SAN FRANCISCO AIRPORT COMMISSION

MINUTES

Tuesday, April 7, 2020

9:00 A.M.

Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

LONDON N. BREED, MAYOR

COMMISSIONERS
LARRY MAZZOLA
President
ELEANOR JOHNS
Vice President
RICHARD J. GUGGENHIME
MALCOLM YEUNG

IVAR C. SATERO
Airport Director

C. CORINA MONZÓN
Commission Secretary

SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128
Minutes of the Airport Commission Meeting of Tuesday, April 7, 2020

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A. CALL TO ORDER:
The regular meeting of the Airport Commission was called to order at 9:00 A.M. via teleconference.

B. ROLL CALL:
Present: Hon. Larry Mazzola, President
         Hon. Eleanor Johns, Vice President
         Hon. Richard J. Guggenhime
         Hon. Malcolm Yeung

C. ADOPTION OF MINUTES:
The minutes of the regular meeting of March 17, 2020 were adopted unanimously upon a motion by Commissioner Mazzola and a second by Commissioner Johns.

No. 20-0062. Regular meeting of March 17, 2020.

D. DIRECTOR’S REPORT (Discussion Only):

Airport Director Ivar Satero provided an update on the following:

Novel Coronavirus (COVID-19): The Airport continues to coordinate closely with federal regulators, airport tenants, labor and the City on the COVID-19 response. To date, the Airport has 29 confirmed cases, with one being a Commission employee.

Flight operations are at 3-5% of normal activity, but cargo operations are up. Amazon Air initiated twice daily service at SFO a couple weeks ago.

Following City guidance restricting capital program constructions, SFO has suspended 18 non-essential projects through the new shelter in place date of May 3rd. Eleven projects continue, with three projects awaiting a determination from the City Administrator’s Office in consultation with the Public Health Officer, including Harvey Milk Terminal 1 and the AirTrain extension.

The Airport is supporting the City’s Emergency Operations Center response with a number of Airport DSW workers being assigned downtown. Linda Yeung has taken on the Deputy Logistics Chief role managing the flow of supplies for the City. The Airport is appreciative to Linda for her support to DEM. Marketing and Communications staff have taken on the management of a City Employee Communication Campaign.
The Airport has scheduled two blood drives in April to provide needed donations to local hospitals.

There is increased public awareness throughout the terminals with announcements regarding the State shelter in place requirements and social distancing stickers and signage.

The consolidation of all international flights into Boarding Area G has been completed.

The opening of Harvey Milk Terminal 1 Phase 2 has been delayed until May 3, 2020 at the earliest. The Airport is coordinating with American Airlines on an opening date of those next nine gates.

The Terminal 3 West Capital Project has been suspended for six months, resulting in $60 million in deferred interest savings.

$16 million in contract savings in all parts of the operation has been identified.

SFO’s current $1 billion bond authorization is being programmed to last for the next 18 months.

With the passage of the federal Coronavirus Aid Relief and Economic Security (CARES) Act, SFO expects to receive approximately $200 million in stimulus money.

Commissioner Yeung stated that he appreciated the Airport’s response to this crisis. He is sorry to hear of the test positive cases at the Airport, but is glad to hear of the steps Staff is making to support the City as a whole to manage the emergency operations. Commissioner Yeung asked for clarification on the statements that flight capacity is at 3-5% of what it would normally be and SFO may get up to $200 million from the CARES Act to help support revenue losses. He asked if there were any more update on what the reduction of flights will mean for the Airport or if it is too early to tell. Director Satero stated they are not seeing any change in the look ahead schedules to airlines. The number of flights seen is about 25% of where it would be. There were 250 flights the other day; normally, that would be well over 1,000. The current load factors of 10-15% seem to be somewhat consistent and that there has been some discussion of flights being added back, but that it doesn’t constitute an upward trend. With regard to the $200 million, there is a complicated calculation based on debt service, AIP share, and enplanements formula and could be as much as $250 million. The $10 billion has been approved through the CARES Act, and SFO hopes to receive a significant amount.

There were no further questions from Commissioners and no public comment.

**E. ITEMS INITIATED BY COMMISSIONERS (Discussion Only):**

There were no items initiated by Commissioners.
F. ACTION ITEMS RELATED TO ADMINISTRATION, OPERATIONS & MAINTENANCE

Item No. 1 was approved unanimously by a motion by Commissioner Johns and a second by Commissioner Yeung.

1. **Designation of an Additional Amount up to $420,752,400 of Passenger Facility Charge Funds as Revenues in Fiscal Year 2019/2020 and Authorization to Apply Such Amount to Debt Service and Airline Rates and Charges, as Needed**

   No. 20-0063. Resolution designating an additional amount up to $420,752,400 of Passenger Facility Charge Funds as revenues in Fiscal Year 2019/2020 and authorizing such amount to be applied to debt service and airlines rates and charges, as needed.

Kevin Kone, Managing Director of Finance presented the item to designate up to $429,752,400 in Passenger Facility Charge (PFC) funds as revenue to pay debt service in Fiscal Year 2019/20. The PFC program collects $4.50 for each enplaned passenger to pay for capital improvements at airports. In FY 2018/2019, the Airport received $111 million. The Airport has used a portion of these funds to pay debt service on PFC eligible projects financed using General Airport Revenue Bonds each year. This approval would allow the Airport Director to determine the amount of PFC funds to be designated as revenue and used to pay debt service as needed for certain PFC-eligible project costs. The current PFC balance is $523.6 million. The designation of up to $420.7 million as revenue leaves a balance of $102.9 million.

Commissioner Johns asked how Finance staff determined the $420 million amount. Mr. Kone explained that it was based on internal financial scenarios. The $420 million accounts for a severe downturn in revenues. In that event, that amount would be used to balance the current year’s budget. Mr. Kone further stated that the models Staff are running with a more moderate decline in scenarios is less than the $420 million. It is too early to tell how much less of the $420 million they are going to use. Commissioner Johns commented that the $102 million that would be left is not a figure that has been maintained except in this emergency situation. Mr. Kone confirmed. He stated each year when they come to the Commission to designate the Passenger Facility Charges as revenues, it is usually an upper limit. Over the last 10-15 years, they have been storing this money and building up the $523.6 million to help balance events where the debt service may be increasing or there is a downturn in the economy. Commissioner Johns asked if this money is considered part of the Airport’s cash reserves. Mr. Kone confirmed. This is one tool of the Airport’s cash reserves to help with financial stability.

Commissioner Guggenhime asked how much of the $420 million would be used in an optimistic forecast, and Mr. Kone responded that it would be approximately $300 million.

There were no further questions from Commissioner and no public comment.
Item No. 2 and 3 were called together.

Items 2 and 3 were approved unanimously by a motion by Commissioner Johns and a second by Commissioner Guggenhime.

2. **Authorization to Execute a New Letter of Credit and Reimbursement Agreement or an Amendment to the Existing Letter of Credit and Reimbursement Agreement to Continue Letter of Credit Support for up to $200 Million Principal Amount of Commercial Paper Notes, and Approval of Certain Related Actions**

No. 20-0064. Resolution authorizing the execution of a new Letter of Credit and Reimbursement Agreement or an Amendment to the existing Letter of Credit and Reimbursement Agreement to continue Letter of Credit support for up to $200 million principal amount of the Airport Commission’s subordinate Commercial Paper Notes and approving other actions in connection with the Commercial Paper Program.

3. **Authorization to Amend Letter of Credit and Reimbursement Agreement with Bank of America, N.A. to Extend the Letter of Credit Supporting $134,680,000 Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, for a Term of Up to Three Years**

No. 20-0065. Resolution authorizing the execution of an amendment to the Letter of Credit and Reimbursement Agreement with Bank of America, N.A., to extend the Letter of Credit supporting $134,680,000 Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, for an additional term of up to three years, and approving certain related actions.

Kevin Kone, Managing Director of Finance presented the items related to the Airport’s Commercial Paper Program (CP). The $500 million CP program provides SFO with a short-term borrowing instrument where the payable notes range between 2-270 days. The Airport uses the CP program to fund the Airport’s $7.6 billion Ascent Construction Program in advance of selling general airport revenue bonds. The Airport seeks authorization to execute a new letter of credit in the amount of $200 million currently held by the Royal Bank of Canada or to execute a new letter of credit which would expire on May 1, 2020. In light of the on-going financial market disruption because of COVID-19, Staff is also requesting approval to extend the existing Issuing and Paying Agent Agreement. The issuing and payment agent is the intermediary bank between the lender and the borrower. Lastly, Staff is requesting approval to execute, modify, or terminate the Commercial Paper Deal Agreement if necessary. CP dealers are investment banks who find lenders at the lowest possible interest rate and terms for the notes.

With regard to Item 3, the Airport’s debt portfolio is made up of fixed rate debt and variable rate debt. Variable rate bonds make up 5% of the Airport’s debt portfolio.
Variable rate bond interest rates reset each week. Variable rate bond holders have the right to require the Commission to repurchase their bonds on seven-day’s notice. As a result, variable rate bonds are supported by letters of credit under which a financial institution provides the funds necessary to repurchase any bonds until they can be resold to new investors. Staff is requesting authorization to amend of letter of credit and reimbursement agreement with Bank of America, supporting $134,680,000 for the Series 2010A bond for a term of up to three years. Bank of America is the existing letter of credit provider on the Series 2010A bond and part of a recently established pool of prequalified financial institutions to provide credit and liquidity support to the Airport. The fee paid to Bank of America would be reduced from 0.63% to 0.28% of the current outstanding principle and interest on the 2010A bonds, saving the Commission $478,566 in annual fees. The Airport’s Financial Advisory Committee have reviewed and concurs with this action.

Commissioner Guggenhime stated that banks were currently under huge pressure, and that many were over their lending limits. He asked if there was any concern about their ability to provide the requested resources. Mr. Kone responded that these banks are still have the necessary investment credit ratings required for airports to do business. The lender, Bank of America, is still confident in doing business with airports and views the current crisis to be a short-term disruption.

There were no further questions from Commissioners and no public comment.

G. CONSENT CALENDAR OF ROUTINE ADMINISTTATIVE MATTERS
There are no planned agenda items on the Consent Calendar for the current meeting.

H. NEW BUSINESS:
There was no public comment.

I. CORRESPONDENCE:
There was no discussion by the Commission.

J. CLOSED SESSION:
There are no planned agenda items for a Closed Session for the current meeting.

K. ADJOURNMENT:
There being no further calendared business before the Commission, the meeting adjourned at 9:31 A.M.

(Original signed by: C. Corina Monzón)
C. Corina Monzón
Airport Commission Secretary

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