS, The Airport Commission, on May 20, 1997, duly adopted its
9 Resolution No. 97-0146, providing for the issuance of San Francisco International
10 Airport Second Series Subordinate Revenue Bonds (the "Subordinate Bonds"),
11 including the San Francisco International Airport Subordinate Commercial Paper Notes
12 (the "Commercial Paper Notes") for any lawful purpose of the Airport Commission (as
13 supplemented and amended, the "1997 Subordinate Resolution"); and,

14 WHEREAS, The 1997 Subordinate Resolution provides that the Airport
15 Commission may issue Subordinate Bonds from time to time as the issuance thereof is
16 authorized by the Airport Commission; and,

17 WHEREAS, This Board by its prior resolutions, including most recently
18 Resolutions Nos. 620-97 and 113-02, has approved the issuance from time to time by
19 the Airport Commission of such Subordinate Bonds, and now desires to ratify and
20 confirm such prior resolutions; and,

21 WHEREAS, the Airport Commission has a contractual obligation under
22 the Letter of Credit and Reimbursement Agreement relating to its Commercial Paper
23 Notes, to retain approximately \$218,000,000 of refunding capacity in reserve in the
24 event it is necessary to refund the Commercial Paper Notes; and,

1 WHEREAS, The Airport Commission, on May 20, 1997, duly adopted its
2 Resolution No. 97-0145, providing for the issuance of San Francisco International
3 Airport Special Facility Lease Revenue Bonds (SFO Fuel Company LLC) (the "Special
4 Facilities Bonds," and collectively with the Bonds, Refunding Bonds and Subordinate
5 Bonds, the "Airport Bonds"), to finance the Airport's fuel storage and delivery system;
6 and,

7 WHEREAS, This Board of Supervisors by Resolution No. 619-97
8 approved the issuance by the Airport Commission of such Special Facilities Bonds;
9 and,

10 WHEREAS, The Airport Commission by Resolutions Nos. 04-219 and 05-
11 10184 authorized the execution and delivery of certain interest rate swap transactions
12 with respect to certain of its Refunding Bonds and approved the forms of certain
13 documents relating thereto; and,

14 WHEREAS, This Board of Supervisors by Resolutions Nos. 733-04 and
15 235-07 approved such swap transactions and the forms of certain documents relating
16 thereto, and the Airport Commission thereafter executed such transactions; and,

17 WHEREAS, The Airport Commission, on October 5, 2010, duly adopted
18 its Resolution No. 10-0307 (the "Omnibus Resolution"), authorizing the issuance of an
19 additional \$1.6 billion of Refunding Bonds, and the Airport Commission now seeks
20 approval from this Board to issue such additional Refunding Bonds in order to refund
21 additional outstanding Bonds and Subordinate Bonds for significant debt service
22 savings and for other purposes; and,

23 WHEREAS, The Airport Commission's Omnibus Resolution authorized
24 \$125 million of additional Special Facilities Bonds to finance and refinance the Airport's
25 fuel storage and delivery system, and the Airport Commission now seeks approval from

1 this Board to issue such additional Special Facilities Bonds in order to refund the
2 outstanding Special Facilities Bonds for debt service savings and for other purposes;
3 and,

4 WHEREAS, The Airport Commission's Omnibus Resolution also ratified
5 and confirmed certain prior Airport Commission resolutions related to the Airport Bonds
6 (collectively, the "Prior Airport Commission Resolutions"), and authorized and approved
7 the execution and delivery of certain documents and agreements and certain other
8 matters related thereto; and,

9 WHEREAS, This Board by Resolution has previously approved Prior
10 Airport Commission Resolutions and the actions authorized thereby, including by the
11 Board Resolutions cited above and Resolutions Nos. 1006-92, 583-98, 224-99, 811-00,
12 800-03 and 174-06 (collectively, the "Prior Board Resolutions"), and now desires to
13 ratify and confirm such Prior Board Resolutions; and,

14 WHEREAS, The Omnibus Resolution establishes, among other things,
15 that (i) no Airport Bonds shall bear interest at a rate in excess of (A) eighteen percent
16 (18%) per annum if issued as a Variable Rate Bond (other than any such Bonds held
17 by a Credit Provider or Liquidity Provider), (B) sixteen percent (16%) per annum if
18 issued as taxable fixed rate Airport Bonds, or (C) twelve percent (12%) per annum if
19 issued as tax-exempt fixed rate Airport Bonds; and (ii) the final maturity of any Airport
20 Bond shall not be later than forty (40) years from the date of issuance thereof; and,

21 WHEREAS, The Airport Commission, by its Resolution No. 10-316, duly
22 adopted on October 26, 2010 (the "Index Rate Resolution"), approved certain
23 amendments to the 1991 Resolution, including in particular the addition of a new
24 variable index rate mode for the Airport's Variable Rate Bonds which does not require
25 credit or liquidity support from commercial banks; and,

1 WHEREAS, Section 4.115 of the Charter provides that the Airport
2 Commission has the exclusive authority to plan and issue airport revenue bonds for
3 airport-related purposes, subject to the approval, amendment, or rejection of this Board
4 of each issue; and,

5 WHEREAS, Section 2.62 of the Administrative Code of the City and
6 County of San Francisco provides that such revenue bonds shall bear a rate of interest
7 not to exceed that which may be fixed and prescribed by the Airport Commission,
8 subject to the approval or rejection of this Board; and,

9 WHEREAS, The Omnibus Resolution and the Index Rate Resolution and
10 certain of the agreements authorized and approved thereby have been submitted to
11 this Board and are on file with the Clerk of the Board in File No. 101579, which is
12 hereby declared to be a part of this Resolution as if set forth fully herein; and,

13 WHEREAS, The interest on the Airport Bonds may qualify for exclusion
14 from gross income for federal income tax purposes under Section 103(a) of the Internal
15 Revenue Code of 1986, as amended (the "Code") only if such Airport Bonds; and,

16 WHEREAS, This Board is the elected legislative body of the City and is
17 the applicable elected representative required to approve the Airport Bonds for
18 purposes of Section 147(f) of the Code; and,

19 WHEREAS, A notice of public hearing with respect to the Airport Bonds
20 to be issued by the Airport Commission in an aggregate principal amount not to exceed
21 \$2.62 billion, was published on May 5, 2010, not less than fourteen (14) days prior to
22 the public hearing, in two newspapers of general circulation available to the residents
23 of the City; and,

24 WHEREAS, A public hearing was held on May 19, 2010, pursuant to
25 such notice and an opportunity was provided for interested persons to present

1 arguments for and against the issuance of such Airport Bonds and the nature and
2 location of the projects to be financed and refinanced with the proceeds thereof; now,
3 therefore, be it,

4 RESOLVED, That this Board hereby declares that each of the foregoing
5 recitals is true and correct and is a representation of this Board; and, be it

6 FURTHER RESOLVED, That capitalized terms used but not otherwise
7 defined in this Resolution shall have the meanings set forth in the Omnibus Resolution;
8 and, be it

9 FURTHER RESOLVED, That the issuance by the Airport Commission of
10 Refunding Bonds in an additional aggregate principal amount not to exceed \$1.6
11 billion, and Special Facilities Bonds in an additional aggregate principal amount not to
12 exceed \$125 million are hereby approved in accordance with Section 4.115 of the
13 Charter; and, be it

14 FURTHER RESOLVED, That the Omnibus Resolution and the Index
15 Rate Resolution, and the terms and provisions thereof, as adopted by the Airport
16 Commission, are hereby approved; and, be it

17 FURTHER RESOLVED, That the following maximum interest rates are
18 hereby approved for the Airport Bonds: (a) twelve percent (12%) for tax-exempt Airport
19 Bonds that bear interest at a rate that is fixed to maturity, (b) sixteen percent (16%) for
20 taxable Airport Bonds that bear interest at a rate that is fixed to maturity, and
21 (c) eighteen percent (18%) for Airport Bonds that bear interest at a rate that is adjusted
22 periodically; provided, however, that the maximum interest rate applicable to Credit or
23 Liquidity Provider Bonds shall be as set forth in related agreement with the Credit
24 Provider or Liquidity Provider; and, be it

1 FURTHER RESOLVED, That the time for the sale of the Airport Bonds
2 shall extend to December 31, 2015; the maximum number of issues of each of the
3 Bonds, including the Refunding Bonds and the Special Facilities Bonds shall be an
4 amount equal to the authorized principal amount thereof divided by \$25 million (with
5 such bonds issued or sold on the same date being deemed to be part of a single issue
6 for such purposes); and the authorized final maturity date of the Airport Bonds shall be
7 forty (40) years from the date of issuance thereof; and, be it

8 FURTHER RESOLVED, That the Airport Director and other appropriate
9 Airport officials are hereby authorized to execute and deliver the following documents
10 and agreements substantially in the forms presented and on file with the Clerk of the
11 Board, with such changes and additions as the Airport Director shall deem necessary
12 or advisable in consultation with the City Attorney, which changes and additions shall
13 be conclusively approved by such execution and delivery:

- 14 o Remarketing Agreements (with respect to Variable Rate Bonds);
- 15 o Dealer Agreements (with respect to commercial paper notes);
- 16 o Issuing and Paying Agent Agreements (with respect to commercial
17 paper notes);
- 18 o Standby Bond Purchase Agreements;
- 19 o Letter of Credit Reimbursement Agreements;
- 20 o Bond reserve fund policy reimbursement agreements;
- 21 o Amended or Replacement Swap Agreements;
- 22 o Forward Purchase and Sale Agreements;
- 23 o Trust Agreements (with respect to Special Facilities Bonds); and
- 24 o Certain amendments to the Fuel System Lease Agreement as set
25 forth in the Omnibus Resolution;

1 and, be it

2 FURTHER RESOLVED, That this Board, as the appropriate applicable
3 elected representative, hereby approves the Airport Bonds described in the TEFRA
4 Notice for purposes of, and in accordance with, Section 147(f) of the Code; and, be it

5 FURTHER RESOLVED, That the Prior Airport Commission Resolutions
6 and the Prior Board Resolutions, except as subsequently modified and amended, are
7 hereby ratified, approved and confirmed; and, be it

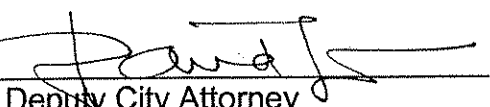
8 FURTHER RESOLVED, That the actions of the officers, agents and
9 employees of the Airport Commission and the City to carry out the intents and
10 purposes of this Resolution taken prior to the adoption of this Resolution are hereby
11 ratified, approved and confirmed; and, be it

12 FURTHER RESOLVED, That the Airport Commission and its officers,
13 agents and employees and those of the City are hereby authorized to execute and
14 deliver such documents and agreements and to take such other actions, in consultation
15 with the City Attorney, as may be necessary or desirable to carry out the intents and
16 purposes of this Resolution and the transactions contemplated hereby; and, be it

17 FURTHER RESOLVED, That the approvals contained in this Resolution
18 shall extend to any amendments to the 1991 Resolution, the 1997 Subordinate
19 Resolution, the Omnibus Resolution, the Index Rate Resolution, and all resolutions of
20 the Airport Commission supplemental thereto, as well as to such additional resolutions
21 that the Airport Commission may adopt for the purposes of implementing the issuance,
22 sale and delivery of the Airport Bonds.

1 APPROVED AS TO FORM:

2 DENNIS J. HERRERA
3 City Attorney

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5 By 

6 Deputy City Attorney
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Item 4
File 10-1579

Department:
San Francisco International Airport

EXECUTIVE SUMMARY

Legislative Objective

- The proposed resolution would (1) consolidate prior resolutions providing bond approvals to the Airport, (2) approve the issuance of up to \$1,600,000,000 in additional aggregate principal amount of San Francisco International Airport Second Series Refunding Revenue Bonds to refinance Airport Bonds and Subordinate Bonds, (3) authorize the issuance of up to \$125,000,000 of Airport Special Facilities Bonds to refinance fuel storage and delivery facilities, and (4) authorize the Airport to issue index rate bonds, and remove authority to issue auction rate bonds.

Key Points

- Approval of the proposed resolution would return the Airport's overall bond refunding authority to approximately 2008 levels, as approved by the Board of Supervisors. Currently, the Airport has \$997,345,000 of the 2008 refunding authority remaining. The Airport's Debt Manager states that increased authority is needed so the Airport can quickly respond to refundings necessitated by changes in financial market conditions.
- The Airport currently has outstanding debt totaling \$4,393,450,000, of which \$1,812,650,000 could be refunded during the next four years. The Airport also anticipates issuing \$412,000,000 (see Table 3 below) in short-term commercial paper over the next four years to provide short-term construction financing for \$260,452,834 in projects under the Airport's five-year capital program, and \$151,547,166 for short-term financing of two projects that would ultimately be paid with Federal Aviation Administration grants. The subject requested issuance of up to \$1,600,000,000 (see Table 2 below) of refunding bonds would be used to refinance a portion of this short-term commercial paper into long-term debt.
- The requested authority to issue \$125,000,000 in Special Facilities Bonds is the same principal amount of bonds authorized in 1997 and 2000 related to the fuel storage and distribution system, and is being requested to enable the Airport to quickly remedy any distressed bonds from the prior bond issues.
- The proposed resolution would authorize the Airport to issue a new type of variable rate bond, an index rate bond, which has an interest rate that resets periodically based on a generally accepted market index. Although the Airport currently has no plans to issue such index rate bonds, the Airport is requesting this authority to reflect current market standards. The proposed resolution would also eliminate authority to issue auction rate bonds, which are now obsolete.

Fiscal Impacts

- Increasing the Airport's refunding bond authority by \$1,600,000,000, as requested, would include authorizing estimated bond issuance costs totaling \$231,055,145.
- Current rates on the Airport's fixed-rate debt range between 2.83 percent and 6.44 percent. If the proposed resolution is approved, the Airport's Debt Manager estimates potential savings from

refunding Airport revenue bonds at \$1,000,000 to \$24,000,000 annually, depending on (a) the interest rate on the outstanding bonds which are refunded for savings, (b) the new interest rate on the refunded bonds which will be based on future financial market conditions, and (c) the maturity dates and therefore the remaining life on each refunded bond (i.e., the longer the maturity, the more savings).

- Debt service on Airport bonds is repaid from rates and charges assessed to Airport users, which includes debt service related to the specific facilities or equipment used, and from Passenger Facility Charge (PFC) revenue for Federal Aviation Administration approved projects.

Recommendations

- Amend the proposed resolution, as recommended by Ms Sesay, to provide that (1) Refunding Bonds issued to achieve debt service savings shall not be issued unless the estimated net present value savings, resulting from the issuance of the proposed refunding bonds, as determined by the Airport's financial advisors, is equal to at least three percent of the principal amount of the refunded Bonds, except as otherwise provided by the Airport Commission's Debt Policy, (2) the maximum interest rate on such Refunding Bonds to be issued shall not exceed the maximum or highest interest rate or yield on any previously issued refunded bonds plus one percent, and (3) the Airport Commission shall cause the Airport's consultant to deliver a closing certificate in connection with each refunding that demonstrates compliance with the minimum debt service coverage requirements.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT / BACKGROUND**Mandate Statement**

Section 4.115 of the City's Charter provides that the Airport Commission has the exclusive authority to plan and issue Airport revenue bonds for Airport-related purposes, subject to the approval, amendment, or rejection of the Board of Supervisors of each issuance. Furthermore, Section 2.62 of the City's Administrative Code provides that Airport revenue bonds shall bear a rate of interest not to exceed that which may be fixed and prescribed by the Airport Commission, subject to the approval or rejection of the Board of Supervisors.

Background

San Francisco International Airport (Airport) has periodically issued fixed-interest-rate revenue bonds, repaid from various Airport revenue sources, to pay for various capital improvements at the Airport. These revenue bonds, when issued, typically have specific dates, known as call dates, which is the earliest date upon which they may be repaid ahead of their normal maturities. In order to take advantage of declines in interest rates, the Airport has also periodically issued refunding bonds, which are sold with the proceeds used to repay earlier bond issuances on their call dates. When the refunding bonds have a lower interest rate than the bonds that are refunded, the Airport's debt service costs are reduced. The Board of Supervisors previously approved the issuance of San Francisco International Airport Second Series Revenue Refunding Bonds, totaling \$3,940,000,000, of which \$997,345,000 remains authorized, but not yet issued (Resolutions 235-07 and 471-08).

The Airport also has issued variable-interest-rate bonds, which typically can be called at any time. At the time Resolution 471-08 was approved by the Board of Supervisors, the Airport's Debt Manager, Ms. Chloe Weil, indicated that refunding bonds would also be used to refund some variable rate bonds. According to Ms. Weil, the variable rate bonds included credit enhancements¹ from financial institutions whose credit worthiness had recently come into concern, due to the uncertainty of the financial markets at that time, and as a result, there was volatility in the interest rates charged to the City on these variable rate bonds.

As shown in Table 1 below, the Airport currently has \$4,375,000,000 in Fixed Rate and Variable Rate Airport Revenue Bonds and \$18,100,000 in Commercial Paper outstanding, for total outstanding debt of \$4,393,450,000.

¹ Credit enhancements include bond insurance, letters of credit, and standby bond purchase agreements, which are required by bondholders. Such enhancements decrease the risk of the Airport not being able to make its debt service payments, and therefore decrease the Airport's interest rate and debt service on the bonds.

Table 1: Airport Debt Profile**Revenue Bonds Eligible For Refunding Between 2011-2015**

Fixed Rate Currently Eligible for Refunding	\$509,290,000
Fixed Rate Eligible for Refunding, May 2011	378,905,000
Fixed Rate Eligible for Refunding, May 2012	214,030,000
Fixed Rate Eligible for Refunding, May 2013	<u>175,420,000</u>
Subtotal Fixed Rate Eligible for Refunding	1,277,645,000
Variable Rate Bonds Eligible for Refunding At Any Time	<u>535,005,000</u>
Revenue Bonds Eligible for Refunding Between 2011-2015	1,812,650,000

Revenue Bonds Not Eligible or Refunding Between 2011-2015**\$2,562,700,000****Total Airport Revenue Bond Debt****\$4,375,350,000**

Commercial Paper Outstanding

18,100,000²**Total Debt Outstanding****\$4,393,450,000**

The existing \$4,393,450,000 of outstanding debt, as noted in Table 1 above, obligates the Airport to pay debt service in Fiscal Year 2010-2011 of \$328,291,000, which is 44.4 percent of the Airport's total operating budget of \$738,877,000. Ms. Weil advises that this is approximately the same percentage of debt service relative to the Airport's operating budget as existed in October 2008, when Resolution 471-08 was previously approved by the Board of Supervisors.

According to Ms. Weil, and as explained further below, debt service expenditures directly affect the fees charged by the Airport to the airlines and to other Airport users, and therefore the competitiveness of the Airport with surrounding airports. Therefore, debt refunding is one method the Airport pursues to reduce its annual debt service costs.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would combine prior Board of Supervisors and Airport Commission resolutions regarding bond issuance into a single omnibus resolution, approve the issuance of up to \$1,600,000,000 in additional aggregate principal amount of San Francisco International Airport Second Series Refunding Revenue Bonds to refinance Airport Bonds and Subordinate Bonds. It would also approve the issuance of up to \$125,000,000 in San Francisco International Airport Special Facilities Bonds to finance and refinance fuel storage and delivery facilities.

Under the proposed resolution, the Airport would be authorized to issue a new type of variable rate bond, called an index rate bond, while removing the Airport's existing authorization to issue another type of variable rate bond, called an auction rate bond that is unlikely to be issued again. The proposed resolution would also (a) approve maximum interest rates of 12 to 18 percent (see comments in the Director of Public Finance section below) for Airport Refunding Bonds, depending on the type of bond issued, (b) would establish December 31, 2015 as the

² According to Ms. Weil, the proposed refunding authorization potentially would include refunding of \$412,000,000 in commercial paper that has not yet been issued, but is scheduled to be issued over the next five years, and then potentially refunded with the longer-term debt authorized in this action.

latest date for the sale of the subject bonds, (c) authorize a 40-year maturity for the bonds, (d) reaffirm various prior resolutions by the Board of Supervisors and the Airport Commission regarding bond sales, and (e) authorize the Airport Director and other Airport officials to execute and deliver various types of documents related to the proposed bond sale, including certain amendments to the Fuel System Lease Agreement with SFO Fuel Company LLC, a consortium of the airlines which operates the fuel storage and distribution system under a lease with the Airport, and has responsibility for paying the debt service on the Airport Special Facilities Bonds using fees paid by each airline based on the gallons of fuel it uses.

On October 5, 2010 and October 26, 2010, the Airport Commission combined 12 prior Board of Supervisors and seven prior Airport Commission bond-related resolutions into a single omnibus resolution, authorized the use of index rate bonds, terminated the authority to issue auction rate bonds, increased the authorized amount of Refunding Bonds that may be issued by the Airport by \$1,600,000,000 and authorized the issuance of up to \$125,000,000 Special Facility Bonds related to Airport fuel distribution (Resolutions 10-0307 and 10-0316).

Creation of Omnibus Resolution

The proposed resolution would ratify and confirm 12 prior Board of Supervisors resolutions and seven prior Airport Commission resolutions previously approved relating to various aspects of Airport bond issuance. In an October 5, 2010 report to the Airport Commission, Airport Director John L. Martin stated that affirming the prior resolutions in this new proposed resolution, consolidates authorizations and approvals that are currently scattered through more than two dozen other resolutions and resolution amendments into a single resolution. He said the consolidation would eliminate the need for Airport staff and the Airport's financial and legal advisors to sift through numerous resolutions in order to identify and confirm that any particular authorization is in place, and consolidate the terms of all prior bond authorizations.

Refunding Bond Authorization

Table 2 below identifies the anticipated requested refunding uses of Airport bonds, totaling \$1,600,000,000 of fixed rate and variable rate Airport bonds and \$125,000,000 of new Special Facilities Bonds for a total requested new bond authority of \$1,725,000,000.

Table 2: Planned Uses of Requested Refunding Authority**Refunding Fixed Rate Airport Revenue Bonds**

Outstanding Principal	\$1,041,390,837
<u>Costs of Issuance</u>	
Underwriter's Discount	5,832,552
Bond, Counsel, Printing and Other Related Costs	3,631,053
Debt Service Reserve Fund	118,068,917
Subtotal Costs of Issuance	<u>\$127,532,522</u>
Subtotal—Refunding Fixed Rate Revenue Bonds	\$1,168,923,359

Refunding Variable Rate Airport Revenue Bonds

Outstanding Principal	\$329,743,411
<u>Costs of Issuance</u>	
Debt Service Reserve Fund	33,266,867
Swap Termination Fees*	65,758,608
Liquidity Provider Termination Fees**	1,796,989
Underwriter's Discount	1,719,533
Bond Counsel, Printing and Other Related Costs	980,628
Subtotal Costs of Issuance	<u>\$103,522,625</u>
Subtotal—Refunding Variable Rate Revenue Bonds	\$433,266,036

Total Refunding Authority Requirement	\$1,602,189,395
Less Refunding Authority Not Requested	(2,189,395) ³
Total Refunding Authority Requested (rounded down)	\$1,600,000,000

New Special Facilities Bond Authority Requested	<u>125,000,000</u>
Total New Bond Authority Requested	\$1,725,000,000

*A Swap Termination Fee is paid to terminate an interest rate swap, which is a type of financial instrument which reduces the financial impact to the Airport of fluctuating interest rates.

**A Liquidity Provider Termination Fee is paid to terminate an agreement with a liquidity provider, which is a commercial bank that agrees to purchase variable rate debt in the case that investors do not purchase such debt.

Ms. Weil stated that the analysis of a potential variable rate refunding, in consultation with the Airport's financial advisors, considers (a) current market conditions, (b) the credit quality of the Airport's providers of various credit enhancements and interest rate swap, (c) the termination payments and fees associated with refunding and, (d) the costs of financing a new debt service reserve fund, if needed. As noted in the Background section above, currently the Airport has \$997,345,000 of refunding bonds that were approved by the Board in 2008, but have not yet been issued.

Ms. Weil stated that the Airport typically seeks to refund bonds when interest rates fall below the interest rates on the Airport's outstanding bonds, which allows the Airport to lower its

³ Ms. Weil provided a table indicating that the Airport was requesting additional refunding authority totaling \$1,602,189,395. This was rounded down to \$1,600,000,000 in the proposed resolution. This figure is provided to account for the rounding.

interest costs through the refunding process, with the Airport's goal of savings being at least three percent of the principal amount of the bonds that would be refunded. An exception to this goal occurred in FY 2009-10, when the Airport chose to issue refunding bonds for less than three percent savings in order to take advantage of a federal stimulus program that allowed the Airport to convert eligible General Airport Revenue Bonds from Alternative Minimum Tax to tax-exempt non-Alternative Minimum Tax status bonds. This enlarged the buyer base for the Airport's bonds.

In addition, Ms. Weil advised that since the national financial crisis that began in 2008, the Airport has had to refund certain distressed bonds because of market factors, such as downgraded insurance providers and other counterparties⁴ that went bankrupt, rather than for financial savings. Ms. Weil stated that if another financial crisis were to occur, similar to what happened in 2008, the Airport wants to maintain its flexibility to refinance any distressed bonds. Ms. Weil stated that the airport constantly monitors the financial health of counterparties to its bond transactions, and would move expeditiously in the event of bankruptcy or some other adverse credit event to refund the affected bonds.

The Airport also anticipates issuing \$412,000,000 of commercial paper over the next five years, then using the subject requested refunding bonds to refinance a portion of the short-term commercial paper in favor of long-term debt. This \$412,000,000 is in addition to the \$1,277,645,000 fixed rate bonds shown in Table 1 above as currently eligible for refunding. Ms. Weil advises that the commercial paper balance can also be paid back from current operating revenues, although that is less common. Ms. Weil further advises that commercial paper is used as an interim financing tool for the Airport, because interest rates are typically lower on commercial paper than on long-term debt. Furthermore, the Airport is not permitted to include capital projects in determining rates and charges to the airlines until the project is complete and operational. It is also convenient to use commercial paper to provide the initial funding for projects where the Airport expects to be reimbursed from federal grants, because the commercial paper notes are short-term indebtedness that can easily be repaid when the grant monies are received. Therefore, it can be less expensive for the Airport to use commercial paper to initially finance projects, then replace the commercial paper with long-term debt once the project is completed, or pay down commercial paper balances with grant reimbursements. In the case of the \$412,000,000 included as part of this action, Ms. Weil advises that the commercial paper is expected to be used to finance the projects shown in Table 3 below, which includes (a) \$260,452,834 from the Airport's current five-year capital plan, which extends through 2015 and was approved by the Airport Commission in February 2010, and (b) two Federal Aviation Administration (FAA) reimbursement funded projects for \$151,547,166. While Ms. Weil advises that the Airport expects to be fully reimbursed for these project costs by the FAA, a

⁴Counterparties are entities that participate in the City's bond financing transactions in ways that assist in the security of the bonds, or in maintaining stable interest rates for the bonds issued, but who would pose financial risk to the Airport if they do not live up to their contractual obligations. The primary example are firms participating with the City in interest rate swaps, a type of financial instrument that the City can use as a hedge against fluctuations in the interest rate it must pay on variable bonds. Other entities that pose counterparty financial risk include bond insurance firms and liquidity providers who agree to purchase the City's bond issues if investors will not. It is very important for the City to monitor the health of counterparties, and take steps to address identified concerns, such as downgrading of counterparties by financial rating agencies, because such concerns can affect the marketability of the City's debt, and therefore raise the interest rates it has to pay.

portion of the project costs have been included in the calculation for potential interim commercial paper financing as a contingency measure.

**Table 3: Projects Financed with \$412,000,000 Commercial Paper
Then Refinanced with Refunding Bonds**

Capital Plan Projects Through December 21, 2015

Project	Cost
Terminal 3, Boarding Area E Renovations	\$31,815,451
Baggage Handling/Explosive Detection	15,000,000
Wastewater System Improvements	53,391,224
Central Plant Improvements	25,663,847
Power & Lighting Improvements	14,272,000
Water System Improvements	20,380,488
Storm Drain Improvements	10,280,000
Runway/Miscellaneous Airfield Improvements	22,580,310
Apron and Drainage Improvements	10,006,017
Taxiways	6,979,015
Airfield Utilities	2,630,316
Airfield Capital Equipment	5,801,000
Boarding Area C Renovations	18,921,666
Secure Connection from T2 to T1	11,800,000
Terminal 3 Checkpoint Improvements	7,581,500
Fire Rescue Equipment Program	<u>3,350,000</u>
Subtotal—Capital Plan Projects	\$260,452,834

FAA Reimbursement Grant Funded Projects

Air Traffic Control Tower	\$56,000,000
Runway Safety Area Project	<u>95,547,166</u>
Subtotal—FAA Grand Funded Projects	\$151,547,166

Total—Commercial Paper Funded Projects **\$412,000,000**

Beyond those immediate identified plans, Ms. Weil stated that the selling of refunding bonds will be contingent upon market conditions, with no specific timetable.

The proposed resolution would also establish a maximum maturity date of 40 years from the date of issuance, which is consistent with the maximum maturity date allowed in the Airport's existing refunding authority, as previously approved by the Board of Supervisors (File 07-0360). However, Ms. Weil advises that the maturity dates of the refunding bonds will not extend beyond the final maturity date of the bonds that would be individually refunded, the latest of which is the year 2040. Ms. Weil stated that not extending the maturity date of the refunding bonds beyond that of the previously issued refunded bonds prevents the Airport's bond ratings

from being adversely affected by deferring debt service beyond the useful lives of the projects initially funded with the original Airport bonds.

Authorization to Issue Special Facilities Bonds

SFO Fuel Company LLC, a consortium of airlines operating at the Airport, was organized in 1997 for the purpose of leasing, constructing, and operating the fuel systems at the Airport. The Airport Commission issued Special Facilities Lease Revenue Bonds in 1997 and 2000 to finance the costs of acquisition, construction, modification, expansion and installation of certain additions, replacement and improvements to jet fuel receipt, storage and distribution systems currently serving the Airport, certain diesel fuel and gasoline storage and delivery facilities for ground service equipment users at the Airport, and related environmental costs.

According to Ms. Weil, the requested authority to issue \$125,000,000 (see Table 2 above) in San Francisco Airport Special Facilities Bonds related to fuel storage and delivery facilities is the same principal amount of bonds authorized in 1997 and 2000. Ms. Weil stated that although the Airport does not currently plan to issue the requested \$125,000,000 in Airport Special Facilities Bonds, the Airport wants this authorization in place to quickly remedy any distressed bonds from the prior bond issues if and when necessary, noting that the surety provider who insured the outstanding bonds has been downgraded, and that a refunding would most likely occur to replace the surety provider, rather than because of potential interest savings.

Furthermore, in a report to the Airport Commission dated October 5, 2010, Airport Director John L. Martin explains that if the requested \$125,000,000 in bonds are issued to replace the previously issued bonds, the proposed resolution may add additional covenants and protections to further secure the repayment of the fuel system bonds, including (1) re-leasing the fuel distribution and storage system and related facilities for the benefit of bondholders upon the occurrence of an event of default, (2) refunding the fuel system bonds with general Airport revenue bonds in the event of a default, (3) paying all or a portion of debt service on these bonds from general Airport revenues, if the current lessee of the facilities, SFO Fuel Company LLC, fails to do so and (4) replenishing the debt service reserve account for the fuel distribution and storage system bonds from general Airport revenues following a draw on such bonds.

Ms. Weil stated that the debt service on the fuel storage and delivery facilities bonds is paid from fees charged to the airlines based on the number of gallons of fuel used by each airline. Ms. Weil stated the debt service payments for such bonds are \$9,009,800 for Calendar Year 2011.

Change in Bond Types Authorized

The proposed resolution would (a) authorize the Airport to issue a new type of variable rate bond, called an index rate bond, and (b) remove the Airport's current authorization for issuing another type of bond, called an auction rate bond. According to the October 26, 2010 memorandum to the Airport Commission from the Airport Director, Mr. Martin reports that the requested index rate bonds are issued with an interest rate that resets periodically based on generally accepted market indices, such as the index maintained by the Securities Industry and Financial Markets Association. According to Mr. Martin, the primary advantage of such bonds is that they do not require a bank facility, which is a letter of credit or a standby bond purchase

agreement from a highly-rated commercial bank which otherwise must be obtained when variable rate bonds are issued by the Airport. Bank facilities, Mr. Martin reported, typically expire after one to five years, and have become much more difficult and expensive to procure since the U.S. financial crisis that occurred in 2008. Mr. Martin advises that the Airport currently has about \$535,000,000 of bonds that require bank facilities outstanding, and had reduced the balance by about \$244,000,000 since mid-2008 through prior refundings.

Mr. Martin advises that the Airport does not currently have plans to issue specific amounts of index rate bonds. However, the proposed authorization would provide the Airport with the ability and flexibility to quickly issue variable index rate bonds when favorable market conditions arise, with the concurrence of Airport staff, bond counsel, the Airport's financial advisors and the Airport's Financial Advisory Committee.

Mr. Martin advises that auction rate bonds, which do not require a bank facility, have their interest rate set by a periodic auction with investors. Mr. Martin reported to the Airport Commission that \$430,000,000 in auction rate bonds which were outstanding as of mid-2008 have all been subsequently refunded. According to Mr. Martin, when the financial crisis occurred in 2008, auction rate bonds quickly became unmarketable, primarily because investors did not have a right to sell their bonds back to the issuer for repurchase. Based on that experience, Mr. Martin stated that it is highly unlikely that auction rate bonds will ever be sold again, making the provision for them in the Airport's bond resolution obsolete.

Comments by the Director of Public Finance

Although this proposed Airport bond financing is not administered by the City's Office of Public Finance, the Airport has briefed Ms. Nadia Sesay, Director of the Office of Public Finance. As discussed in a January 13, 2011 memorandum from Ms. Sesay, which is attached, Ms. Sesay supports the Airport's request for approval of this proposed resolution, with the following suggested amendments: (1) the authorization resolution should include the goal, of a minimum net present value savings as a percentage of the refunded bonds of three percent, as stated in the Airport's debt policy, (2) realistic maximum interest rate thresholds under conditions which refunding bonds will be issued, and (3) minimum debt service coverage levels for each bond covenant. Ms. Weil advises that she concurs with the suggested amendments of Ms. Sesay.

Ms. Sesay did not suggest, in her memo or in follow-up communications, a specific range of interest rates that would be preferable. However, Ms. Sesay observed that the proposed maximum rates of 12 percent to 18 percent that are included in the proposed resolution would be unlikely to generate savings for the Airport, given the actual interest rates in the Airport's current debt portfolio. In response, Ms. Weil recommends that amended language be included in the proposed resolution to specifically provide that the maximum interest rate on such Airport Refunding Bonds to be issued would not exceed the maximum or highest interest rate or yield on any previously issued refunded bonds, plus one percent.

In addition, Ms. Sesay noted there may be other reasons, such as distressed market conditions, that could necessitate a refunding even without interest rate savings. In this regard, Ms. Sesay advised that certain exceptions, including restructuring opportunities in connection with a change of federal law or distressed market conditions, would allow the Airport some flexibility

in the event that unforeseen events occur. Furthermore, according to Ms. Sesay, including explicit constraints and criteria, with reasonable exceptions, in bond authorization resolutions are standard practice in the municipal finance industry.

FISCAL IMPACTS

Ms. Weil advises that payment of debt service on Airport bonds is recovered from two sources. One is Airport revenues from rates and charges assessed to Airport users, and the other is Passenger Facility Charges. Rates and charges assessed to Airport users, such as airlines and concessions, include the debt service related to the specific use of facilities or equipment, so that terminal rental rates reflect debt service on capital projects located in the terminals and financed through bonds. New debt service schedules are prepared annually by the Airport following financing transactions, and the most current schedule is used to develop new rates or fees. The second revenue source the Airport collects is a Passenger Facility Charge (PFC) for Federal Aviation Administration approved projects, which are also applied to debt service. The PFC has a rate of \$4.50 per person and is included in the airline ticket price paid by all passengers on each flight.

Financing transactions that result in debt service savings provide the Airport with additional flexibility in applying these charges, which keeps the Airport's charges to airlines competitive with other airports. According to the SFO FY 2010-11 Rate Book, provided by Ms. Weil, PFC revenue collections for FY 2010-11 were expected to total \$72,800,000, while \$87,200,000 in new and previously collected PFC monies was expected to be applied to reduce FY 2010-2011 Airport rates and charges over what they otherwise would be.

As shown in Table 2 above, the requested \$1,600,000,000 in new refunding bond authority would include estimated bond issuance costs of \$127,532,522 for the subject fixed rate bonds, and \$103,522,625 for the subject variable rate bonds, or a total of \$231,055,147.

Ms Weil stated that the ultimate selection of a financial institution as the underwriter or provider of other services for the bonds would not be a sole-source award, but may be a combination of competitive bids along with a negotiated transaction with one or more financial institutions from the following ten approved investment banking and related services firms that were selected pursuant to an Airport competitive process: Morgan Stanley, Citigroup, Bank of America, Barclays Capital, RBC Capital Markets, JP Morgan, De La Rosa, Morgan Keegan, Siebert Brandford Shank and Wedbush Morgan. Ms. Weil advises that these ten firms were recommended to the Airport Commission by a five-member selection panel comprised of Airport staff, other City staff and the Airport's financial advisors, who evaluated firms based on their expertise, and were selected out of 23 firms that submitted proposals.

Ms. Weil advises that the Airport's variable rate bonds most recently reset at an average interest rate of 0.216 percent during the week of January 9, 2011. Ms. Weil noted that this is a historically low interest rate, although the Airport's rate on variable bonds has been below 1 percent for the past year. For the Airport's fixed-rate bonds, current interest rates range from a high of 6.44 percent, for 2008A notes that are scheduled to be refunded this spring, to a low of 2.83 percent.

Ms. Weil estimated that issuing the proposed \$1,600,000,000 (see Table 2 above) in additional refunding bonds for which authorization is being requested would result in debt service savings of between \$1,000,000 and \$24,000,000 annually over the 20-plus years of remaining life of the bonds that would be refunded. According to Mr. Kevin Kone, Assistant Deputy Airport Director, the wide range of estimated saving is due to three major variables: (a) the interest rate on the outstanding bonds which are refunded for savings, (b) the new interest rate on the refunded bonds which will be based on future financial market conditions, and (c) the maturity dates and therefore the remaining life on each refunded bond (i.e., the longer the maturity, the more savings). Mr. Kone advises that the combination of these three variables is difficult to forecast for purposes of calculating the possible interest rate savings for the Airport. Ms. Weil advises that future savings cannot be guaranteed, but that the Airport will target at least three percent overall debt service savings before pursuing Airport bond refunding. In addition, Mr. Kone advises that with the help of bond financial modeling software, the Airport will determine when the financial market conditions are optimal to execute a refunding to meet the Airport's financial objectives.

RECOMMENDATIONS

1. Amend the proposed resolution, as recommended by Ms Sesay, to provide that (1) Refunding Bonds issued to achieve debt service savings, resulting from the issuance of the proposed refunding bonds, shall not be issued unless the estimated net present value savings, as determined by the Airport's financial advisors, is equal to at least three percent of the principal amount of the refunded Bonds, except as otherwise provided by the Airport Commission's Debt Policy, (2) the maximum interest rate on such Refunding Bonds to be issued shall not exceed the maximum or highest interest rate or yield on any previously issued refunded bonds plus one percent, and (3) the Airport Commission shall cause the Airport's consultant to deliver a closing certificate in connection with each refunding that demonstrates compliance with the minimum debt service coverage requirements.
2. Approve the proposed resolution, as amended.



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

Nadia Sesay
Director
Office of Public Finance

MEMORANDUM

TO: Honorable Members, Board of Supervisors

FROM: Nadia Sesay
Director of Public Finance

SUBJECT: San Francisco International Airport Bond-Related Authorization

DATE: January 13, 2011

I have been briefed by San Francisco International Airport (the "Airport") staff with respect to their request for approval of increased refunding capacity for its outstanding revenue bonds, the issuance of not to exceed \$125 million in special facilities bonds to refinance fuel storage, and the approval of related bond documents. Based on the information provided by the Airport regarding the proposed plan of finance, I support the increase in the Airport's refunding authorization and issuance of special facilities bonds to finance fuel storage and the approval of the related documents.

While I fully support the Airport's goal to prudently manage its General Airport Revenue Bond (GARB) debt portfolio, I recommend specific constraints and/or criteria addressed in the related authorization regarding the proposed refunding of outstanding GARBS, as more fully described below.

Refunding Opportunities

The Airport currently has \$4.4 billion in GARBS outstanding and \$11.5 million outstanding commercial paper. Of the \$4.4 billion in outstanding GARBS, \$535.0 million is in variable rate mode. Current annual debt service is \$329.3 million or 44.4% of the Airport's operating budget. The Airport is faced with approximately \$2.2 billion in refunding opportunities in the next few years, including the \$535.0 million in variable rate debt, which are callable at anytime. The proposed \$1.6 billion in refunding GARBS authorization, when combined with the remaining \$997.3 million in remaining refunding GARBS previously authorized by the City and County of San Francisco Board of Supervisors (the "Board") and unissued would result in approximately \$2.6 billion in authorized refunding capacity. The additional authorization allows for flexibility of the Airport to access the market in unforeseen market events.

The Airport will be presented with multiple refunding opportunities in the next few years, as a total of \$1.7 billion of outstanding GARBs become callable by 2013, including \$1.04 billion which are currently callable. The Airport will seek to refund bonds based on prevailing market conditions as additional bonds become callable. As a result, the Airport has not yet estimated likely present value savings from potential refundings, but expects to do so with each issuance while seeking Airport Commission approval. The Airport is expected to meet the comprehensive guidelines established in the Airport's 2009 debt policy, which state that the Airport, when refinancing must achieve a net present value savings of at least 3% of the principal amount of the refunded bonds with certain exceptions. The Airport may choose to refund bonds resulting in less than 3% net present value savings under certain exceptions, including but not limited to, changes in federal tax laws that provide unique opportunities and distressed market conditions that would require restructuring of the Airport's GARBs portfolio.

Refunding Parameters:

If the Board approves this authorization the Airport would have \$2.6 billion in refunding GARBs authorization. In addition, the time for the sale of one or more series of refunding GARBs will extend to December 31, 2015 and final maturity date of GARBs will be forty (40) years from date of issuance. While I support the proposed refunding authorization, I recommend certain parameters be included the authorization resolution as follows:

1. Minimum net present value savings goal as a percentage of refunded bonds of 3% as stated in the Airport's debt policy;
2. Realistic maximum interest rate thresholds under conditions which refunding bonds will be issued;
3. Minimum debt service coverage levels per bond covenant.

In addition, certain exceptions, including restructuring opportunities in connection with change of federal law or distressed market conditions, would allow the Airport some flexibility in the event that unforeseen events arise. Explicit constraints and criteria like those above with reasonable exceptions are standard practice in the industry.

Please contact me at (415) 554-5956 if you have any questions.

cc: Kevin Kone, Assistant Deputy Airport Director, Capital Finance, SFO
Chloe Weil, Debt Manager, SFO

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

BOND RESOLUTION CONFIRMING AND EXTENDING PRIOR COMMISSION RESOLUTIONS REGARDING THE AIRPORT'S BONDS AND SUBORDINATE BONDS, AUTHORIZING BOND TO FINANCE OR REFINANCE THE AIRPORT FUEL SYSTEM LEASED TO SFO FUEL COMPANY LLC, AND AUTHORIZING CERTAIN OTHER DEBT-RELATED MATTERS.

- WHEREAS, the Airport Commission (the "Commission") of the City and County of San Francisco (the "City"), on December 3, 1991, duly adopted its Resolution No. 91-0210, providing for the issuance of San Francisco International Airport Second Series Revenue Bonds (which Resolution, as supplemented and amended, is herein called the "1991 Resolution"); and
- WHEREAS, the Commission, by the 1991 Resolution, has authorized the issuance from time to time of San Francisco International Airport Second Series Revenue Bonds (the "1991 Resolution Bonds") for any lawful purpose of the Commission; and
- WHEREAS, the Commission has previously authorized the issuance from time to time of 1991 Resolution Bonds for various purposes and with various terms pursuant to resolutions which supplement the 1991 Resolution, and now desires to ratify, approve and confirm such resolutions and the authorizations therein; 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, each additional series of 1991 Resolution Bonds under the 1991 Resolution;
- WHEREAS, the Commission, on May 20, 1997, duly adopted its Resolution No. 97-0146, providing for the issuance of San Francisco International Airport Subordinate Revenue Bonds, (which Resolution, as supplemented and amended, is herein called the "1997 Resolution"); and
- WHEREAS, the Commission, by the 1997 Resolution, has authorized the issuance from time to time of bonds, including commercial paper notes, on a basis subordinate to the 1991 Resolution Bonds (the "Subordinate Bonds") for any lawful purpose of the Commission; and
- WHEREAS, the Commission, by Resolution No. 97-0147, as supplemented and amended, including as amended and restated by Resolution No. 09-0088, adopted by the Commission on May 5, 2009, has previously authorized the issuance of Subordinate Bonds in the form of commercial paper notes in an aggregate principal amount of not to exceed \$400,000,000 for the purposes of funding lawful expenditures of the Airport, and now desires to ratify, approve and confirm such resolutions and the authorizations therein; and

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

WHEREAS, the Commission has previously authorized the execution and delivery of certain agreements related to the 1991 Resolution Bonds and the Subordinate Bonds, and further desires to ratify, approve and confirm such other authorizations; and

WHEREAS, the Commission has previously authorized the issuance of certain special facilities revenue bonds for the benefit of SFO FUEL Company LLC (the "Special Facilities Bonds"), and now desires to authorize the issuance of additional such Special Facilities Bonds to refund the outstanding bonds and for other lawful purposes; now, therefore be it,

RESOLVED, that this Commission authorize 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. The resolutions ratified, approved and confirmed by this Resolution are referred to herein collectively as the "Ratified Resolutions." The 1991 Resolution Bonds, the Subordinate Bonds and the Special Facilities Bonds are collectively referred to herein as the "Bonds."

Section 2. Capital Plan Bonds. The Commission, by Resolution No. 08-0035, adopted on February 19, 2008, and Resolution No. 09-0137 adopted on June 2, 2009, respectively (collectively, as supplemented and amended, the "Capital Plan Bond Resolutions"), authorized the issuance of up to \$718,000,000 aggregate principal amount of Capital Plan Bonds for the purposes set forth therein. The Commission has previously issued \$614,260,000 of such Capital Plan Bonds, and \$103,740,000 remains authorized but unissued. The Commission ratifies, approves and confirms the Capital Plan Bond Resolutions and such remaining authorization, and such resolutions shall remain in full force and effect except as modified by this Resolution.

Section 3. Refunding Bonds. The Commission, by Resolution No. 98-0114, adopted on May 19, 1998, as supplemented and amended (the "Seventh Supplemental Resolution"), including by Resolution No. 02-0010, adopted on January 8, 2002 (the "Tenth Supplemental Resolution"), Resolution No. 03-0220, adopted on October 21, 2003 (the "Eleventh Supplemental Resolution"), Resolution No. 04-0220, adopted on November 2, 2004 (the "Twelfth Supplemental Resolution"), Resolution No. 05-183, adopted on October 11, 2005 (as amended by its Resolution No. 07-0043, adopted on February 20, 2007), Resolution No. 08-0152, adopted on August 19, 2008 (the "Fourteenth Supplemental Resolution,"), and Resolution No. 08-0185, adopted on October 7, 2008 (each as supplemented and amended collectively, the "Refunding Bond Resolutions"), authorized the issuance of Refunding Bonds in various principal amounts, of which \$997,345,000 remains authorized but unissued. The Commission ratifies, approves and confirms the Refunding Bond Resolutions and such remaining authorization, and such resolutions shall remain in full force and

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 10-0307

effect except as modified by this Resolution. The Commission increases such unissued authorization by \$1.6 billion to \$2,597,345,000.

Section 4. Tender Refunding Bonds. The Commission, by Resolution No. 09-0087, adopted on May 5, 2009 (the "Tender Bonds Resolution"), authorized the issuance of up to \$600,000,000 aggregate principal amount of Tender Refunding Bonds pursuant to the Refunding Bonds Resolutions, of which \$467,085,000 remains authorized but unissued. The Commission ratifies, approves and confirms the Tender Bonds Resolution and such remaining authorization, and such resolutions shall remain in full force and effect except as modified by this Resolution. Refunding Bonds authorized to be issued under any other Resolution may be issued under and pursuant to the Tender Bonds Resolution.

Section 5. Variable Rate Bonds.

(a) AMT Conversions. The Commission, by Resolution No. 09-0059, adopted on March 31, 2009 (as supplemented and amended, the "Variable Rate Refinancing Resolution"), authorized the issuance of up to \$550,000,000 aggregate principal amount of Variable Rate Bonds for the purpose of converting the interest on outstanding Variable Rate Bonds from rates which are subject to the alternative minimum tax to rates which are not, of which \$20,150,000 remains authorized but unissued. The Commission ratifies, approves and confirms the Variable Rate Refinancing Resolution and such remaining authorization, and such resolutions shall remain in full force and effect except as modified by this Resolution.

1991 Resolution Bonds authorized to be issued under any other Resolution may be issued under and pursuant to the Variable Rate Refinancing Resolution.

(b) Interest Period and Mode Changes. The Airport Director, for and on behalf of and in the name of the Commission, is authorized and directed to execute and deliver such documents and take such actions as may be necessary or desirable and in the best interests of the Airport and not otherwise inconsistent with the purposes of this Resolution and the adopted policies of the Commission to change, from time to time, the Interest Period or Mode on all or any portion of outstanding Variable Rate Bonds to any other Interest Period or Mode permitted under the 1991 Resolution, and to cause the remarketing of such outstanding Variable Rate Bonds in the new Interest Period or Mode. In connection therewith the Airport Director is authorized, for an on behalf of and in the name of the Commission, to makes such changes to the terms of such Variable Rate Bonds as the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, may deem necessary or desirable and in the best interests of the Airport, including without limitation to the terms of any debt service reserve account which secures such Variable Rate Bonds.

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

Such remarketings shall not constitute a refunding of such Variable Rate Bonds for purposes of this Resolution or the Ratified Resolutions, nor shall it constitute a new "issue" of 1991 Resolution Bonds for purposes of the Charter.

Section 6. Bond Anticipation Notes. The Commission, by Resolution No. 9-0138, adopted on June 2, 2009 (as supplemented and amended, the "BANs Resolutions"), authorized the issuance of up to \$400,000,000 aggregate principal amount of 1991 Resolution Bonds as Bond Anticipation Notes to provide interim financing in lieu of or in addition to the Airport's Commercial Paper program, of which \$400,000,000 remains authorized but unissued. The Commission ratifies, approves and confirms the BANs Resolution and such remaining authorization, and such resolution shall remain in full force and effect except as modified by this Resolution. 1991 Resolution Bonds authorized to be issued under any other Resolution may be issued under and pursuant to the BANs Resolution.

Section 7. Terms of 1991 Resolution Bonds. Anything in the 1991 Resolution to the contrary notwithstanding, 1991 Resolution Bonds, including without limitation the Capital Plan Bonds, the Refunding Bonds, the Tender Refunding Bonds, Variable Rate Bonds, BANs and the Infrastructure Bonds, may be issued as either fixed rate or variable rate bonds pursuant to the Infrastructure Bonds Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution or the Eleventh Supplemental Resolution, as appropriate; in such Series and sub-Series and with such reserve account requirements, if any, as the Airport Director shall determine; *provided, however*, that (i) no 1991 Resolution Bond shall bear interest at a rate in excess of (A) eighteen percent (18%) per annum if issued as a Variable Rate Bond (other than any such 1991 Resolution Bonds held by a Credit Provider or Liquidity Provider), (B) sixteen percent (16%) per annum if issued as taxable fixed rate 1991 Resolution Bonds, or (C) twelve percent (12%) per annum if issued as tax-exempt fixed rate 1991 Resolution Bonds; (ii) the final maturity of any 1991 Resolution Bond shall not be later than forty (40) years from the date of issuance thereof; and (iii) the maturity schedule for each Series thereof shall not result in an increase in aggregate Annual Debt Service of more than the greater of ten percent (10%) or \$35,000,000 in any Fiscal Year unless the Airport Director determines, upon consultation with the Commission's financial advisors, that it is necessary or desirable and in the best interests of the Airport to do so. Unless otherwise determined by the Airport Director, any Series and sub-Series of 1991 Resolution Bonds sold and/or issued and delivered on the same date shall constitute part of the same "issue" for purposes of the Charter.

Section 8. Subordinate Bonds – Commercial Paper Notes. The Commission, by Resolution No. 09-0088, adopted on May 5, 2009, under and pursuant to Resolution No. 97-0146, adopted on May 20, 1997, as supplemented and amended, including

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

without limitation by Resolution No. 97-0148, adopted on May 20, 1997, Resolution No. 99-0299, adopted on September 21, 1999, Resolution No. 99-0300, adopted on September 21, 1999, and Resolution No. 09-0088, adopted by the Commission on May 5, 2009, (collectively, the "Commercial Paper Resolutions") authorized the issuance and reissuance from time to time of up to \$400,000,000 aggregate principal amount of Subordinate Bonds in the form of Commercial Paper for the purposes of financing and refinancing various Airport expenditures. The Commission ratifies, approves and confirms the Commercial Paper Resolutions and such authorizations, and such resolutions shall remain in full force and effect except as modified by this Resolution.

Section 9. Credit and Liquidity Facilities. The Commission, by Resolution No. 09-0089, adopted on May 5, 2009 (the "Credit Facilities Resolution"), the Commission authorized the Airport Director to obtain certain credit and liquidity facilities with respect to 1991 Resolution Bonds and Subordinate Bonds, including without limitation the Commercial Paper Notes. The Commission ratifies, confirms and approves the Credit Facilities Resolution, and such resolution shall remain in full force and effect except as modified by this Resolution.

(a) **Standby Bond Purchase Agreements.** The Airport Director, for and on behalf of and in the name of the Commission, is authorized to select one or more banks or other financial institutions, including private or governmental entities, whose ratings shall be in the three highest ratings categories (without regard to subcategories) of at least two Ratings Agencies ("Banks") to provide one or more Standby Bond Purchase Agreements ("Standby BPAs") to pay or secure the payment of the principal and/or purchase price of and interest and/or redemption premium on 1991 Resolution Bonds or Subordinate Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver one or more Standby BPAs with such Banks in substantially the form presented to and on file with the Secretary of the Commission, with such changes thereto as may be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be evidenced conclusively by the execution and delivery of such Agreements.

(b) **Letters of Credit.** The Airport Director, for and on behalf of and in the name of the Commission, is authorized to select one or more Banks to provide one or more Letters of Credit ("LOCs") to pay and/or secure the payment of the principal and/or purchase price of an interest and/or redemption premium on 1991 Resolution Bonds or Subordinate Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver one or more LOC Agreements with such Banks in substantially the form presented to and on file with the Secretary of the Commission, with such changes thereto as may be approved by

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be evidenced conclusively by the execution and delivery of such Agreements.

(c) Bond Insurance. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to select one or more Bond Insurers whose ratings shall be in the three highest ratings categories (without regard to subcategories) of at least two Ratings Agencies to provide Bond Insurance to secure the payment of the principal and/or purchase price of and interest and/or redemption premium on 1991 Resolution Bonds or Subordinate Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver one or more commitments or other agreements with such Bond Insurers in such form as may be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be evidenced conclusively by the execution and delivery of such Agreements.

(d) Reserve Account Surety Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to select one or more Bond Insurers to fund up to the amount required to be deposited in the applicable reserve account with respect to any 1991 Resolution Bonds or Subordinate Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver one or more reserve account surety bonds or insurance policies ("Surety Agreements") in substantially the form presented to and on file with the Secretary of the Commission, with such changes thereto as may be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be evidenced conclusively by the execution and delivery of such Agreements.

Section 10. Disclosure Documents. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to cause the preparation of one or more preliminary, final and supplemental Official Statements, Offering Memoranda, Private Placement Memoranda or other disclosure documents, and amendments and supplements thereto (collectively, "Disclosure Documents"), with respect to the issuance, sale, and remarketing from time to time of 1991 Resolution Bonds and Subordinate Bonds. The underwriters, placement agents, remarketing agents, dealers and other similar parties are authorized to distribute such Disclosure Documents as the Airport Director may approve upon consultation with the City Attorney, the Airport's financial advisors, disclosure counsel and bond counsel, such approval to be evidenced conclusively by the delivery of such Disclosure Documents. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to certify that each Disclosure Document is, as of its date, "deemed final" by the Commission within the meaning of and to the extent required by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12").

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

Section 11. Continuing Disclosure.

(a) Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to certify and agree on behalf of the Commission to provide certain financial information and operating data of the Commission annually and notices of certain events, if material, pursuant to Rule 15c2-12(b)(5) (unless an exemption from the Rule applies) and to execute and deliver one or more continuing disclosure certificates or agreements for the benefit of the underwriters and the holders and beneficial owners of the 1991 Resolution Bonds, Subordinate Bonds and Special Facilities Bonds in such forms as shall be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors, disclosure counsel and bond counsel, such approval to be conclusively evidenced by the execution and delivery of such certificate or agreement.

(b) Remedies. The Commission covenants and agrees for the benefit of the underwriters, purchasers and holders from time to time of its 1991 Resolution Bonds, Subordinate Bonds and Special Facilities Bonds, respectively, to comply with and carry out all of the provisions of any continuing disclosure certificate or agreement executed and delivered in connection with the issuance thereof, as it may be amended from time to time in accordance with its terms; *provided*, that failure of the Commission to comply with any Continuing Disclosure Agreement shall not be considered an Event of Default with respect to the related Bonds; *provided, however*, that the trustee, fiscal agent, dissemination agent or other similar third party may (and at the written request of the holders of at least 25% of the aggregate principal amount of the related Bonds shall) or any holder or beneficial owner of such Bonds may, take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Commission to comply with its obligations thereunder.

Section 12. Swap Transactions.

(a) Reauthorization. The Commission, by Resolution No. 04-0219, adopted on November 2, 2004 and Resolution No. 05-0184, adopted on October 11, 2005, as supplemented and amended (collectively, the "Swap Resolutions") authorized the execution of certain interest rate swap transactions ("Swap Transactions") in the aggregate notional amounts of \$205,100,000 and \$405,000,000, respectively, in connection with the issuance by the Airport of Refunding Bonds as Variable Rate Bonds. The Commission has previously executed total initial aggregate notional amounts of Swap Transactions pursuant to the Swap Resolutions of \$199,900,000 and 385,460,000], respectively, under the Swap Resolutions, leaving remaining authorizations of \$5,200,000 and \$19,540,000, respectively. The Commission

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

ratifies, approves and confirms the Swap Resolutions, the remaining authorizations thereunder and the findings and determinations therein, and such resolutions shall remain in full force and effect except as modified by this Resolution.

(b) Authorization of Collateral Posting. In connection with a Swap Transaction, the Airport Director, for and on behalf of and in the name of the Commission, is authorized to obligate the Airport to post collateral, as and to the extent necessary or desirable and in the best interests of the Airport, pursuant to the provisions of a Credit Support Annex.

(c) Maximum Rate. The maximum fixed interest rate the Commission shall be obligated to pay with respect to any Swap Transaction shall not exceed twelve percent (12%) per annum.

Section 13. Forward Purchase and Sale Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to invest and to direct the Trustee to invest amounts on deposit in any debt service reserve account, debt service account or construction account with respect to any 1991 Resolution Bonds, Subordinate Bonds or Special Facilities Bonds from time to time in Permitted Investments, including without limitation pursuant to one or more Forward Purchase and Sale Agreements, substantially in the form presented to and on file with the Secretary of the Commission, with such changes therein as shall be approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be conclusively evidence by the execution and delivery of such Agreements. The party to each such Agreement with the Commission shall be a bank or financial institution rated in the three highest rating categories (without regard to subcategories) by at least two Rating Agencies.

Section 14. Removal and Replacement of Other Parties. The underwriters, Trustees, Escrow Agents, Remarketing Agents, Dealers, Credit and Liquidity Facility Providers, Banks, Bond Insurers, Swap counterparties, investment providers and other parties appointed or selected pursuant to this Resolution and the Ratified Resolutions (collectively, "Other Parties") may be appointed, selected, removed, replaced, substituted, re-appointed or otherwise changed at such times as the Airport Director shall determine from time to time in his discretion. The Airport Director is authorized, for and on behalf of and in the name of the Commission, to execute and deliver new agreements with such Other Parties in substantially the same form as the agreement with the party removed, replaced, substituted or otherwise changed, with such changes thereto as the Airport Director shall determine are necessary or desirable and in the best interests of the Airport and consistent with the functions and responsibilities of such parties and the rights and remedies of the Commission, upon

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

consultation with the City Attorney, the Airport's financial advisors and bond counsel, which approval shall be conclusively evidence by the execution and delivery of such agreements.

Section 15. Selection of Other Parties. If and to the extent practicable in the determination of the Airport Director, the Airport Director shall select Other Parties through a competitive selection process in accordance with the policies and procedures of the Commission, including without limitation from a pool of such Other Parties previously pre-qualified by the Commission to serve in such capacities.

Section 16. Termination and Amendment of Agreements. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to terminate and to enter into amendments, modifications, supplements and extensions to the various agreements authorized and approved pursuant to this Resolution and the Ratified Resolutions; *provided*, that such amendments, modifications and supplements shall not materially increase the obligations of the Commission thereunder or materially reduce the Commission's rights and remedies thereunder without the approval of the Commission. Such amendments, supplements and extensions shall be in such form as the Airport Director may approve, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be conclusively evidence by the Airport Director's execution and delivery thereof.

Section 17. Federal Tax Law Matters.

(a) TEFRA Hearings and Approvals. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to cause the conduct of such hearings and to obtain such approvals from the Mayor or the Board of Supervisors of the City as the Airport Director shall determine is necessary or desirable in order to satisfy the public hearing and approval requirements under Section 147(f) of the Code with respect to the financing of Airport expenditures from the proceeds of tax-exempt Bonds.

(b) Official Intent to Reimburse. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to determine and officially declare that expenditures for Airport-related purposes from sources other than Bond proceeds are expected and intended to be reimbursed from proceeds of tax-exempt Bonds, pursuant to and in accordance with Treasury Regulations Section 1.150-2 or any successor to such section.

(c) Tax-Exempt Status of Bonds. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to take such actions and enter into such agreements, including without limitation seeking a private letter ruling or other

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

official determination from the Internal Revenue Service in the Department of the Treasury of the United States, in order to secure or assure the tax-exempt status of interest on any Bonds.

Section 18. Special Facilities Bonds.

(a) Authorization. The Commission, by Resolution No. 97-0145, adopted on May 20, 1997 and Resolution No. 00-0175, adopted on May 16, 2000, as supplemented and amended (collectively, the "SFO FUEL Bond Resolutions") authorized the issuance of \$125 million in aggregate principal amount of Special Facilities Bonds to finance certain aviation fueling and related facilities at the Airport (the "SFO FUEL Bonds"), all of which have been issued and a portion of which remain outstanding. The Commission authorizes the issuance of up to an additional \$125 million aggregate principal amount of SFO FUEL Bonds for the purposes of refunding the outstanding SFO FUEL Bonds and financing additions to, replacements of and improvements to the fuel storage and distribution system at the Airport and reimbursements therefore.

(b) Trust Agreement. The Airport Director, for and on behalf of and in the name of the Commission, is authorized to execute and deliver a Trust Agreement and/or Supplements thereto with a bond trustee selected by the Airport Director in connection with the issuance of any such SFO FUEL Bonds in substantially the form presented and on file with the Secretary of the Commission, with such changes thereto as have been approved by the Airport Director, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, such approval to be conclusively evidenced by the execution and delivery thereof. Such changes may include, without limitation, additional covenants and undertakings by the Commission to further secure the payment of such Bonds, including to (1) relet the Demised Premises and the Facilities for the benefit of bondholders, (2) refund the Bonds with general Airport revenue bonds upon the occurrence of an Event of Default, (3) pay all or a portion of debt service on the Bonds upon the failure of SFO FUEL Company to do so, and (4) replenish the debt service reserve account following a draw thereon.

(c) Fuel System Lease Agreement. The Airport Director, for and on behalf of and in the name of the Commission, is further authorized to execute and deliver such amendments to the existing Fuel System Lease between the Commission and SFO FUEL Company LLC, upon consultation with the City Attorney, the Airport's financial advisors and bond counsel, as shall be necessary or desirable and in the best interests of the Airport to accomplish the issuance of such SFO FUEL Bonds. Such amendments may include, without limitation:

- (1) An extension of the term of the Fuel System Lease;

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 10-0307

- (2) Changes to the Demised Premises, Right-of-Way and the Facilities and the management and uses thereof;
- (3) Changes to the Ground Rent, Facilities Rent and Additional Rent provisions;
- (4) Changes to the Events of Default and the City's remedies; and
- (5) Changes to conform the Fuel System Lease to the City's current contracting policies.

Section 19. Delegation by Airport Director. The Airport Director is authorized to delegate the authority granted to him pursuant to this Resolution and the Ratified Resolutions in writing to a member of Airport management, upon consultation with the City Attorney.

Section 20. Approval of Board of Supervisors. The Airport Director, for and on behalf of and in the name of the Commission, is authorized and directed to seek any approvals the Airport Director deems necessary or desirable from the Board of Supervisors of the City in order to carry out the intents and purposes of this Resolution.

Section 21. Ratification of Prior Acts. The actions of the officers, agents and employees of the Commission to carry out its intents and purposes taken prior to the adoption of this Resolution are ratified, approved and confirmed.

Section 22. 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 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, the Ratified Resolutions, and the other transactions contemplated hereby and thereby.

Section 23. Effectiveness. This Resolution shall become effective on and as of the date of adoption hereof except as otherwise set forth herein, including without limitation in Section 17 hereof.

///

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
RESOLUTION NO. 10-0307

ADOPTED by the Airport Commission of the City and County of San Francisco this 5th
day of Oct., 2010, by the following vote:

Ayes: 5

Noes: 0

Absent: 0

[SEAL]

Approved as to Form:

DENNIS J. HERRERA
City Attorney

By


David J. Stevens, Deputy City Attorney

I hereby certify that the foregoing resolution was adopted by the Airport Commission
at its meeting of OCT 05 2010



San Francisco International Airport

P.O. Box 8097
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysfo.com

MEMORANDUM

October 5, 2010

TO: AIRPORT COMMISSION
Hon. Larry Mazzola, President
Hon. Linda S. Crayton, Vice President
Hon. Caryl Ito
Hon. Eleanor Johns
Hon. Richard J. Guggenhime

FROM: Airport Director

SUBJECT: Bond Resolution Consolidating Prior Commission Resolutions Regarding the Airport's Bonds, Authorizing Additional Airport and SFO Fuel Company LLC Bonds, and Authorizing Certain Other Debt-Related Matters

AIRPORT
COMMISSION
CITY AND COUNTY
OF SAN FRANCISCO

GAVIN NEWSOM
MAYOR

LARRY MAZZOLA
PRESIDENT

LINDA S. CRAYTON
VICE PRESIDENT

CARYL ITO

ELEANOR JOHNS

RICHARD J. GUGGENHIME

JOHN L. MARTIN
AIRPORT DIRECTOR

DIRECTOR'S RECOMMENDATION: APPROVE BOND RESOLUTION CONSOLIDATING PRIOR COMMISSION AUTHORIZATIONS AND APPROVALS INTO A SINGLE BOND RESOLUTION, AUTHORIZING ADDITIONAL AIRPORT AND SFO FUEL COMPANY LLC BONDS TO REALIZE DEBT SERVICE SAVINGS, AND AUTHORIZING CERTAIN OTHER DEBT-RELATED MATTERS

Executive Summary

The attached Bond Resolution (the "Omnibus Resolution") confirms and extends a number of prior authorizations of the Commission with respect to the Commission's bonds. Its purpose is to consolidate Commission authorizations and approvals that are currently scattered through more than two dozen other resolutions and resolution amendments into a single resolution. This consolidation will eliminate the need for Airport staff and the Airport's financial and legal advisors to sift through numerous resolutions in order to identify and confirm that any particular authorization is in place, and that the terms of that authorization are being observed. In addition, the Omnibus Resolution increases the authorized principal amount of Refunding Bonds that may be issued by the Airport by \$1.6 billion. It also authorizes the issuance of special facility revenue bonds by the Airport to finance or refinance the Airport's fuel distribution system and any capital improvements undertaken by SFO Fuel Company LLC. Prior to issuance of a specific series of bonds, I will come back to the Commission for approval of a Bond Sale Resolution. The Airport's Financial Advisory Committee has reviewed and approved this course of action.

Refunding Bonds Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission (the "Refunding Resolutions") authorizing the issuance from time to time of refunding bonds to refinance the Commission's outstanding debt (the "Refunding Bonds"). The Airport has issued approximately \$5.8 billion of Refunding Bonds pursuant to the Refunding Resolutions, which has resulted in debt service savings of about \$262 million to date, and has allowed the Airport to reduce its counterparty and liquidity provider exposure, to increase the proportion of cash in its debt service reserve funds, and to reduce its exposure to mandatory tenders. There are approximately \$997 million of Refunding Bonds that remain authorized, but unissued pursuant to the Refunding Resolutions. The Omnibus Resolution authorizes the issuance of an additional \$1.6 billion of Refunding Bonds which may be issued over the next two years to realize debt service savings or for other purposes. I will come back to the Commission to approve the sale of individual series of Refunding Bonds.

Tender Offer Refunding Bonds Authorization

The Omnibus Resolution confirms the prior resolution of the Commission (the "Tender Resolution") authorizing the issuance and sale from time to time of Tender Refunding Bonds to refinance outstanding debt of the Commission ("Tender Refunding Bonds"). A Tender Refunding involves the solicitation of current owners of the Airport's outstanding bonds to tender their bonds for purchase by the Airport from the proceeds of Refunding Bonds issued for that purpose. The Airport has issued approximately \$133 million of Tender Refunding Bonds pursuant to the Tender Resolution. There are approximately \$467 million of Tender Refunding Bonds that remain authorized, but unissued pursuant to the Tender Resolution. The Omnibus Resolution does *not* increase this authorization.

Variable Rate Bonds Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission authorizing the issuance from time to time of Variable Rate Bonds by the Airport ("Variable Rate Bonds"). The Airport has issued \$1.46 billion of Variable Rate Bonds, which has resulted in debt service savings of about \$80 million to date. The Master Bond Resolution, as supplemented and amended, permits a series of bonds to be issued as Variable Rate Bonds or fixed rate bonds, as approved by the Commission.

The Omnibus Resolution also confirms the prior resolution of the Commission (the "Conversion Bonds Resolution") authorizing the issuance and sale of Variable Rate Bonds (the "Conversion Bonds") for the purpose of converting outstanding bonds bearing interest at rates subject to the federal alternative minimum tax into bonds bearing interest that is free of the alternative minimum tax. These conversions were authorized by the 2009 federal stimulus legislation ("American Recovery and Revitalization Act.") The Airport has issued approximately \$530 million of Conversion Bonds pursuant to the Conversion Bonds Resolution. There are approximately \$20 million of Conversion Bonds which remain authorized, but unissued pursuant to the Conversion Bonds Resolution. The Omnibus Resolution does *not* increase this authorization.

Bond Anticipation Notes Authorization

The Omnibus Resolution confirms the prior resolution of the Commission (the "BANs Resolution") authorizing the issuance from time to time of up to \$400 million of Bond Anticipation Notes ("BANs") to provide interim financing in lieu of, or in addition to, the Airport's Commercial Paper Program. The Airport has not yet issued any BANs, so the full authorization of \$400 million remains unissued. The Omnibus Resolution does *not* increase this authorization.

Capital Plan Bonds Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission (the "Capital Plan Bonds Resolution") authorizing the issuance from time to time of \$718 million of bonds to finance capital projects at the Airport (the "Capital Plan Bonds"). The Airport has issued approximately \$614.3 million of Capital Plan Bonds pursuant to the Capital Plan Bonds Resolution, leaving approximately \$103.7 million of these Bonds that remain authorized, but unissued pursuant to the Capital Plan Bonds Resolution. The Omnibus Resolution does *not* authorize the issuance of any additional Capital Plan Bonds.

Commercial Paper Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission (the "Commercial Paper Resolutions") authorizing the issuance from time to time of up to \$400 million outstanding at any time of commercial paper to finance and refinance capital projects and other expenditures at the Airport (the "Commercial Paper"). The Omnibus Resolution does *not* increase the authorized amount of Commercial Paper. Commercial Paper is issued as needed to meet the Airport's cash flow needs.

Credit Facilities Authorizations

The Omnibus Resolution confirms the prior resolution of the Commission (the "Credit Facilities Resolution") authorizing the Airport Director to obtain credit and liquidity facilities with respect to the Commission's bonds (the "Credit Facilities"). The Omnibus Resolution reauthorizes various types of Credit Facilities, such as standby bond purchase agreements, letters of credit, municipal bond insurance and reserve account surety policies, which have previously been authorized under numerous different resolutions, and approves the forms of agreements relating to these Credit Facilities. I will come back to the Commission for approval of individual standby bond purchase agreements and letter of credit agreements.

Related Document and Agreement Authorizations

The Omnibus Resolution reauthorizes various other documents and agreements, including disclosure documents, continuing disclosure agreements and certain investment agreements that have previously been authorized in connection with the Commission's bonds.

Swap Transaction Authorizations

The Omnibus Resolution confirms the prior resolutions of the Commission (the "Swap Resolutions") authorizing the execution, amendment, termination and replacement from time to time of interest rate swap transactions (the "Swap Transactions"). The Airport has executed an outstanding \$585 million notional amount of Swap Transactions pursuant to the Swap Resolutions. I do not anticipate the execution of any new Swap Transactions (other than replacement transactions, in the event any remaining swap providers experience further deterioration in their credit ratings). The Omnibus Resolution does *not* authorize the execution of any additional notional amount of Swap Transactions. The Omnibus Resolution does authorize the posting of collateral by the Commission with respect to outstanding Swap Transactions in lieu of terminating that Swap Transaction, in which event the Commission may be responsible for a sizable swap termination payment.

Other Authorizations

The Omnibus Resolution includes authorizations of various other related matters, including the removal and replacement of various parties to agreements otherwise authorized by the Commission, the selection of parties with which to enter into authorized agreements, the termination and amendment of existing agreements, compliance with applicable Federal tax laws, the changing of the interest period or mode on outstanding Variable Rate Bonds to any other interest period or mode permitted under the Master Bond Resolution, and the remarketing of such outstanding Variable Rate Bonds in a new interest period or mode, and with new terms.

SFO Fuel Bonds Authorization

The Omnibus Resolution authorizes the issuance of up to an additional \$125 million of special facility revenue bonds ("Special Facility Bonds") to finance and refinance the Airport's fuel distribution system and additional capital projects undertaken by SFO Fuel Company LLC, which leases and operates the Airport's fuel storage and distribution system. This is the same principal amount previously authorized and issued by the Commission in 1997 and 2000. While these bonds would be payable from the SFO Fuel lease payments and not from general Airport revenues, the Omnibus Resolutions authorize the Airport Director to include additional covenants and undertakings by the Commission to further secure the payment of such Bonds, including covenants to (1) relet the fuel distribution and storage system and related facilities for the benefit of bondholders upon the occurrence of an event of default, (2) refund the Special Facility Bonds with general Airport revenue bonds upon the occurrence of an event of default, (3) pay all or a portion of debt service on the Special Facility Bonds from general Airport revenues upon the failure of SFO Fuel Company LLC to do so, and (4) replenish the debt service reserve account for the Special Facility Bonds from general Airport revenues following a draw thereon. The covenants described in clauses (2), (3) and (4) would require the approval of a majority-in-interest of the airlines that are signatory to the Airport's new Lease and Use Agreement that takes effect on July 1, 2011. The Omnibus Resolution also authorizes the

execution of certain agreements necessary for the issuance of such bonds, and any necessary amendments in connection with such bonds to the lease agreement between the Commission and SFO Fuel Company.

Board of Supervisors Approval

Upon Commission approval, Airport staff will calendar the Omnibus Resolution for approval by the Board of Supervisors.

I recommend that the Commission adopt the attached Omnibus Resolution.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachment

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. _____

BOND RESOLUTION CONFIRMING AND EXTENDING PRIOR COMMISSION RESOLUTIONS REGARDING THE AIRPORT'S BONDS AND SUBORDINATE BONDS, AUTHORIZING BOND TO FINANCE OR REFINANCE THE AIRPORT FUEL SYSTEM LEASED TO SFO FUEL COMPANY LLC, AND AUTHORIZING CERTAIN OTHER DEBT-RELATED MATTERS.

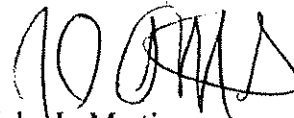
- WHEREAS, the Airport Commission (the "Commission") of the City and County of San Francisco (the "City"), on December 3, 1991, duly adopted its Resolution No. 91-0210, providing for the issuance of San Francisco International Airport Second Series Revenue Bonds (which Resolution, as supplemented and amended, is herein called the "1991 Resolution"); and
- WHEREAS, the Commission, by the 1991 Resolution, has authorized the issuance from time to time of San Francisco International Airport Second Series Revenue Bonds (the "1991 Resolution Bonds") for any lawful purpose of the Commission; and
- WHEREAS, the Commission has previously authorized the issuance from time to time of 1991 Resolution Bonds for various purposes and with various terms pursuant to resolutions which supplement the 1991 Resolution, and now desires to ratify, approve and confirm such resolutions and the authorizations therein; 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, each additional series of 1991 Resolution Bonds under the 1991 Resolution;
- WHEREAS, the Commission, on May 20, 1997, duly adopted its Resolution No. 97-0146, providing for the issuance of San Francisco International Airport Subordinate Revenue Bonds, (which Resolution, as supplemented and amended, is herein called the "1997 Resolution"); and
- WHEREAS, the Commission, by the 1997 Resolution, has authorized the issuance from time to time of bonds, including commercial paper notes, on a basis subordinate to the 1991 Resolution Bonds (the "Subordinate Bonds") for any lawful purpose of the Commission; and
- WHEREAS, the Commission, by Resolution No. 97-0147, as supplemented and amended, including as amended and restated by Resolution No. 09-0088, adopted by the Commission on May 5, 2009, has previously authorized the issuance of Subordinate Bonds in the form of commercial paper notes in an aggregate principal amount of not to exceed \$400,000,000 for the purposes of funding lawful expenditures of the Airport, and now desires to ratify, approve and confirm such resolutions and the authorizations therein; and

execution of certain agreements necessary for the issuance of such bonds, and any necessary amendments in connection with such bonds to the lease agreement between the Commission and SFO Fuel Company.

Board of Supervisors Approval

Upon Commission approval, Airport staff will calendar the Omnibus Resolution for approval by the Board of Supervisors.

I recommend that the Commission adopt the attached Omnibus Resolution.



John L. Martin
Airport Director

Prepared by: Leo Fermin
Deputy Airport Director
Business and Finance

Attachment

Table of Contents

- A. Proposed Board of Supervisors Resolution Regarding Airport Commission Bond-Related Authorizations
- B. Airport Commission Resolution No. 10-0307
- C. Airport Commission Resolution No. 10-0316
- D. Form Documents for Board of Supervisors Approval (Attached separately)

Complete copies of the above
listed documents are located in
File No. 101579

Form Documents for Board of Supervisors Approval

Debt Service Reserve Funds:

1. Debt Service Reserve Fund Surety Bond Reimbursement Agreement
2. Debt Service Reserve Fund Forward Purchase and Sale Agreement
3. Debt Service Reserve Fund Reimbursement Agreement

Variable Rate Bonds:

4. Variable Rate Letter of Credit and Reimbursement Agreement
5. Variable Rate Standby Bond Purchase Agreement
6. Variable Rate Remarketing Agreement

Commercial Paper:

7. Commercial Paper Dealer Agreement
8. Issuing and Paying Agent Agreement

Interest Rate Swaps:

9. Swap Agreement (including Master, Schedule, Credit Support Annex and Confirmation)

SFO Fuel:

10. SFO Fuel Trust Agreement
11. SFO Fuel First Supplemental Trust Agreement

Complete copies of the above
listed documents are located in File No.
File No. 101579

Name	Size	Type	Date Modified
 #261033624v1_US_WEST_- SFO -- Indenture.doc	347 KB	Microsoft Office Wo...	12/8/2010 9:56 AM
 #261033628v1_US_WEST_- SFO First Supplemental Indenture.doc	167 KB	Microsoft Office Wo...	12/8/2010 9:56 AM
 260486996(4)_FORM OF RESERVE FUND FORWARD PURCHASE AGREEMENT.DOC	389 KB	Microsoft Office Wo...	12/8/2010 9:56 AM
 260646724(2)_Form of Reimbursement Agreement for May 2009 Co.DOC	252 KB	Microsoft Office Wo...	12/8/2010 9:56 AM
 260646725(2)_Form of SBPA for May 2009 Commission.DOC	351 KB	Microsoft Office Wo...	12/8/2010 9:57 AM
 Reimbursement Agreement (Clean Draft 1-11-07).doc	76 KB	Microsoft Office Wo...	12/8/2010 9:57 AM
 SFO - Board of Supervisors Omnibus Approving Resolution FINA.doc	62 KB	Microsoft Office Wo...	12/8/2010 10:01 AM
 SFO - Form of CP Dealer Agreement.doc	97 KB	Microsoft Office Wo...	12/8/2010 9:57 AM
 SFO -- FORM OF ISDA SWAP MASTER AGREEMENT.pdf	338 KB	Adobe Acrobat Doc...	12/8/2010 9:57 AM
 SFO - Form of Issuing and Paying Agent Agreement.doc	194 KB	Microsoft Office Wo...	12/8/2010 9:56 AM
 SFO - Form of Reserve Fund Guaranty Agreement.doc	67 KB	Microsoft Office Wo...	12/8/2010 9:56 AM
 SFO - Remarketing Agreement.doc	148 KB	Microsoft Office Wo...	12/8/2010 9:56 AM
 Table of Contents - Form Documents for Board of Supervisors.docx	13 KB	Microsoft Office Wo...	12/8/2010 9:55 AM

* The above listed documents
are located in File No. 101579

