

**AIRPORT COMMISSION  
OF  
THE CITY AND COUNTY OF SAN FRANCISCO**

**DEBT POLICY**

**Including:**    **Interest Rate Swap Policy**  
                  **Credit Policy**  
                  **Investment Policy for Bond-Related Monies**  
                  **Disclosure Policies and Procedures**  
                  **Post-Issuance Compliance Policy for Tax-Exempt Bonds**

**Dated as of February 20, 2024**

AIRPORT COMMISSION

CITY AND COUNTY OF SAN FRANCISCO

RESOLUTION NO. 24-0024

**AMENDMENT OF THE COMMISSION'S DEBT POLICY, INCLUDING THE RELATED INTEREST RATE SWAP, CREDIT, INVESTMENT, AND DISCLOSURE POLICIES, AND THE POST-ISSUANCE COMPLIANCE POLICY FOR TAX-EXEMPT BONDS**

WHEREAS, the Airport Commission (Commission) of the City and County of San Francisco adopted an Airport Debt Policy on December 5, 2006, by Resolution No. 06-0231, that was amended on August 4, 2009, by Resolution No. 09-0188, August 12, 2013, by Resolution No. 13-0171, September 9, 2014, by Resolution No. 14-0175, December 6, 2016, by Resolution No. 16-0308, September 19, 2017, by Resolution 17-0224, July 2, 2019, by Resolution No. 19-0163, and October 6, 2020 by Resolution No. 20-0182 (Debt Policy); and

WHEREAS, the Debt Policy provides comprehensive guidelines and policies for the issuance and management of the Commission's revenue bonds and other debt obligations; and

WHEREAS, the Debt Policy is fully reviewed on or about the third anniversary following the prior approval by the Commission to account for developments in the financial markets and changes in the law and regulatory environment, and to ensure that the Commission and Staff adhere to sound debt issuance and management practices; and

WHEREAS, the Commission last amended and updated the Debt Policy as the result of a full review on October 6, 2020, by Resolution No. 20-0182; and


WHEREAS, Staff conducted a full review of the Debt Policy in consultation with the Deputy City Attorney, the Commission's bond and disclosure counsel, and municipal advisors, and has presented proposed revisions to the Commission for approval; now, therefore, be it

RESOLVED, that this Commission hereby finds and determines that the above recitals are true and correct; and, be it further

RESOLVED, that the revised Debt Policy and the associated Interest Rate Swap, Credit, Investment, and Disclosure Policies, and Post-Issuance Compliance Policy for Tax-Exempt Bonds, in the forms attached to this resolution, are approved and shall supersede and replace the existing Debt Policy; and, be it further

RESOLVED, that this Resolution shall take effect immediately upon its adoption.

*I hereby certify that the foregoing resolution was adopted by the Airport Commission*  
= FEB 20 2024  
*at its meeting of* \_\_\_\_\_

  
Secretary

**AIRPORT COMMISSION**  
**OF**  
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**Dated as of February 20, 2024**

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**AIRPORT COMMISSION  
OF THE CITY AND COUNTY OF SAN FRANCISCO**

**DEBT POLICY**

Dated as of February 20, 2024

**I. Introduction**

The purpose of this Debt Policy (Debt Policy) of the Airport Commission (the Commission) of the City and County of San Francisco (the City) is to establish comprehensive guidelines for the issuance and management of the Commission’s bonds, notes, bond anticipation notes, commercial paper, or other obligations for borrowed money, including lease, installment purchase, or other similar financing agreements or certificates of participation in such agreements (collectively, Bonds). This Debt Policy is intended to help ensure that (i) the Commission, the Airport Director (the Director), and other management and staff of the San Francisco International Airport (the Airport) adhere to sound debt issuance and management practices; (ii) the Commission achieves the most advantageous cost of borrowing commensurate with prudent levels of risk; and (iii) the Commission preserves and enhances the credit quality of its Bonds.

**II. Scope of Debt Policy**

This Debt Policy shall govern the issuance and management of all Bonds of the Commission, together with the credit, liquidity, and other instruments and agreements secured or executed in connection with such Bonds. The Commission may approve Bonds and other related agreements with terms and provisions that deviate from this Debt Policy upon the recommendation of the Director as circumstances warrant. The failure by the Commission to comply with any provision of this Debt Policy shall not affect the validity of any Bond or related agreement that is otherwise duly authorized and executed.

**III. Legal Authority; Compliance with Laws, Resolutions, Contracts and Related Policies**

**A) Legal Authority**

The Commission has exclusive authority to plan and issue Bonds payable from its revenues for Airport-related purposes pursuant to Section 4.115 of the Charter of the City (the Charter), subject to approval by the Board of Supervisors of the City (the Board). The Commission is authorized to issue Bonds without voter approval pursuant to Section 9.107 of the Charter. Bonds of the Commission are payable from Airport revenues in the order of priority set forth in Section 16.104 of the Charter. Pursuant to Section 7.306 of the prior Charter, amended and restated as an ordinance pursuant to Section 18.103 of the Charter, Bonds of the Commission are to be issued pursuant to the laws of the State of California (the State), including the Revenue Bond Law of 1941, codified as California Government Code Sections 54300 and following, except to the extent set forth in the Charter.



**B) Compliance with Law**

All Bonds of the Commission shall be issued in accordance with applicable provisions of the Charter and federal and State laws, rules, and regulations, including without limitation applicable federal aviation laws and the Internal Revenue Code of 1986 (the Code), the Securities Act of 1934 and the Securities Exchange Act of 1933, in each case as supplemented and amended, and regulations promulgated pursuant to such laws. The Commission shall submit reports required by law in connection with the Bonds, including but not limited to Reports of Proposed Debt Issuance, Reports of Final Sale, and annual debt transparency reports to the California Debt and Investment Advisory Commission and required reports to the Internal Revenue Service.

**C) Compliance with Commission Resolutions**

Bonds of the Commission shall be issued in accordance with applicable resolutions of the Commission, including without limitation Resolution No. 91-0210, adopted on December 3, 1991 (as amended, the Master Bond Resolution), and Resolution No. 97- 0146, adopted on May 2, 1997 (as amended, the Master Subordinate Bond Resolution), in each case as supplemented and amended, or any successor resolution or agreement.

**D) Compliance with Agreements**

Bonds of the Commission shall be issued in compliance with any agreements of the Commission with airlines, other air carriers, credit or liquidity providers, bond insurers, or other parties.

**E) Compliance with Planning Goals and Objectives**

Bond proceeds shall be spent only for the purposes set forth in Section V below.

**F) Appropriation Authority**

The Commission shall seek and obtain any necessary appropriation authority from the Board for the expenditure of Bond proceeds as required by the Charter and applicable City ordinances, rules, and regulations.

#### **IV. Administration of Debt Policy**

##### **A) Commission**

The Commission shall be responsible for:

- 1) Approval of the issuance and sale of all Bonds and delegating authority to the Director, within appropriate limits, to determine the final terms and provisions thereof;
- 2) Appointment of municipal advisors, airport consultants, underwriters, feasibility consultants, and other professionals retained in connection with the Commission's Bonds;
- 3) Approval of this Debt Policy and any supplements or amendments;
- 4) Periodic approval of the Airport's capital improvement plans;
- 5) Periodic approval of proposed Commission annual and supplemental budgets for submission to the Controller of the City, including without limitation provisions for the timely payment of principal of and interest on all Bonds;
- 6) Adoption of a schedule of fees, rates, and charges for the Airport that allows the Commission to comply with covenants in agreements relating to Bonds; and
- 7) Approval of the selection of credit and liquidity providers for the Airport's Bonds.

##### **B) Airport Director**

The Director shall have responsibility and authority for structuring, issuing, and managing the Commission's Bonds and financing programs, including the securing, negotiation, and execution of Bond Insurance and Credit Facilities (each as defined in Section X below). This shall include, but not be limited to, the following:

- 1) Seeking authorization from the Commission to issue Bonds and obtain Bond Insurance and Credit Facilities as necessary or appropriate;
- 2) Determining the appropriate structure and terms for all proposed Bonds and associated Bond Insurance and Credit Facilities;
- 3) Undertaking to issue Bonds at the most advantageous rates of interest and other costs consistent with prudent levels of risk;

- 4) Ensuring compliance with any applicable additional debt limitations under State law, the Charter, and/or the Commission's resolutions and with federal, State, and local laws and resolutions in connection with the issuance of any Bonds;
- 5) Seeking advice from the Director's Financial Advisory Committee in connection with the issuance of Bonds and other Bond-related matters;
- 6) Recommending to the Commission the manner of sale of any Bonds;
- 7) Monitoring opportunities to refund outstanding Bonds to achieve debt service savings, and recommending such refundings to the Commission as appropriate;
- 8) Providing for and participating in the preparation and review of all legal and disclosure documents in connection with the issuance of any Bonds by the Commission;
- 9) Monitoring compliance by the Commission and other parties with the terms and provisions of all legal documents and disclosure requirements in connection with all outstanding Bonds;
- 10) Distributing information regarding the business operations and financial condition of the Commission to appropriate bodies on a timely basis in compliance with any applicable continuing disclosure requirements;
- 11) Communicating regularly with the Rating Agencies, bond insurers, investment providers, institutional investors, and other market participants relating to the Commission's Bonds, Bond Insurance, and Credit Facilities; and
- 12) Maintaining a database with summary information regarding all of the Commission's outstanding Bonds, Bond Insurance and Credit Facilities.

**C) Procedures for Approval of Bonds**

The Director may present each proposed issuance of Bonds to the Director's Financial Advisory Committee for review prior to submission to the Commission for approval. Each issue of Bonds is also subject to approval by the Board.

**D) Considerations in Approving Issuance of Bonds**

The Commission may take into consideration any or all of the following factors, as appropriate, prior to approving the proposed issuance of Bonds:

- 1) Whether the proposed issuance complies with this Debt Policy;
- 2) Source(s) of payment and security for the Bonds;

- 3) Structure of the Bonds, including the use of bullet maturities, optional or mandatory tenders, or other features which may cause Airport debt service and related costs to rise abruptly or unexpectedly by a material amount;
- 4) Projected revenues and other benefits from the projects proposed to be funded;
- 5) Projecting operating and other costs with respect to the proposed projects;
- 6) Impacts, if any, on airline rates and charges;
- 7) Impacts, if any, on the Commission's credit ratings;
- 8) Period, if any, over which interest on the Bonds should be capitalized;
- 9) Appropriate lien priority of the Bonds;
- 10) The tax status of the Bonds and any implications that may have on the future use of facilities funded by the Bonds;
- 11) Market access risk upon initial issuance or upon maturity, if any;
- 12) Availability of sufficient self-liquidity and/or third-party liquidity, as applicable;
- 13) Extent of exposure to credit of third parties, such as bond insurers and Credit Facility providers, as applicable;
- 14) Ability of Staff to monitor key risks associated with the Bond structure, such as interest rate volatility, changes in the termination values of interest rate swaps, basis differentials and credit risk associated with variable rate bonds and the related Bond Insurance and Credit Facilities; as well as market access and rollover risk associated with commercial paper and other shorter-term notes; and/or
- 15) Adequacy of the proposed disclosure document, if any.

## **V. Purposes for Bonds**

### **A) Permissible Purposes**

The Commission may issue Bonds for the purposes of financing and refinancing the costs of capital projects undertaken by the Commission, paying Bond-related costs, and making deposits to Bond-related reserves, including deposits to the Contingency Account established by, and defined in, the Master Bond Resolution. The Commission may also issue Bonds to pay extraordinary unfunded costs, including without limitation: (i) termination or other similar payments due in connection with Swaps (as defined in this Debt Policy) and investment agreements entered into in connection with Bonds; (ii) legal judgments or settlements; and (iii)

pension, healthcare or workers compensation costs. Bond proceeds spent on capital projects shall be spent only on capital projects that have received all necessary Commission and Board approvals.

**B) Prohibited Purposes**

The Commission shall not issue Bonds for the purpose of funding operating costs except under extraordinary circumstances if the Commission determines that other moneys are not reasonably available for such purpose.

**C) Compliance with Tax Laws**

The Commission shall comply with all applicable federal tax laws, regulations and information filing requirements at the time the Bonds are issued and throughout the term of the Bonds, including, but not limited to: (i) the proper and timely use of bond proceeds and bond-financed property, (ii) arbitrage yield restriction, and (iii) rebate requirements. The Commission's Post-Issuance Compliance Policy for Tax Exempt Bonds is attached as Appendix E and may be supplemented from time to time by the Director through execution of a tax certificate or other similar document in connection with the issuance of Bonds.

**D) Internal Control Procedures**

The policy of the Airport Commission is to have adequate internal controls to ensure that the proceeds of Bonds are directed to the intended use. Airport Commission staff shall maintain and follow internal control procedures to support this policy. These procedures should include, at a minimum, mechanisms for:

- 1) Internal review and approval of the entities that are authorized to receive payments from accounts holding Bond proceeds, and
- 2) Internal review and approval of any instructions to the City Treasurer or Bond trustee to transfer Bond proceeds between accounts or disburse Bond proceeds.
- 3) Staff shall adhere to City and Airport cybersecurity best practices in transmitting electronic instructions regarding the payment or transfer of Bond-related funds.

**VI. Types of and Limitations on Bonds**

**A) Bonds Payable Only from Revenues of the Airport**

Bonds issued by the Commission may be payable from all or any portion of the revenues of the Airport, including proceeds of any federal or State grants (collectively, Grants), passenger facilities charges, customer facility charges, or other similar moneys. Neither the credit nor the taxing power of the City, the State, or any political subdivision of the State other than the Commission shall be pledged or available to pay or secure the Bonds of the Commission.

**B) General Airport Revenue Bonds**

The Commission may issue General Airport Revenue Bonds (GARBs) payable from the general revenues, including Grants, of the Airport to fund capital and other costs of the Airport. No GARBs shall be issued by the Commission without compliance with any applicable additional bonds tests under the Master Bond Resolution, the Master Subordinate Bond Resolution, or other Commission resolutions authorizing the issuance of such GARBs or other Bonds of the Commission.

**C) Special Facility Revenue Bonds**

The Commission may issue Bonds payable in whole or in part from revenues derived from a separate Airport project or facility (Special Facility), rather than from general Airport Revenues as defined in the Master Bond Resolution (Special Facility Bonds). No Special Facility Bonds shall be issued by the Commission unless an outside airport consultant has certified: (i) that the projected revenues with respect to the Special Facility will be at least sufficient to pay debt service and other required payments with respect to the Special Facility Bonds, and to pay all operating and maintenance costs of the Special Facility payable by the Commission; and (ii) that projected Airport revenues, excluding the Special Facility revenues, will be sufficient for the Commission to comply with its rate covenants with respect to its GARBs.

**D) Grant Revenue Bonds**

The Commission may issue Bonds payable in whole or in part from Grants to pay capital or other costs as permitted by the applicable provisions, conditions, and requirements with respect to such Grants. The Commission may also issue Bonds in the form of notes payable from and in anticipation of the future receipt of Grants (so-called grant anticipation notes or GANs).

**E) New Money Bonds**

The Commission may issue Bonds to pay or reimburse the cost of capital projects undertaken by the Commission.

**F) Refunding Bonds**

The Commission may issue Bonds to refund the principal of and interest on outstanding Bonds of the Commission in order to (i) achieve debt service savings; (ii) restructure scheduled debt service; (iii) convert from or to a variable or fixed interest rate structure; (iv) change or modify the source or sources of payment and security for the refunded Bonds; (v) modify covenants otherwise binding upon the

Commission; (vi) restructure or refinance Bonds that are in a state of distress due to market conditions, credit issues, issues with bond insurers, Swap counterparties or Credit Facility providers; (vii) move from one tax-status on the Bonds to another; or (viii) for other reasons. Refunding Bonds may be issued either on a current or advance basis, pursuant to applicable law. Refunded Bonds may be purchased or redeemed and either cancelled or held by or on behalf of the Airport in a trust, escrow or otherwise.

The primary purpose for the issuance of Refunding Bonds will be to achieve debt service savings. Refunding Bonds to be issued solely to achieve debt service savings shall not be issued unless the estimated net present value savings, as determined by the Airport's municipal advisors, are either (i) equal to at least 3% of the principal amount of the refunded Bonds, or (ii) equal to at least 1% of such principal amount and it is unlikely, in the judgment of the municipal advisors, that a future refunding would realize greater savings. For a potential advance refunding, the Commission and its municipal advisors will evaluate escrow efficiency and savings to consider whether to proceed with an advance refunding or if a refunding closer to the call date would realize greater savings for the Bonds to be refunded.

After considering the financial benefit of such a strategy, the Commission may also utilize a public or private solicitation process to refund Bonds that, for example, are not subject to optional redemption, including through a tender and/or exchange offer to current holders of the Bonds.

**G) Senior Lien Bonds**

Bonds of the Commission may be issued on parity with outstanding Bonds of the most senior open lien position in order to achieve the most advantageous borrowing costs.

**H) Subordinate Lien Bonds**

Bonds of the Commission may be issued on one or more subordinate lien levels relative to other outstanding Bonds of the Commission where necessary or desirable, in the determination of the Commission, to accommodate the particular structure or terms of a given issue or in circumstances where the issuance of senior lien Bonds would be limited or restricted. Currently, the Commission's commercial paper is issued as a subordinate lien obligation.

**I) Long-Term Bonds**

The Commission may issue Bonds with longer-term maturities to amortize Airport capital or other costs over a period commensurate with the expected life, use, or benefit provided by the project, program, or facilities financed from such Bonds. Long-term Bonds shall consist of Bonds of an issue with a final maturity of 5 years or more.

**J) Short-Term Bonds**

The Commission may issue Bonds with shorter-term maturities, including commercial paper and Grant, revenue, and bond anticipation notes, (i) to provide interim financing for capital projects in anticipation of the issuance of longer-term Bonds and/or the receipt of Grant moneys, or (ii) to purchase, refund, or otherwise restructure or refinance outstanding Bonds in the event that, for example, longer-term markets are inaccessible, or (iii) for other purposes. Short-term Bonds shall consist of Bonds of an issue with a final maturity of less than 5 years.

**K) Fixed-Rate Bonds**

Bonds that bear interest at a fixed interest rate, whether on an actual basis or on a synthetic basis using interest rate swaps or other products, shall be the primary type of Bonds issued by the Commission. This is in recognition of the assured future costs and the insulation from interest rate risk provided by fixed-rate financings.

**L) Variable Rate Bonds**

Bonds with interest rates that change periodically based on market demand or an index (variable rate Bonds), whether on an actual basis or on a synthetic basis using interest rate swaps, may be the secondary type of Bonds issued by the Commission. The Commission shall limit its aggregate unhedged variable rate exposure on long-term Bonds to no more than 20% of the aggregate outstanding principal amount of its long-term Bonds, determined as of the date of issuance or execution of Bonds or related interest rate swap agreements.

**M) Government-Sponsored Financing Program**

The Commission may, from time to time, elect to participate in federal and State programs intended to assist state and local governments in financing capital projects at lower borrowing costs and to stimulate the economy and create jobs, including programs that provide a subsidy with respect to some portion or all of the Commission's debt service costs.

**VII. Terms and Provisions of Bonds**

**A) Amortization of Principal**

Long-term Bonds of the Commission shall be issued with maturities that amortize the principal of such Bonds over a period commensurate with the expected life, use or benefit (measured in years) provided by the projects, programs and/or facilities financed from the proceeds of such Bonds. Long-term Bonds shall be structured so as to provide approximately level debt service, following any capitalized interest period, either (1) with respect to the particular issue of Bonds, or (2) for multiple bond issues within the same plan of finance on an aggregate basis. When determining whether Bonds are structured to provide approximately level debt service on an aggregate basis, a particular series of Bonds may, where market conditions warrant, be structured with debt service that is not level, provided that



the overall plan of finance provides for future series of Bonds that would be used to create a more level aggregate debt service structure, taking into account all bond issuances in the plan of finance. Amortization of principal may be achieved either through serial maturities or through term bonds subject to prior mandatory sinking fund payments and/or redemptions.

**B) Capitalization of Interest**

The Commission may pay or reimburse interest on Bonds from proceeds of Bonds with respect to projects, programs, and facilities that are expected to generate net revenues to the Commission over and above their associated costs of operation and maintenance. The period over which interest is capitalized shall not extend for more than six months after the expected placed-in-service date of the respective projects, programs and facilities to be financed from proceeds of Bonds.

**C) Call Provisions**

- 1) ***Optional Call Provisions.*** The Commission shall seek to include the most advantageous optional call rights, including those with a call premium, consistent with optimal pricing of such Bonds relative to the value of the call option. Call premiums, if any, should not be in excess of then-prevailing market standards and, to the extent practicable, consistent with the most advantageous borrowing cost for the Commission. The Commission shall consider the inclusion of such optional call rights, where advantageous, with respect to the issuance of any Bonds, regardless of tax status.
- 2) ***Extraordinary Call Provisions.*** The Commission, at its option, may include extraordinary call provisions, including for example with respect to unspent proceeds, damage to or destruction of the project or facilities financed, credit-related events of the Airport or the user of the project or facilities financed, or other matters, as the Commission may determine is necessary or desirable.

**D) Payment of Interest**

- 1) ***Current Interest Bonds.*** Bonds of the Commission shall be issued with interest payable on a current basis at least once each fiscal year commencing not more than 18 months following the date of issuance.
- 2) ***Deferred Interest Bonds.*** Bonds of the Commission may be issued with the payment of actual or effective interest deferred in whole or in part to the maturity or redemption date of each Bond or the conversion of such Bond to a current interest-paying Bond (known, respectively, as capital appreciation bonds, zero coupon bonds, and convertible capital appreciation bonds). This may be done to achieve optimal sizing, debt service structuring, pricing, or other purposes.

**E) Determination of Variable Interest Rates on Bonds**

The interest rate of Bonds on which the interest is not fixed to maturity may be determined periodically by the Commission, including without limitation on a daily, weekly, monthly, or other regular basis; by reference to an index, prevailing market rates, or other measures; and by or through an auction, a broker-dealer, a remarketing agent, an electronic trading platform, or other party or method.

**F) Tender Option Bonds**

The Commission may issue Bonds subject to the right or obligation of the holder to tender the Bonds back to the Commission for purchase; including, for example, to enable the holder to liquidate their position or upon the occurrence of specified credit events, interest rate mode changes, or other circumstances. The obligation of the Commission to make payment to the holder upon any such tender may be secured by (i) a Credit Facility from a financial institution in an amount at least equal to the principal amount of the Bonds subject to tender, or (ii) a liquidity or similar account into which the Commission shall deposit and maintain an amount at least equal to the principal amount of the Bonds subject to tender.

**G) Multi-Modal Bonds**

The Commission may issue Bonds that may be converted between two or more interest rate modes without the necessity of a refunding. Such interest rate modes may include, without limitation, daily interest rates, weekly interest rates, other periodically variable interest rates, commercial paper rates, auction rates, fixed rates for a term, and fixed rates to maturity (in each case with or without tender options).

**VIII. Debt Service Reserve Funds**

The Commission may issue Bonds that are secured by amounts on deposit in or credited to a debt service reserve fund or account in order to minimize the net cost of borrowing and/or to provide additional reserves for debt service or other purposes. Debt service reserve funds may secure one or more issues of Bonds, and may be funded by proceeds of Bonds, other available moneys of the Commission, and/or by surety policies, letters or lines of credit, or other similar instruments. The Commission shall maintain an aggregate balance in the debt service reserve funds (including cash, permitted investments, and amounts invested pursuant to forward purchase and sale agreements, but excluding any surety policies, letters of credit, lines of credit, or other similar instruments) securing the Commission's GARBs with a target of 60% of the aggregate reserve fund requirements with respect to such GARBs. Surety policies, letters or lines of credit, or other similar instruments may be substituted for amounts on deposit in a debt service reserve fund if such amounts are needed for capital projects or other purposes.

Amounts in the debt service reserve funds shall be invested, consistent with the Commission's Investment Policy attached as Appendix C and with applicable resolutions and agreements of the Commission, in order to (i) maximize the rate of return on such

amounts; (ii) minimize the risk of loss; (iii) minimize volatility in the value of such investments; and (iv) maximize liquidity so that such amounts will be available if it is necessary to draw upon them. Such investments may include forward purchase and sale agreements with respect to permitted investments.

## **IX. Maintenance of Liquidity; Reserves**

The Commission shall maintain unencumbered reserve amounts sufficient in the determination of the Commission to cover unexpected revenue losses, operating and maintenance costs, extraordinary payments, and other contingencies, and to provide liquidity in connection with the Commission's outstanding Bonds. The amount of such reserves, including without limitation amounts in the Contingency Account, shall be equal to at least 25% of annual debt service on the Commission's outstanding long term GARBs. Issuance of Bonds to make deposits to such reserves is permitted under this Debt Policy.

To the extent the Commission maintains a Commercial Paper Program or other interim borrowing program, it shall target to maintain at least \$50 million of unutilized capacity available for emergency uses.

## **X. Investment of Bond Proceeds and Related Moneys**

Bond proceeds and amounts in the Commission's debt service and debt service reserve funds with respect to outstanding Bonds shall be invested in accordance with the terms of the Commission's Investment Policy and with applicable resolutions and agreements of the Commission.

## **XI. Third Party Credit Enhancement**

The Commission may secure credit enhancement for its Bonds from third-party credit providers to the extent such credit enhancement is available upon reasonable, competitive, and cost-effective terms. Such credit enhancement may include municipal bond insurance (Bond Insurance), letters of credit and lines of credit (including revolving and term loan facilities (collectively and individually, Credit Facilities), as well as other similar instruments. Credit enhancement providers shall be selected on a competitive basis.

### **A) Bond Insurance**

All or any portion of an issue of Bonds may be secured by Bond Insurance provided by municipal bond insurers if it is economically advantageous to do so, or if it is otherwise deemed necessary or desirable in connection with a particular issue of Bonds. The relative cost or benefit of Bond Insurance may be determined by comparing the amount of the Bond Insurance premium to the present value of the estimated interest savings to be derived as a result of the insurance. Any rights, terms, covenants, or other conditions required under a proposed Bond Insurance or Surety Policy should be evaluated for any potential near- or long-term impact to the Commission.

## **B) Credit Facilities**

The issuance of certain types of Bonds requires a Credit Facility from a commercial bank or other qualified financial institution to provide liquidity and/or credit support (Credit Facility provider). The types of Bonds where a Credit Facility may be necessary include commercial paper, variable rate bonds with a tender option, and other Bonds that could not receive an investment grade credit rating in the absence of such a facility. The cost-effectiveness of a Credit Facility may be determined by comparing the present value of the fees and expenses incurred in connection with the Credit Facility to the present value of expected interest savings to be derived as a result of the Credit Facility.

The Director shall take into consideration, in advance of the issuance of the applicable Bonds, the likely remedial strategies in the event of a material decline in the Credit Facility provider's credit quality. If the Commission is unlikely to be able to secure replacement credit support or an alternate Credit Facility due to market or other conditions, the Director shall consider other Bond structures that do not require such credit support.

The criteria for selection of a Credit Facility provider shall include the following:

- 1) Credit ratings at the time of selection as follows:
  - Long-term ratings from at least two nationally recognized credit rating agencies (Rating Agencies) of at least A2/A/A or equivalent, or
  - Short-term ratings from at least two Rating Agencies of at least P-1/A-1/F1 or equivalent, or
  - Both of the above;
- 2) Experience providing such facilities to state and local government issuers;
- 3) Fees, including without limitation initial and ongoing costs of the Credit Facility; draw, transfer, and related fees; counsel fees; termination fees and any trading differential; and
- 4) Willingness to agree to the terms and conditions proposed or required by the Commission.

## **XII. Use of Swaps**

The Commission may utilize interest rate swaps, caps, collars and floors, options with respect to such instruments, and other similar instruments, on either a current or forward basis (collectively, Swaps) in connection with the issuance (either current or future) or carrying of its Bonds. Swaps may be utilized in accordance with the Commission's Interest Rate Swap Policy, as it may be supplemented and amended from time to time, a copy of which is attached as Appendix A.

### **XIII. Replacement of Credit, Insurance, Swap or Investment Providers**

In the event that a bond insurer or Credit Facility provider experiences financial difficulties, such as a material credit rating downgrade below the thresholds detailed in Section X, the Director, to the extent necessary or desirable, shall seek to replace the related Bond Insurance or Credit Facility subject to any required approvals by the Commission. The Director shall take into consideration: (i) the impact on the Commission's own credit ratings; (ii) the remaining value of the existing Bond Insurance or Credit Facility; (iii) the financial impact of any replacement, and (iv) and any other material financial or other considerations.

### **XIV. Methods of Sale and Pricing of Bonds**

There are three principal methods for the initial sale of Bonds: (i) competitive, (ii) negotiated, and (iii) private placement. The Commission shall utilize that method of sale that (a) is reasonably expected to produce the most advantageous debt service cost with respect to the Bonds, and (b) provides the Commission with the flexibility necessary or desirable in connection with the structuring, timing or terms of such sale and of the related Bonds.

#### **A) Competitive Sales**

The competitive sale of the Commission's Bonds may be appropriate under the following circumstances:

- 1) The Bonds are traditional long-term fixed-rate new money GARBs;
- 2) The Bonds are senior lien obligations of the Commission;
- 3) The Bonds do not include any unusual call provisions or other terms;
- 4) The Bonds are or will be rated no lower than an 'A' category or equivalent by at least two Rating Agencies;
- 5) Prices in the municipal bond market are relatively stable; or
- 6) Market timing and direct market outreach is less critical to the pricing of the Bonds.

Competitive sales may be conducted in such manner as the Commission shall approve, including through internet-based or other electronic bidding systems.

## **B) Negotiated Sales**

The negotiated sale of the Commission's Bonds may be appropriate under one or more of the following circumstances:

- 1) The Bonds are not traditional long-term fixed-rate new money GARBs;
- 2) The Bonds are not senior lien obligations of the Commission;
- 3) The Bonds include unusual call provisions or other terms;
- 4) The Bonds are or will be rated below an 'A' category or equivalent by at least one Rating Agency;
- 5) Prices in the municipal bond market are relatively volatile;
- 6) Market timing is important to the pricing of the Bonds;
- 7) Volume in the municipal bond market is unusually heavy;
- 8) The structure of the financing is complex or unusual;
- 9) The financing is expected to require additional pre-marketing and marketing efforts and activities;
- 10) Demand for the Bonds is expected to be weak as a result of credit issues, market perceptions, unusual structures, or other factors;
- 11) The sale of the Bonds must be coordinated with other related transactions, such as a tender offer for outstanding Bonds, the closing of an acquisition of property or facilities to be acquired from the proceeds of the Bonds, or the pricing of related interest rate swaps or related transactions;
- 12) The expected demand for the Bonds is from retail rather than institutional investors; or
- 13) The impetus for the transaction has been the result of significant innovation and efforts provided by one or more underwriter(s).

The underwriter or underwriters for a negotiated sale of Bonds (the Underwriters) may be selected from a pre-qualified pool of underwriters with experience and expertise in connection with the particular type of Bonds.

The Director or a designee of the Director, with the assistance of the municipal advisors, shall evaluate the proposed pricing and other terms offered by the Underwriters in relationship to prevailing market prices on the date of sale and prevailing practices in the municipal bond market, in each case with respect to comparable issuers. If there are multiple Underwriters, the Commission, with the assistance of its municipal advisors, shall establish appropriate levels of liability and participation as among the Underwriters and the priority of orders. The senior

managing Underwriter shall provide the Commission with a summary of all orders, allocations, and underwriting activities with respect to the sales, a copy of the pricing wire, and the total designations and compensation to each Underwriter promptly following the closing with respect to the Bonds. The senior managing Underwriter and/or the Commission's municipal advisors shall also provide the Commission with a pricing analysis promptly following the closing, including without limitation the results of comparable sales in the market at or near the time of the Commission's sale.

**C) Private Placements**

Private placement (including direct purchase by a commercial bank or other qualified financial institution) of the Commission's Bonds (as opposed to the public offering of Bonds through a competitive or negotiated sale) may be appropriate in circumstances such as (i) a public offering would require the registration of the Bonds or the instrument securing the Bonds under applicable federal securities laws, (ii) the Bonds are or will be either unrated or rated in a category below investment grade, (iii) a private placement offers a more advantageous cost of borrowing than a public offering, (iv) a private placement allows a transaction to be completed with expedited timing where needed, (v) a private placement reduces third-party risk, such as Credit Facility provider exposure, and/or (vi) a private placement would result in other terms more advantageous to the Commission than available in a similar public offering. In the event such circumstances arise, the Bonds of the Commission may be sold pursuant to a private placement only under such terms and conditions and in such manner as the Commission shall determine, in consultation with its municipal advisors and the Deputy City Attorney.

**D) Pricing of Bonds**

The Commission's Bonds may be sold at such prices, including at par, a premium, or a discount, as the Commission may determine is likely to produce the most advantageous debt service terms, taking into consideration the potential ability to refinance the Bonds in the future for debt service savings, under then-prevailing market conditions.

**XV. Bond Redemption Programs**

The Commission may establish from time-to-time a plan or program for the payment and/or redemption of outstanding Bonds and/or interest thereon from revenues, Grants and/or other available funds pursuant to a recommendation from the Director. Such plan or program may be for the purposes of reducing outstanding Bonds, managing the amount of debt service payable in any year, or other suitable purposes. Bond redemptions may also be made at the Director's discretion using funds budgeted but not needed for current debt service in a given fiscal year.

## **XVI. Tender Offer Programs**

The Commission may utilize a public or private solicitation of investors to tender Bonds back to the Commission for purchase out of proceeds of new Refunding Bonds or in exchange for Refunding Bonds, including through a tender offer process, in order to refund Bonds that, for example, are not otherwise subject to optional redemption. The Director may, in consultation with the municipal advisors, identify the outstanding Bonds to be targeted for refunding for any of the purposes permitted with respect to Refunding Bonds.

## **XVII. Professional Services**

The Commission may retain professional service providers as necessary or desirable in connection with (i) the structuring, issuance and sale of its Bonds; (ii) monitoring of and advice regarding its outstanding Bonds; (iii) the negotiation, execution and monitoring of related agreements, including without limitation Bond Insurance, Credit Facilities, Swaps and investment agreements; and (iv) other similar or related matters. Professional service providers include municipal advisors, bond counsel, disclosure counsel, airport consultants, bond trustees, and federal arbitrage rebate services providers, and may include, as appropriate, underwriters, feasibility consultants, remarketing agents, auction agents, broker-dealers, escrow agents, verification agents, escrow bidding agents, placement agents and other similar parties.

Professional service providers shall be selected pursuant to a competitive selection process. In defining the criteria for selection of professional services providers, Staff shall consider including, among other factors, potential providers' relative experience with and expertise regarding the Airport, comparable airport issuers, and the Commission's various types of outstanding and proposed Bonds. Preference shall be given to professional services providers with (i) a national presence and/or reputation; (ii) a significant presence in the City; and (iii) staffing that reflects the diversity of the City in terms of their race, color, creed, religion, national origin, ancestry, age, sex, sexual orientation, gender identity and other similar characteristics.

The Commission shall require that its municipal advisors, bond and disclosure counsel, and airport consultants be free of any conflicts of interest, or that any necessary or appropriate waivers or consents are obtained.

### **A) Municipal Advisors**

The Commission shall at all times have one or more municipal advisors to provide ongoing advisory services with respect to the Commission's outstanding and proposed Bonds and related agreements, including without limitation Credit Facilities, Swaps, investment agreements and other similar matters. At all times, each the Commission's municipal advisors shall be registered as a Municipal Advisor with the Securities and Exchange Commission (SEC) and Municipal Securities Rulemaking Board. The Commission shall designate the municipal advisors to serve as its Independent Registered Municipal Advisors (IRMA) as defined by the SEC and post such IRMA designation on its website for the purpose of facilitating the Commission's communications with the investment banking



community.

**B) Bond Counsel, Disclosure Counsel and Other Legal Counsel**

- 1) ***Bond Counsel.*** The Commission shall at all times have one or more bond counsel firms to provide ongoing legal advisory services with respect to the Commission's outstanding and proposed Bonds and related agreements, including without limitation Credit Facilities, Swaps, investment agreements and other similar matters. All Bonds issued by the Commission shall require a written opinion from the Commission's bond counsel, as appropriate, regarding (i) the validity and binding effect of the Bonds, and (ii) the exemption of interest from federal and State income taxes.
- 2) ***Disclosure Counsel.*** The Commission shall at all times have a disclosure counsel firm to provide ongoing legal advisory services with respect to initial and continuing disclosure in connection with the Commission's outstanding and proposed Bonds. Such firm may be one of the Commission's bond counsel firms. The issuance of Bonds by the Commission shall require a written opinion from the Commission's disclosure counsel, as appropriate, regarding (i) the exemption of the Bonds from registration requirements under federal securities laws, and (ii) their absence of knowledge, after due review, regarding any material misstatement in or omission from the official statement or other public offering document with respect to the Bonds, excepting certain customary portions of such offering document.
- 3) ***Other Legal Counsel.*** The Commission may encourage or require, as appropriate, the retention and use of legal counsel by other parties involved in the issuance of Bonds and the execution of related agreements that are approved by the Commission.

**C) Airport Consultant**

The Commission shall at all times have one or more outside airport consultants to provide ongoing advisory services with respect to the Commission's outstanding and proposed Bonds, Airport rates and charges, strategic business and financial decisions, and such other matters as the Commission may request.

**D) Bond Trustees and Fiscal Agents**

The Commission may engage bond trustees and/or fiscal agents, paying agents and tender agents, as necessary or appropriate, in connection its Bonds. Bond trustees and fiscal agents shall have a minimum capitalization considered appropriate to the role and relevant credit for a specific transaction.

**E) Underwriters**

The Commission may engage a team of Underwriters, including one or more senior managing Underwriters, in connection with the negotiated sale of its Bonds. The Commission also may engage one or more broker-dealers, as necessary or appropriate, to serve as remarketing agents, market agents, dealers or in other similar capacities with respect to variable rate, auction, tender option, commercial paper and other similar types of Bonds issued by the Commission.

**F) Feasibility Consultants**

The Commission may retain feasibility consultants in connection with proposed project, programs, facilities or activities to be financed in whole or in part from proceeds of Bonds. The criteria for the selection of such feasibility consultants, in addition to those set forth above, may include their expertise and experience with projects, programs, facilities or activities similar to those proposed to be undertaken by the Commission.

**G) Arbitrage Rebate Services Providers**

Because of the complexity of the federal arbitrage rebate statutes and regulations, and the severity of potential penalties for non-compliance, the Commission may retain an arbitrage rebate services provider in connection with its outstanding and proposed Bonds, and may also solicit related legal and tax advice from its bond counsel. The responsibilities of the arbitrage rebate services provider may include: (i) the periodic calculation of any accrued arbitrage rebate liability and of any rebate payments due under and in accordance with the Code and the related rebate regulations; (ii) advice regarding strategies for minimizing arbitrage rebate liability; (iii) the preparation and filing of periodic forms and information required to be submitted to the Internal Revenue Service; (iv) the preparation and filing of requests for reimbursement of any prior overpayments; and (v) other related matters as requested by the Commission.

The Commission shall maintain necessary and appropriate records regarding (i) the expenditure of proceeds of Bonds, including the individual projects and facilities financed and the amounts expended thereon, and (ii) investment earnings on such Bond proceeds. The Commission shall maintain such records for such period of time as shall be required by the Code.

**H) Other Professional Services**

The Commission may retain such other professional services providers, including without limitation verification agents, escrow agents, escrow bidding agents, auction agents, and bondholder identification and notification services, as may be necessary or appropriate in connection with its Bonds.

## **XVIII. Capital Planning, Budgeting and Administration**

### **A) Capital Planning**

The Director shall prepare a Capital Improvement Plan (the CIP) periodically for consideration, revision as appropriate, and Commission adoption. The CIP should comply with the further requirements of the Commission's adopted capital planning policies.

### **B) Capital Budgeting**

The Commission shall not authorize the issuance of Bonds to finance design and construction of a capital project unless the project has been included in the CIP. Each proposed issuance of Bonds presented to the Commission shall include reference to its inclusion in the budget and/or the CIP.

### **C) Financial Modeling**

The Director shall develop and maintain a five-year financial model to evaluate the financial impact on the Airport's budget of proposed Bond issues and related expenditures, including without limitation debt service, revenues, operation and maintenance expense, airline rates and charges, and other related effects.

### **D) Outstanding Bonds Data Base**

The Director shall maintain detailed information regarding the Commission's outstanding Bonds, including without limitation the following information with respect to each issue:

- 1) Name;
- 2) Initial principal amount, and principal amount for each maturity;
- 3) Dated date;
- 4) Maturity date;
- 5) Purpose or purposes;
- 6) Type of issue, including new money or refunding, fixed rate or variable rate, tax status (AMT, non-AMT, Taxable) and other features;
- 7) Principal amount currently outstanding, in the aggregate and by maturity;
- 8) Interest rates by maturity;
- 9) Call provisions, including any mandatory sinking fund provisions; and
- 10) Bond Insurance or Credit Facilities, if any.

**E) Calendaring System**

The Director shall maintain or cause to be maintained a calendaring system with entries with respect to each date on or prior to which periodic and other tasks must be performed in connection with the Commission's outstanding Bonds, as well as any Bond Insurance, Credit Facilities, governing Commission resolutions, or other similar or related agreements or instruments.

**XIX. Credit Rating Objectives**

The Commission shall seek to preserve and enhance the credit ratings with respect to its outstanding Bonds to the extent consistent with the Commission's current and anticipated business operations and financial condition, strategic plans and goals, and other objectives, and in accordance with the Airport's Credit Policy, a copy of which is attached as Appendix B.

**XX. Relationships with Market Participants**

The Commission shall seek to preserve and enhance its relationships with the various participants in the municipal bond market, including without limitation Rating Agencies, bond insurers and Credit Facility providers, and current and prospective investors, including through periodic communication with such participants.

**A) Rating Agencies**

The Director shall maintain regular contact with the Rating Agencies that rate the Commission's outstanding and proposed Bonds, including in particular with the analysts assigned to the Airport. Such communications may include, without limitation:

- 1) Timely delivery of the Commission's audited financial statements and Annual Report each year;
- 2) Formal written and/or verbal presentations on a periodic basis regarding the business operations and financial condition of the Airport and other related issues;
- 3) Formal written and/or verbal presentations in connection with each proposed issuance of Bonds; and
- 4) Timely disclosure of material events regarding the business operations or financial condition of the Airport.

**B) Bond Insurers and Credit Facility Providers**

The Director shall maintain regular contact with the bond insurers that insure or may insure the Commission's outstanding and proposed Bonds, as well as the Credit Facility providers supporting the Commission's outstanding and proposed Bonds, including in particular with the analysts assigned to the Airport. Such communications may include, without limitation:

- 1) Timely delivery of the Commission's audited financial statements and Annual Report each year;
- 2) Formal written and/or verbal presentations on a periodic basis regarding the business operations and financial condition of the Airport and other related issues;
- 3) Formal written and/or verbal presentations in connection with each proposed issuance of Bonds; and
- 4) Timely disclosure of material events regarding the business operations or financial condition of the Airport.

**C) Current and Prospective Investors**

The Director shall maintain the Commission's relationships and reputation with current and prospective investors in the Bonds, including in particular with its principal institutional investors. Such communications may include, without limitation:

- 1) Timely preparation of the Commission's audited financial statements and Annual Report and delivery to the Commission's bond trustees and other parties;
- 2) Formal written and/or verbal presentations in connection with proposed Bond issues, as deemed necessary or appropriate in consultation with the Commission's municipal advisors; and
- 3) Timely compliance with the Commission's continuing disclosure requirements, consistent with SEC Rule 15c2-12, in connection with each issue of Bonds to which such Rule is applicable.

**D) Communications Strategies**

The Commission's Credit Policy attached as Appendix B constitutes the Commission's formal written strategy for communications with Rating Agencies, bond insurers and other market participants and may be modified from time to time by the Director.

**XXI. Relationship with the City Controller’s Office of Public Finance**

The Director shall maintain communications with the City Controller’s Office of Public Finance, including through periodic meetings, conference calls and status reports, and may consult with such Office regarding the proposed issuance of Bonds, the use of derivatives, credit and rating strategies, and other related matters. The Director shall provide the City Controller’s Office of Public Finance with copies of all preliminary and final Official Statements in connection with the Commission’s Bonds.

**XXII. Periodic Review**

The Director shall review this Debt Policy on a periodic basis, and recommend any changes to the Commission for consideration. This Debt Policy, including any proposed changes or additions to this Debt Policy, shall be presented to the Commission for re-approval on or about the third anniversary of the approval of this Debt Policy, if not sooner.

## APPENDIX A

### INTEREST RATE SWAP POLICY

Dated as of February 20, 2024

#### I. Introduction

This Interest Rate Swap Policy (Swap Policy) shall govern the Commission's use of Swaps. Swaps may be executed by the Commission in connection with, or incidental to, the issuance, incurring or carrying by the Commission of its Bonds, or the acquisition or carrying of any investment or program of investments. Capitalized terms used but not defined in this Swap Policy shall have the definitions given to them in the Commission's Debt Policy.

#### II. Purpose

The purpose of this Swap Policy is to establish guidelines for the use and management of all Swaps. This Swap Policy sets forth the manner of execution of Swaps, and provides for security and payment provisions, risk considerations and certain other relevant provisions. All Swaps should be consistent with the Commission's overall debt and investment policies. The failure by the Commission to comply with any provision of this Swap Policy shall not affect the validity of any Swaps that are otherwise duly authorized and executed.

#### III. Scope

This Swap Policy applies to any Swap that the Commission may execute in connection with the issuance, incurring or carrying of its Bonds, or with the acquisition or carrying of any investment or program of investments.

#### IV. Authorizations and Approvals; Compliance with Law, Resolutions and Agreements

The Commission is authorized to enter into Swaps pursuant to the Charter and Sections 5920 and following the Government Code of the State.

The Director is the designated administrator of this Swap Policy and shall have the day-to-day responsibility and authority for structuring, implementing and managing all Swaps. The Director shall obtain the approval of the Commission prior to entering into any Swap. In certain instances, the approval of the Board also may be required in accordance with the Charter. In addition, a certification may be required from the City Controller pursuant to Section 9.111 of the Charter.

The Director, in consultation with the City Attorney and the Commission's bond counsel and outside advisors, shall determine whether a proposed Swap complies with applicable law, any applicable provisions of the Charter or City ordinances, any applicable resolutions of the Commission, any covenants and agreements with respect to the Commission's Bonds, and with this Swap Policy

The Director is authorized to terminate an existing Swap, transfer an existing Swap to a different counterparty, and/or to replace the Swap with a new Swap on substantially the same terms, without further Commission authorization or approval, in exigent circumstances after the Director determines that (i) it is necessary and in the best interests of the Airport to do so, and (ii) the circumstances are such that immediate action is required. The Director is further authorized to make any termination payment that may be required in connection with any such termination; provided that a valid appropriation is in place for such payment and funds are available to make such payment.

#### **V. Retention of Outside Professional Advisors; Legal Opinions**

The Director will retain and utilize such outside municipal, swap and legal advisors with recognized expertise and experience in connection with the structuring, pricing and execution of Swaps and related transactions, and their ongoing administration, as the Director deems necessary or desirable.

The Director shall secure a certification from its outside municipal or swap advisor (the Swap Advisor, as defined below) in connection with each Swap that the terms of such Swap: (i) are commercially reasonable in light of then existing market conditions and the Airport's current credit standing, (ii) are reasonably expected to provide the intended financial or other benefits if fully performed by the parties to the Swap, and (iii) are consistent with this Swap Policy.

The Director shall secure legal opinions from (i) the City Attorney and/or bond counsel addressed to the counterparty, (ii) from counsel to the counterparty, and (iii) from counsel to each credit provider, in connection with each Swap, to the effect that such Swap and any related credit support agreement is a legal, valid and binding obligation of each such respective party.

#### **VI. General Objectives**

The Commission may execute a Swap only if the transaction can be reasonably expected to achieve one or more of the following objectives:

- A. Result in a lower net cost of borrowing with respect to the Commission's Bonds, or achieve a higher net rate of return on the investment of Commission moneys or
- B. Reduce exposure to changes in interest rates either in connection with a particular debt financing or investment transaction or in the management of interest rate risk with respect to the Commission's overall debt and investment portfolios.

#### **VII. Prohibited Uses of Interest Rate Swaps and Related Instruments**

The Commission shall not enter into a Swap under any of the following circumstances:

- A. The Swap will be used for speculative purposes, such as potential trading gains;



- B. The Swap would create extraordinary financial risk, or extraordinary leverage with respect to the same Bonds or investments;
- C. The Commission is not expected to have sufficient liquidity to make payments that may be due upon a termination of the Swap; or
- D. There would be insufficient price transparency, as a result, for example, of unusual structures or terms, to permit the Director and the Swap Advisor to reasonably determine the market value of the Swap.

### **VIII. Identification and Evaluation of Financial and Other Risks and Considerations**

Prior to obtaining Commission authorization to execute a Swap, the Director, in consultation with the Airport's Swap Advisor and bond counsel, shall identify and evaluate the material financial and other risks involved in the proposed transaction, and summarize them clearly and concisely for the Commission, along with any measures that will be taken to mitigate those risks. The following factors must be evaluated, as applicable, in connection with each proposed Swap, as appropriate:

- A. ***Interest Rate Risk:*** The risk that the proposed Swap may create exposure to fluctuations in market interest rates.
- B. ***Counterparty Credit Risk:*** The risk of payment or other defaults by the proposed counterparty or its guarantor, or of a termination of the proposed Swap due to a withdrawal or reduction of the credit ratings of the counterparty or its guarantor.
- C. ***Termination Risk:*** The risk that the proposed Swap would be terminated (other than at the option of the Commission) as a result of the withdrawal or reduction of the credit ratings of the Commission, the counterparty and/or a credit support provider, or for other reasons.
- D. ***Termination Payment Liquidity Risk:*** The risk that, in the event that a Swap is or must be terminated (irrespective of whether the termination arises as a result of developments outside of the Commission's direct control), the Commission will have insufficient liquidity to make the required termination payment, particularly if such payment has to be made on short notice.
- E. ***Basis Risk:*** The risk that the anticipated payments made or received by the Commission under the proposed Swap would not match the corresponding payments to or by the Commission that it seeks to hedge.
- F. ***Tax Law Risk:*** The risk that the proposed Swap would be subject to rate adjustments, extraordinary payments, termination or other adverse consequences in the event of a future change in federal income tax laws.
- G. ***Market Access Risk:*** The risk that the anticipated benefits from the proposed Swap would not be realized as a result of the inability of the Commission to issue the related Bonds due to market conditions, the inability to secure necessary third party

participation (for example by an underwriter or credit or liquidity provider), or other circumstances.

- H. ***Bond-Related Liquidity/Remarketing Risk:*** The risk that the anticipated benefits from the proposed Swap would not be realized due to the inability of the Commission, following the issuance of the related Bonds, to keep those Bonds outstanding, due to market conditions, the inability to secure continued third party participation on a cost-effective basis (for example, by a dealer, remarketing agent or credit or liquidity provider), or other circumstances.
- I. ***Rollover Risk:*** For proposed Swaps that would terminate prior to the final maturity of the related Bonds, the risk that the Commission would be unable to replace the Swap on pricing or other terms as favorable as the initial Swap.
- J. ***Credit Ratings Issues:*** Any risk that the proposed Swap would have an adverse effect on the Commission's current or future credit ratings, or would be inconsistent with applicable Rating Agency policies.
- K. ***Accounting and Bond Covenant Issues:*** Any risk that the proposed Swap would be subject to treatment for accounting or financial reporting purposes (e.g., compliance with the Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments) that would adversely affect the Commission's financial statements or financial performance, or would have an adverse effect on the Commission's rate covenant calculation or compliance.
- L. ***Call Option Issues:*** If the term of the proposed Swap extends beyond the standard call protection period for the related Bonds, the estimated value of such foregone effective call option, and the cost of an option to terminate the Swap at and/or following such standard call protection period without payment of any termination amount.
- M. ***Arbitrage Yield Issues:*** Whether the proposed Swap would or should comply with applicable federal tax law requirements so that the net payments made under the Swap could be taken into account in determining the yield on the related Bonds for arbitrage rebate and other purposes.
- N. ***Administrative Issues:*** Whether the proposed Swap could be readily administered and monitored by the Director and the Swap Advisor in a manner consistent with this Swap Policy.

## IX. Qualified Swap Counterparties

The Commission may enter into Swaps only with qualified Swap counterparties. As of the date of execution of each Swap, at least one of the ratings of each counterparty (or its guarantor) from a Rating Agency must be "A1" or "A+" or higher, and the other ratings no lower than "A2" or "A".

## X. Swap Counterparty Credit Exposure Limits

In order to diversify the Commission's Swap counterparty credit risk and to limit the Commission's credit exposure to any one counterparty, the following limits shall apply to termination exposure to any one counterparty. The Director may make exceptions to these limitations in his or her discretion after consultation with the Swap Advisor and bond counsel. Key considerations in this determination will include: (i) the current credit ratings, financial condition and other circumstances of any particular Swap counterparty; (ii) the remaining value of the Swap, if currently in place; (iii) the financial impact of the replacement or termination of the Swap, if currently in place, and (iv) the availability of additional Swap capacity or Swap insurance.

For purposes of this Swap Policy, Maximum Net Termination Exposure shall be an amount equal to the projected aggregate maximum net termination value at any one time of all of the Commission's then existing and proposed Swaps with such counterparty, as determined by the Swap Advisor, taking into account the current market value of then existing Swaps with such counterparty. Maximum Net Termination Exposure shall be (i) calculated taking into account possible future changes in interest rates based on historical or projected measures applied over the remaining term of each Swap, and (ii) based on a two standard deviation change in interest rates, or on such other methodology that the Swap Advisor determines is a reasonable assumption regarding potential future rate changes. Maximum Net Termination Exposure shall be calculated as of the date of execution of each Swap.

There are separate limits for collateralized and non-collateralized Maximum Net Termination Exposure. The limits vary based upon the credit rating of the counterparty. If the counterparty has more than one rating, the lowest rating will govern for purposes of these limitations. The limitations are as follows:

<b>Counterparty Credit Ratings</b>	<b>Maximum Net Termination Exposure (Collateralized)</b>	<b>Maximum Net Termination Exposure (Uncollateralized)</b>	<b>Total Maximum Net Termination Exposure</b>
AAA Category	N/A	\$60 million	N/A
AA Category	\$20 million	\$40 million	\$60 million
A Category	\$20 million	\$20 million	\$40 million
BBB Category	\$20 million	\$10 million	\$30 million
Below BBB Category	None	None	None

If any exposure limit is exceeded by a counterparty during the term of a Swap, the Director shall consult with the Swap Advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without

limitation, transfer or substitution of a Swap. In considering whether to terminate or replace an existing swap, the Director shall consider (i) the value of the swap, (ii) the financial impact and replacement or termination of the swap (iii) the availability of replacement swaps from suitable counterparties. For the avoidance of doubt, a counterparty does not exceed an exposure limit unless the counterparty is projected to owe aggregate Swap termination payments to the Commission in excess of the limit.

## **XI. Swap Aggregate Maximum Net Termination Exposure**

As of the date of execution of any Swap, the aggregate Maximum Net Termination Exposure for all of the Commission's then existing and proposed Swaps with all counterparties, as determined by the Swap Advisor, shall not exceed the sum of: (1) the funds available in the Airport's Contingency Account, plus (2) the Commission's then available unutilized capacity (but not to exceed \$100 million) under its Commercial Paper program, plus (3) so long as the Airport is rated no lower than an 'A' category by at least two Rating Agencies, \$50 million.

## **XII. Selection of Swap Counterparties**

The Director may either competitively bid or negotiate each Swap, as appropriate. Absent special market, business or other considerations as further described below, the Director shall first pre-qualify prospective counterparties through a request for qualifications process, then bid the Swap out to the pre-qualified Swap counterparties using a competitive process.

The Director may negotiate Swaps with prospective pre-qualified counterparties under one or more of the following circumstances:

- A. A competitive bid process is not expected to result in the most favorable pricing for the Commission;
- B. The proposed Swap is one component of a larger transaction that requires coordination from a timing or structuring standpoint;
- C. Market conditions or the Airport's credit ratings, business operations or financial condition are such that there is not expected to be a significant demand from prospective competitive bidders;
- D. Market timing is important to the proposed Swap or related transactions, and a competitive process will inhibit the ability of the Director to enter the market at the most advantageous time;
- E. It is not expected that the proposed Swap can be competitively bid on uniform terms to prospective counterparties;
- F. The structure of the proposed Swap includes non-standard or unusually complex terms or provisions;

- G. The proposed Swap is unusually large, and thus will be difficult to bid out on a competitive basis;
- H. A negotiated process will promote the Commission's interest in encouraging and rewarding excellent service and the presentation of innovative ideas; and/or
- I. Such other reasons as may be determined by the Director.

In the event that the Director determines that immediate action is required in connection with the replacement of an existing Swap, the prospective counterparties need not be limited to pre-qualified counterparties.

### **XIII. Form of Swap Agreements**

Each Swap executed by the Commission shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. (ISDA) Master Agreement, including the Counterparty Schedule to the Master Agreement and a Credit Support Annex (utilizing such versions thereof as the Director shall determine), as supplemented and amended in accordance with the recommendations of the Swap Advisor and bond counsel. Each Swap entered into by the Commission shall include payment, term, security, collateral, default, remedy, termination and other terms, conditions and provisions as the Director may deem necessary or desirable.

### **XIV. Term and Notional Amount of Swaps**

The Director shall determine the appropriate term for each Swap, in consultation with the Swap Advisor and bond counsel, taking into consideration, among other things: (i) the slope of the interest rate swap curve, (ii) the marginal change in swap rates from year to year along the swap curve, and (iii) the impact that the term of the Swap is expected to have on the overall exposure of the Commission. For any Swap entered into in connection with the issuance or carrying of Bonds, the term of such Swap shall not extend beyond the final maturity date of such Bonds. The terms of any substitute or replacement Swap entered into at the direction of the Director without further Commission approval, pursuant to Section IV above, shall be substantially the same terms as the Swap that it replaces.

The Commission shall not enter into any Swap that would cause the aggregate notional amount of all of the Commission's Swaps to exceed 20% of the aggregate principal amount of the Commission's Bonds then outstanding.

### **XV. Collateral Requirements**

As part of any Swap, the Commission may require collateralization or other credit enhancement to secure any or all payment obligations of the counterparty. The Commission may require collateral to be posted under the following terms and conditions:

- A. If the credit ratings of the counterparty and/or its credit provider fall below specified levels, in an amount equal to the difference, if any, between (i) the positive net termination value of the Swap to the Commission from time to time, less (ii) specified thresholds set forth in the Swap.
- B. Collateral, if required, shall consist of cash, United States Treasury securities and/or specified United States Agency securities.
- C. Collateral, if required, shall be deposited with a custodian financial institution acting for and on behalf of the Commission.
- D. Collateral, if required, shall be valued in the manner and at the times as shall be set forth in the Swap, but in any event shall be determined on at least a monthly basis.

In connection with any collateralization requirements to which the Commission may be subject in connection with a Swap, the Commission may post collateral, may seek to transfer or assign its rights and obligations under such Swap, or may seek to obtain swap insurance or other credit enhancement in lieu of posting collateral.

#### **XVI. Other Swap Provisions**

The following shall constitute guidelines for the Director in connection with the structuring, negotiation and execution of Swaps, from which the Director may deviate in his or her discretion in consultation with the Swap Advisor and bond counsel:

- A. Payments on early termination should be determined using Market Quotation, Second Method.
- B. There should be no right of set-off.
- C. Payments from the respective parties should be netted.
- D. Credit ratings downgrade provisions with respect to the Commission or its credit support provider triggering termination should be no higher than 'BBB'/'Baa2'.
- E. Credit ratings downgrade provisions with respect to the counterparty or its guarantor triggering termination should be no lower than 'BBB-'/'Baa3'.
- F. The Commission's payment obligations should be limited to Net Revenues as defined under the master resolution or agreement governing the Commission's outstanding Bonds.
- G. The Swap should not include any waiver or refusal to assert rights of sovereign immunity by the Commission.
- H. The Commission may waive its right to jury trial, to the extent permitted by law.

- I. The Commission should not consent to the jurisdiction of any courts or to venue outside of the State.
- J. The Commission should not indemnify the counterparty unless the counterparty indemnifies the Commission on substantially the same terms.

## **XVII. Security and Source of Payment**

The Commission may use the same security and source of payment for Swaps as is used for the Bonds with respect to which the Swap is executed, but shall consider the economic costs and benefits of subordinating the Commission's periodic payments and/or termination payments under the Swap to the Bonds. The Director shall consult with the City Attorney and bond counsel regarding the legal and contractual requirements associated with making the payment obligations under the Swap on a parity with and/or subordinate to those under the Commission's outstanding Bonds.

## **XVIII. Termination Provisions and Commission Liquidity**

***Optional Termination:*** Unless otherwise determined by the Director in consultation with the Swap Advisor and bond counsel, all Swaps shall include an option on the part of the Commission to terminate the Swap at market at any time over the term of the Swap. The Director, in consultation with the Swap Advisor, may elect to terminate a Swap in whole or in part at any time.

***Mandatory Termination:*** A termination payment to or from the Commission may be required in the event of termination of a Swap due to a default by or a decrease in the credit ratings of either the Commission, the counterparty and/or a credit support provider. The authorization by the Commission to enter into a Swap generally should include an authorization to the Director to enter into a replacement Swap as a means of off-setting any such termination payment.

***Available Liquidity:*** The Commission shall seek to maintain sufficient liquidity, including without limitation through balances in the Airport's Contingency Account, commercial paper capacity, other borrowing capacity and/or available working capital, to make any Swap termination payments that may become due, to the extent not paid or payable from other sources.

## **XIX. Swap Accounting Treatment**

The Commission shall comply with any applicable accounting standards with respect to the treatment of Swaps. The Director, the Swap Advisor and the Commission's external auditors shall implement the applicable accounting standards in consultation, to the extent necessary or advisable, with the City Controller.

## **XX. Reporting Requirements**

The Director and the Swap Advisor shall monitor all Swaps that the Commission enters into on at least a monthly basis.

The Director, in conjunction with the Swap Advisor or municipal advisors, shall provide a written report to the Commission regarding the status of all outstanding Swaps on at least a quarterly basis. Each report shall include the following information:

- A. A summary of each Swap, including its type, notional amount, expiration date, average life and rate or rates;
- B. A summary of material changes, if any, to each Swap since the last report;
- C. A comparison between the actual payments made or received under each Swap and the projected payments at the time the Swap was executed, and for any Swaps that were part of a refunding Bond transaction, a comparison between the actual savings to date compared with the projected savings at the time the Swap was executed;
- D. The market value of each Swap;
- E. The net impact to the Commission of a (i) 25 basis point (0.25%), and (ii) 100 basis point (1.00%) movement (up or down) in the appropriate swap index or rate curve;
- F. The credit ratings of each Swap counterparty, guarantor, credit support provider, and swap insurer, as applicable;
- G. Total collateral posted by the counterparty, if any, under each Swap;
- H. Information concerning any default, ratings downgrade, termination or other material event under each Swap and the results thereof, including but not limited to the financial impact to the Commission, if any; and
- I. A summary of any Swaps that were terminated.

## **XXI. Conformance to Dodd-Frank**

It is the intent of the Commission to conform this Swap Policy to the requirements relating to legislation and regulations for over-the-counter derivatives transactions under the Wall Street Transparency and Accountability Act of 2010, as supplemented and amended from time to time (collectively referred to as Dodd-Frank). Pursuant to such intent, it is the policy of the Commission that: (i) each Swap Advisor engaged or to be engaged by the Commission shall function as the designated qualified independent representative of the Commission (the Designated QIR); (ii) each Swap Advisor shall agree to meet and shall meet the requirements specified in Commodity Futures Trading Commission (CFTC) Regulation 23.450(b)(1) or any successor regulation (the Representative Regulation); (iii) each Swap Advisor shall provide a written certification to the Commission to the effect that such Swap Advisor agrees to meet and meets the requirements specified in the Representative Regulation; (iv) the Commission shall monitor the performance of each Swap Advisor consistent with the requirements specified in the Representative Regulation; (v) the Commission shall exercise independent judgment in consultation with its Swap Advisor in evaluating all recommendations, if any, presented by any Swap dealer with respect to transactions



authorized pursuant to this Swap Policy; and (vi) the Commission shall rely on the advice of its Swap Advisor with respect to transactions authorized pursuant to this Swap Policy and shall not rely on recommendations, if any, presented by any Swap dealer with respect to transactions authorized pursuant to this Swap Policy.

## **XXII. Legal Entity Identifier**

The Commission shall obtain and maintain current at all times a “legal entity identifier” from a firm designated by the CFTC to provide such numbers.

## **XXIII. Clearing**

In connection with the use of the “end-user exception” to clearing relating to Swaps that are subject to a mandatory clearing determination by the CFTC, the Commission shall either (i) report, or cause the Swap counterparty to report, on a Swap-by-Swap basis, how the Commission generally meets its financial obligations associated with entering into uncleared Swaps, or (ii) complete and maintain, as required by the CFTC, an annual filing regarding how the Commission generally meets its financial obligations associated with entering into uncleared Swaps.

## **XXIV. Recordkeeping**

Comprehensive records shall be maintained, either in paper or electronic form, of any Swaps entered into by the Commission for at least five (5) years following the termination thereof. Such records shall be retrievable within five (5) business days and shall be open to inspection by the CFTC.

## **XXV. Reporting**

With respect to each Swap entered into, the Commission shall ensure that the Swap counterparty is a “swap dealer” registered with the CFTC or otherwise agrees to be the “reporting party” (as defined in 17 C.F.R. § 43.2) pursuant to 17 C.F.R. § 43.3(a) and the “reporting counterparty” (as defined in 17 C.F.R. §§ 45.1 and 46.1) pursuant to 17 C.F.R. §§ 45.8(e) and 46.5(a)(4).

## **XXVI. Periodic Review of Policy**

The Director shall review this Swap Policy on a periodic basis and recommend appropriate changes to the Commission.

## **APPENDIX B**

### **CREDIT POLICY**

Dated as of February 20, 2024

#### **Executive Summary**

It is the goal of the Commission to act as a responsible steward of outstanding general airport debt and preserve future borrowing capacity. In order to keep its cost of capital as low as possible, the Commission maintains ongoing relationships with various parties within the financial and credit markets. As part of this effort, the Commission has outlined a set of long-term credit policies to achieve the highest possible credit rating and to ensure a consistent dialogue and flow of information to the Rating Agencies, credit enhancers and institutional investors.

The Commission has outlined specific best practices for the implementation of its long-term credit policies based on feedback from the Commission's finance team, as well as the market participants. This Credit Policy (Credit Policy) will be re-evaluated periodically and altered as the needs of the Commission change and credit events require.

#### **I. Introduction**

The Commission's market access is the result of many factors, one of which is the maintenance of strong credit ratings from the Rating Agencies. The Commission continues to advocate for the highest possible ratings and seeks to provide the Rating Agencies as well as other market participants with ongoing information designed to improve their understanding of the Commission's underlying credit characteristics. The Commission understands that the Rating Agencies will periodically make updates or changes to their respective credit rating methodologies and criteria through the use of scoring or weighting of rating factors. The Commission will review such updates to continue to deliver a message and information that will ensure the highest possible ratings. Capitalized terms used but not defined in this Credit Policy shall have the definitions given to them in the Commission's Debt Policy.

#### **II. General Objectives**

The Commission expects to continue its ongoing dialogue with the Rating Agencies and other parties within the financial and credit markets to keep them apprised of its ability to adapt to market conditions to meet its financial goals and milestones.

The success of the Commission's credit outreach strategy will depend, in part, on the Commission's capacity to address specific credit considerations including: 1) funding of the Airport's capital improvement plans, 2) preservation of a competitive and reasonable cost per enplaned passenger at the Airport, 3) maintenance of a stable well-managed debt profile, 4) passenger growth relative to the national average and similarly sized origination and destination airports, and 5) competition from other regional airports. The Commission will also evaluate new events and impacts as they occur and will seek to mitigate its exposure to negative events and impacts.

The Commission will review current rating trends, changes in approach, and changes in the Rating Agencies' weighting factors and scoring in order to develop a message that accurately portrays the Airport's strengths while addressing its challenges along with the mitigants to those challenges. The Commission's objective is to educate the Rating Agencies, credit enhancers and institutional investors about the Airport's strong market characteristics and financial strengths that provide ongoing protection to bondholders.

### **III. Credit Policy Implementation**

The purpose of this Credit Policy is to outline a consistent set of procedures to address the financial and credit markets that is appropriately designed to meet the specific needs of each stakeholder. The following sections describe potential participants and location as well as format and content of the communication with each group. This document is not designed to be all inclusive and there may be exceptions that arise as a result of specific circumstances either at the Commission or within the financial markets. However, it is intended to give general guidelines as to the appropriate form and content of ongoing communications with these three groups. Subsequent sections outline the Commission's preferred communication strategy for the rating Agencies, credit enhancers, and investors.

### **IV. Credit Strategy**

The Airport together with its financing team will develop a credit strategy to present information to address the specific concerns of the Rating Agencies, credit providers and investors, and proactively address these concerns in the short and long term. Communications will be tailored to the audience, and will be based on the current market trends and specific Commission events.

### **V. Rating Agencies**

Credit ratings provide an independent opinion regarding the Commission's ability and willingness to meet its financial commitments. Credit ratings are one of the tools used by investors when purchasing debt obligations of municipal issuers, such as the Commission. Higher ratings may have a direct relative impact on a municipal issuer's cost of borrowing.

The table below shows the complete rating scales used by each of the Rating Agencies.

<b>Credit Rating Agency Scales</b>			
<b>Moody's</b>	<b>S&amp;P</b>	<b>Fitch</b>	
Aaa	AAA	AAA	Highest Credit Quality
Aa1	AA+	AA+	Very High Credit Quality
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	High Credit Quality
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Good Credit Quality
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	High Speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC+	High Default Risk
Caa2	CCC	CCC	
Caa3	CCC-	CCC-	
Ca	CC	CC	
C	C	C	
D	D	DDD DD D	Default

A few different forms of communication for the Rating Agencies are outlined below, varying in response to the circumstance and event. All members of the meeting should be made aware of the Commission's objective and the format and content of the communication should be designed to accomplish the Commission's objective.

**Formal Meetings.** The Commission has historically held formal face-to-face meetings with the Rating Agencies in conjunction with each new bond sale. Formal presentations provide the Commission with a valuable opportunity to present new information, communicate the Commission's overall business strategy, comment on its interpretation of traffic trends and introduce potential future initiatives. While informal dialogue with the Rating Agencies is equally valuable, it does not provide the same opportunity to present the Commission's interpretation of subtle changes to the Commission's credit characteristics. Informal meetings with the Rating Agencies should be used to supplement the formal ratings and provide an avenue for the Rating Agencies to explore specific areas of interest directly with Commission management.

The Commission will continue to meet with the Rating Agencies in conjunction with each new bond sale or annually, if no bond transaction occurs in a given year. However, the formal presentations will be tailored to the specific interests of the analysts and to each Rating Agency's most recent rating methodology or criteria. This is appropriate given the overall analytical consistency that the Commission has enjoyed with its current analysts and the level of familiarity the analysts have with the Commission and its senior management. In practice, the same information will be provided to each of the Rating Agencies but time spent during the formal presentation on the information may differ according to the familiarity of the analysts.

*Participants.* The Commission's formal rating presentations should include senior Commission management. Representatives should be present that can provide analysts with updates regarding Airport operations, competitive structure, financial performance and the overall business strategy of the Commission. Representatives may include but are not limited to:

- Airport Director
- Chief Financial and Commercial Officer
- Chief Development Officer
- Chief Operating Officer
- Chief Resilience & Sustainability Officer
- Managing Director, Finance
- Capital Finance Director
- Debt Manager
- City Attorney (Airport General Counsel)
- The Commission's municipal advisors

Other participants, such as Budget Director, Director of Financial Planning and Analysis, bond counsel and Underwriters will be included on an as-needed basis depending on current Airport activities, such as capital projects or issues specific to particular airlines.

*Location.* In most cases, the annual formal update meeting will be held at the Rating Agency offices or at the Airport. From time to time, the Rating Agencies may assign primary and/or back-up analysts to follow the Commission that are located in cities other than San Francisco. When convenient, the Commission will arrange for meetings at the Airport as it is preferable to provide the analysts with first-hand access to the Airport facilities and gives the analysts an opportunity to meet as large a group of management as is practical.

The Commission strives to have the primary and back-up rating analysts in attendance at any meeting with the Rating Agencies. These two individuals possess historical and institutional knowledge of the Airport's credit position that provides added value before the credit committee. It is therefore important to conduct all Rating Agency meetings geared towards the education of these individuals.

*Format and Content.* The Commission will endeavor to tailor the formal presentation to the specific interests of the rating analysts. For a proposed bond issuance, Commission staff or the municipal advisors will speak with each of the Rating Agencies approximately 4-6 weeks prior to the formal presentation to receive direction directly from the rating analysts regarding the primary credit issues they would prefer be addressed by the upcoming presentation. Prior to the meetings, the Commission will send a package of information to the credit analysts that will include a draft of the preliminary official statement, draft legal documents governing the upcoming transaction, preliminary sizing numbers, and the most recent audited financial statements. The advance information will allow the analysts to familiarize themselves with the upcoming transaction for a more productive meeting.

Communication with the Rating Agencies during formal meetings will generally include a PowerPoint presentation, which will be provided to the analysts at the meeting. The presentation provides a written record and template for the conversation. Given the Commission's frequent conversations with the Rating Agencies, the presentation may take on a secondary nature to the conversation. However, it remains an important tool for shaping the dialogue towards topics the Commission wishes to highlight, designing a strategy to accomplish the stated objective of the meeting and creating a formal record of the discussion that the Rating Agencies can refer back to at a later date.

*Periodic Updates.* In addition to formal update meetings that coincide with the Commission's activity in the bond market, the Commission conducts periodic updates with the Rating Agencies. These are less formal meetings or conference calls with the primary analysts. The back-up analyst may or may not be present. Periodic updates are valuable as supplements to the formal meetings. The format is conducive to a less formal atmosphere, which has been requested by the Rating Agencies. This type of communication provides direct access to the Commission's decision makers and allows the rating analysts to ask questions that may be directly relevant to current events at the Commission or in the community. Informal meetings also serve as a means to receive rating analysts' feedback or clarification regarding their rating criteria and viewpoints as to potential plan of finance strategies, and comparative data of other airports.

Periodic updates are generally conducted when there is a specific event that may be pertinent to the analysts from a credit perspective. As a result, these communications are typically event-driven and relate specifically to one or two time sensitive topics. The periodic updates should be designed to communicate the Commission's position on specific timely events, answer any other questions the rating analysts may have and affirm the rating analysts' understanding that Commission management i) is providing good stewardship of the Commission, ii) has processes in place to monitor ongoing credit events, and iii) is proactive in reaching out to the Rating Agencies to answer any questions. This is also an opportunity to reinforce concepts raised in previous formal meetings or to lay the foundation for ideas or concepts that will be discussed in future meetings.

*Participants.* The periodic updates will include a more limited list of participants than the formal updates. Typically, the periodic updates will include the Managing Director

of Finance and the Capital Finance Director. These two individuals are the primary contacts for the Rating Agencies and unless the subject requires commentary from a specific individual at the Commission, the Commission will continue to rely on these individuals to act as the primary liaisons and coordinate the Commission's ongoing message to the Rating Agencies. It is important to maintain consistency in the Commission's communication with the Rating Agencies and coordinating all communications through a small group helps to ensure consistency, which ultimately strengthens the Rating Agencies' assessment of and confidence in the Commission's management team. Rating analysts often compare remarks with what has been told to them by the Commission in months and years past. While operations and events dictate continual change and response to the current circumstances, it is useful for the Commission to frame the discussion with the Rating Agencies as an update or evolution of what they were told six months or one year earlier. Municipal advisors and bond counsel may also be present at the periodic updates, as appropriate.

*Location.* Periodic updates may be face-to face meetings or may take place via conference call. To the extent that meetings are face-to-face, these will be held in San Francisco or at the Airport. Again, these are brief, informal meetings that may be over lunch or just an update to meet and talk about credit events at the Commission. As with the formal meetings, it is the Commission's goal to have the meeting or call at a time when the primary analyst is able to attend. However, this goal would not preclude meetings with other members of the Rating Agencies with members of Commission management that may be requested from time to time.

*Format and Content.* Periodic updates will encompass a number of different communications strategies with the Rating Agencies and the format and content of the meeting and, if necessary, written materials will be dictated by the circumstances of the occasion. First and foremost, the periodic updates should be designed to address the specific needs of the analysts. As in the formal presentations, the Commission should take the opportunity to ask the rating analysts for feedback on what issues they would like to discuss. Even if the occasion is the result of a specific action the Commission has taken and it is felt that it would be beneficial to update the Rating Agencies prior to the next formal meeting, the Commission should indicate the content of the meeting or call to the analysts and inquire as to whether or not there are other issues the Rating Agencies would like to discuss with the Commission.

Examples of occasions that may prompt a periodic update could include, but are not limited to:

1. Significant changes to the Airport's financial condition;
2. Change in Director or top management;
3. Change in airlines serving the Airport;
4. Significant change to service of existing airlines;
5. Material change in the Commission's business strategy;
6. Demonstrated improvement or deterioration in traffic trends;

7. Commission or Board action related to the Airport;
8. Presentation of requested additional information from a formal meeting with the Rating Agencies; and
9. Informal updates without specific designated topics.

**Rating Agency Contacts.** The assignment of analysts is at the discretion of the Rating Agencies and these may change in the future.

## **VI. Credit Enhancers**

The municipal bond insurance companies and commercial banks that provide credit/liquidity facilities to the Commission in the form of letters of credit and standby bond purchase agreements have historically been an integral component to the Commission's ability to access the market in a cost effective manner. Credit and liquidity enhancement in the form of letters of credit provided by high-quality commercial banks has become increasingly critical to investors looking to purchase short-term municipal securities.

In the past, purchasing bond insurance allowed the Commission's bonds to carry the rating of the insurer, an "AAA" rating, in return for the payment of an insurance premium. This allowed the Commission to price bonds at more favorable rates than if the bonds were sold without insurance. Purchasing bond insurance is now de-emphasized due to the ratings downgrades of many of the bond insurance companies.

The Commission and its municipal advisors will continue to monitor the financial health of the existing bond insurers and credit providers, as well as the potential entrance of new credit providers. The Commission expects to continue its ongoing dialogue with the insurance analysts and commercial banks as needed to keep them apprised of the Commission's ongoing operational and financial accomplishments which provide them with a more complete understanding of the Commission's credit strengths and low risk of payment default. This may result in additional capacity in the future and/or lower credit/liquidity facility premiums.

**Formal Meetings.** The Commission may conduct formal meetings or calls with the credit/liquidity facility providers around the time of its meetings with Rating Agencies. Their analysts require information similar to that provided to the Rating Agencies in order to evaluate the credit risk of the Commission and to provide credit/liquidity facility bids on the proposed transaction. These meetings may occur as face-to-face meetings or conference calls, depending on the preference of the provider and timeline of the transaction.

**Participants.** Time permitting, the participants in the credit/liquidity facility provider presentations may include a subset of those individuals that would be present at the Rating Agency presentations for the same transaction. Generally, this may include:

- Airport Director



- Chief Financial and Commercial Officer
- Chief Development Officer
- Chief Operating Officer
- Chief Resilience & Sustainability Officer
- Managing Director, Finance
- Capital Finance Director
- Debt Manager
- City Attorney (Airport General Counsel)
- The Commission’s municipal advisors

Other participants, such as Budget Director, Director of Financial Planning and Analysis, bond counsel and Underwriters will be included on an as-needed basis.

In each applicable transaction, the Commission or members of the financing team will have conversations with each credit/liquidity facility provider. Formal meetings or conference calls will be scheduled with each of the targeted providers if time permits and the financing team is of the opinion that a formal presentation to the particular credit/liquidity facility provider will likely result in additional value to the Commission.

**Location.** The Commission will make an effort to hold meetings or conference calls with the credit/liquidity facility enhancers at the Airport. Conference calls are preferred unless it is felt that meetings are necessary or a meeting has been requested by the provider. In general, it is the Airport’s goal to meet with as many credit/liquidity facility enhancers that are active in the industry as possible.

**Format and Content.** The content of presentations to credit enhancers will be very similar to that used for formal updates with the Rating Agencies. As with the Rating Agencies, conversations prior to the presentation with the facility providers should provide insight as to specific areas they may want to cover in the presentation. The Airport will use these prior conversations to customize the information to the specific needs of the provider.

Typical information made available to the credit/liquidity facility providers prior to a bond transaction includes, but is not limited to:

- PowerPoint presentation;
- Most recent audited financial report;
- Independent traffic report; and
- Disclosure documents.

**Contacts.** As with the Rating Agencies, it is the Commission’s preference that the turnover in its credit/liquidity facility analysts be as infrequent as possible. If new analysts are assigned to follow the Commission on behalf of an insurer or bank, the Commission should take additional time to educate the analyst about the specifics of the Commission and its credit strengths.

## **VII. Investors**

Given the substantial amount of the Commission's debt in the marketplace, the Commission's investor relations efforts are an important component to the preservation of the Commission's strong levels of market access. The Commission's goal is to maintain good relationships with the investment community, which could serve to promote greater participation in the Commission's future bond sales and provide competitive pricing.

The Commission will continue to make use of investor outreach tools such as internet roadshows, one-on-one investor visits, group site-visits and tours, and/or other innovative approaches to cost effectively reach out to investors. The Commission will employ a reasonable investor outreach strategy that is appropriate for the amount of debt to be issued and the complexity of the project and debt structure, and that will best position the Commission for future bond sales. The Commission also continually updates the financial information on the Investor Relations page of the Airport's [flysfo.com](http://flysfo.com) website.

Presentations or written materials provided to investors will be reviewed as a disclosure document consistent with the Commission's Disclosure Policies and Procedures.

## **VIII. Conferences and Industry Events**

The Commission expects to continue using conference presentations as a means of reaching out to the largest holders of its existing bonds and potential purchasers of future bonds.

Furthermore, the Commission participates in the annual California Bond Buyer Conference, Airports Council International – North America, American Association of Airport Executives, and other municipal bond, transportation, and investor related conferences as invited by conference sponsors. These conferences are excellent opportunities to share ideas with other airport financial staff, industry professionals, investors, and the rating agencies. They also provide further touchpoints with the rating analysts, bond insurer, and other credit analysts that are often reviewing the Commission's credit.

The Commission is often asked to present an update on its credit fundamentals or the use of a debt structuring strategy or approach to capital financings and projects. This provides an opportune forum to address many of the largest purchasers of municipal bonds in one setting since individual visits with investors would be time consuming and costly.

## APPENDIX C

### INVESTMENT POLICY FOR BOND-RELATED MONIES

Dated as of February 20, 2024

#### I. Introduction

The purpose of this Investment Policy for Bond-Related Monies (this Investment Policy) is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment-related activities. All investments will comply with federal, State, and local investment regulations (including the Investment Policy of the Office of the Treasurer of the City and County of San Francisco (the Treasurer's Policy), and bond covenants applicable to any debt issued by the Commission.

Capitalized terms used but not defined in this Investment Policy shall have the definitions given to them in the Commission's Debt Policy.

#### II. Scope

This Policy applies to the investment of the Commission's debt service reserve funds and debt service funds (including principal and interest accounts) held by the Airport's Bond trustees (each, a Trustee).

#### III. General Objectives

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield:

1. Safety - Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.
2. Liquidity – The term of any investments will be based upon the cash flow needed to meet the Commission's debt service requirements. The investments of any debt service reserve funds shall be limited to seven (7) years or less. All moneys invested in any principal and interest payment accounts shall mature no later than the dates on which the principal or interest payments are due.
3. Yield - The Commission will maximize the retainable earnings of all bond proceeds after meeting the requirements of safety and liquidity. After the safety and liquidity objectives are met, the Commission will attempt to achieve net investment yields as close as practicable to each bond fund's arbitrage yield, if any.

#### **IV. Permitted Investments**

1. Funds related to Master Bond Resolution: Moneys held by a Trustee in funds and accounts established pursuant to or in accordance with the Master Bond Resolution shall be invested in accordance with the Master Bond Resolution in Permitted Investments as defined in the Master Bond Resolution and listed on Exhibit C-1 to this Investment Policy.
2. Funds related to Master Subordinate Bond Resolution: Moneys held by a Trustee in funds and accounts established pursuant to or in accordance with the Master Subordinate Bond Resolution shall be invested in accordance with the Master Subordinate Bond Resolution in Permitted Investments as defined in the Master Subordinate Bond Resolution and listed on Exhibit C-1 to this Investment Policy (excluding Bankers Acceptances described in paragraph (q) of Exhibit C-1).
3. Other funds of the Commission: All other moneys of the Commission shall be invested in accordance with (1) the Treasurer's Policy, and (2) the Master Bond Resolution or the Master Subordinate Bond Resolution, as appropriate, if such moneys are also subject to the Master Bond Resolution or the Master Subordinate Bond Resolution, respectively.

#### **V. Reporting Requirements**

Each officer authorized to invest Airport funds (including the Trustee) shall submit quarterly investment reports to the Airport. The reports shall include, at a minimum, the following information for each individual investment:

- Description of investment;
- Issuer name;
- Yield on cost;
- Purchase date;
- Maturity date;
- Purchase price;
- Par value; and
- Current market value (or accreted value per Section 1-13.07(b) of the Master Bond Resolution in the case of the Reserve Fund established by the Master Bond Resolution) and the source of the valuation.

The quarterly report shall also (i) state compliance of the portfolio with the investment policy, or manner in which the portfolio is not in compliance, (ii) include a description of any of the Commission funds, investments or programs that are under the management of contracted parties, and (iii) include a statement denoting the ability of the Commission to meet its expenditure requirements for

the next six (6) months, or provide an explanation as to why sufficient money shall or may not be available.

The quarterly report shall be submitted within thirty (30) days following the end of each quarter.

## **VI. Safekeeping and Custody**

The assets of the Commission shall be secured through the third-party custody and safekeeping procedures. Bearer instruments shall be held only through third-party institutions.

## **VII. Forward Purchase Agreements**

The Commission may enter into, and/or direct the Trustee to enter into, agreements committing the Commission to purchase investments in specific amounts on specific dates (Forward Purchase Agreements) subject to the following requirements:

- Each Forward Purchase Agreement shall comply with any applicable provisions of law or of the bond documents;
- The Director may provide letters of direction and representation to the Trustee and to the provider of each Forward Purchase Agreement; and
- Each Forward Purchase Agreement shall only provide for the purchase by the Trustee of Permitted Investments as defined in the Master Bond Resolution or the Master Subordinate Bond Resolution, as appropriate, at the times and in the amounts appropriate for the applicable bond-related funds.

This Investment Policy is not intended to address the use of Swaps by or for the benefit of the Commission.

## **VIII. Delegation of Authority**

Responsibility for the operation of the investment program is delegated to the Director, who shall establish and act in accordance with written procedures and internal controls for the operation of the investment program consistent with this Investment Policy. The Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. The Director may also retain and consult with legal, financial and other investment professionals and advisors.

**EXHIBIT C-1**  
**to**  
**INVESTMENT POLICY FOR BOND-RELATED MONIES**

**PERMITTED INVESTMENTS**  
**as defined in Section 1.01 of**  
**Resolution No. 91-0210 of the Airport Commission,**  
**adopted on December 3, 1991, as amended and supplemented and**  
**Resolution No. 97-0146 of the Airport Commission,**  
**adopted on May 20, 1997, as amended and supplemented**

Permitted Investments shall mean and include any of the following, if and to the extent the same are at the time legal for the investment of the Commission's money:

- (a) The following obligations of, or guaranteed by, the United States of America:
  - (i) Direct and general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America (Government Obligations).
  - (ii) Evidences of ownership (Government Certificates) of proportionate interests in future principal or interest payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interests must be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, or any person claiming through the custodian, or any person to whom the custodian may be obligated.
  
- (b) Obligations issued or guaranteed by any of the following:<sup>1</sup>
  - (i) Federal Home Loan Banks System;
  - (ii) Export-Import Bank of the United States;
  - (iii) Federal Financing Bank;

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<sup>1</sup> Permitted Investments as defined in the 1991 Master Resolution and the 1997 Subordinate Resolution include obligations issued or guaranteed by the Student Loan Marketing Association. However, the Student Loan Marketing Association is no longer sponsored by the United States and is therefore removed from the Investment Policy.

- (iv) Government National Mortgage Association;
  - (v) Farmers Home Administration;
  - (vi) Federal Home Loan Mortgage Corporation;
  - (vii) Federal Housing Administration;
  - (viii) Private Export Funding Corporation;
  - (ix) Federal National Mortgage Association;
  - (x) Federal Farm Credit System;
  - (xi) Resolution Funding Corporation; and
  - (xiii) any other instrumentality or agency of the United States.
- (c) Pre-refunded municipal obligations rated in the highest rating category by at least two Rating Agencies and meeting the following conditions:
- (i) such obligations are: (A) not subject to redemption prior to maturity or the trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
  - (ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal and premium payments of such obligations;
  - (iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;
  - (iv) the Government Obligations or Government Certificates serving as security for the obligations have been irrevocably deposited with and are held by an escrow agent or trustee; and
  - (v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.
- (d) Direct and general long-term obligations of any State of the United States of America or the District of Columbia (a State) to the payment of which the full faith and credit of such State is pledged and that are rated in either of the two highest rating categories by at least two Rating Agencies.

- (e) Direct and general short-term obligations of any State to the payment of which the full faith and credit of such State is pledged and that are rated in the highest rating category by at least two Rating Agencies.
- (f) Interest-bearing demand or time deposits with, or interests in money market portfolios rated in the highest rating category by at least two Rating Agencies issued by, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation (FDIC). Such deposits or interests must either be: (i) continuously and fully insured by FDIC; (ii) if they have a maturity of one year or less, with or issued by banks that are rated in one of the two highest short term rating categories by at least two Rating Agencies; (iii) if they have a maturity longer than one year, with or issued by banks that are rated in one of the two highest rating categories by at least two Rating Agencies; or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party must have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral must be free from all other third party liens.
- (g) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by at least two Rating Agencies.
- (h) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest rating categories by at least two Rating Agencies.
- (i) Repurchase agreements with maturities of either (A) 30 days or less, or (B) longer than 30 days and not longer than one year provided that the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State or federal law, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated "A-" or "A3" or better by at least two Rating Agencies. The repurchase agreement must be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:
  - (1) the third party (who shall not be the provider of the collateral) has



possession of the repurchase agreement securities and the Government Obligations and Government Certificates;

- (2) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and
  - (3) the third party having possession of the securities has a perfected, first priority security interest in the securities.
- (j) Prime commercial paper of a corporation, finance company or banking institution rated in the highest short-term rating category without regard to numerical modifier, plus or minus sign or other modifier by at least two Rating Agencies.
  - (k) Public housing bonds issued by public agencies which are either: (i) fully guaranteed by the United States of America; or (ii) temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or (iii) state or public agency or municipality obligations rated in the highest credit rating category by at least two Rating Agencies.
  - (l) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, as amended, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that has been rated in the highest rating category by at least two Rating Agencies.
  - (m) Money market accounts of any state or federal bank, or bank whose holding parent company is, rated in the top two short-term or long-term rating categories by at least two Rating Agencies.
  - (n) Investment agreements the issuer of which is rated in one of the two highest rating categories by at least two Rating Agencies.
  - (o) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments otherwise permitted in paragraphs (a) through (m) above.
  - (p) Any other debt or fixed income security specified by the Commission (except securities of the City and any agency, department, commission or instrumentality thereof other than the Commission) and rated in the highest category by at least two Rating Agencies.
  - (q) [Note: Bankers acceptances are a Permitted Investment only for funds relating to Resolution No. 91-0210.] Bankers acceptances of a banking institution rated in the highest short-term rating category by at least two Rating Agencies, not exceeding 270 days maturity or forty percent of moneys invested pursuant to the 1991 Master Resolution. No more than twenty

percent of moneys invested pursuant to the 1991 Master Resolution shall be invested in the bankers' acceptances of any one commercial bank pursuant to this subsection (q).

## APPENDIX D

### DISCLOSURE POLICIES AND PROCEDURES

Dated as of February 20, 2024

#### I. INTRODUCTION

##### A) Purpose

These disclosure policies and procedures (Disclosure Policies) of the Commission are intended to (a) ensure that the Commission's Disclosure Documents comply with all applicable federal securities laws, and (b) promote best practices regarding the preparation and review of the Commission's Disclosure Documents.

The purpose of these Disclosure Policies is to set forth internal processes and controls for the preparation of Disclosure Documents. Notwithstanding the foregoing, failure to comply with these Disclosure Policies shall not create any presumption that the Commission's disclosure is inadequate. Further, the failure to comply with these Disclosure Policies shall not affect the authorization or the validity or enforceability of any bonds, notes or other indebtedness that are otherwise issued by the Commission in accordance with law.

##### B) Definitions

Capitalized terms used in these Disclosure Policies shall have the meanings set forth in Exhibit D-1.

#### II. KEY PARTICIPANTS

##### A) Disclosure Practices Working Group

1. *Composition.* The Disclosure Practices Working Group (the Disclosure Working Group) shall have general oversight over the entire disclosure process. Membership in the Disclosure Working Group shall consist of the Capital Finance Representative(s), the Disclosure Coordinator and any other individuals appointed by the Chief Financial Officer. (CFO). The Deputy City Attorney and Disclosure Counsel shall participate in all meetings of the Disclosure Working Group to the extent determined by the Deputy City Attorney. Other parties, such as Bond Counsel and the Airport Controller, may participate in meetings of the Disclosure Working Group to the extent determined by the Deputy City Attorney. Meetings of the Disclosure Working Group are intended to be internal meetings of Commission staff, and shall not be deemed to be public meetings for purposes of the Ralph M. Brown Act (California Government Code 54950 et seq.) or the San Francisco Sunshine Ordinance of 1999 (City Administrative Code Chapter 67) or similar or successor legislation. Meetings may be held telephonically or virtually.

2. *Responsibilities.* The Disclosure Working Group is responsible for:

- (a) reviewing each Disclosure Document to determine the adequacy and accuracy of the disclosures it contains before such document is publicly released as provided in these Disclosure Policies;
- (b) reviewing any items referred to the Disclosure Working Group;
- (c) periodically reviewing and evaluating the appropriateness of the procedures contained in these Disclosure Policies and any difficulties with compliance and recommending appropriate modifications; and
- (d) waiving or suspending any of the procedures in these Disclosure Policies when the Disclosure Working Group deems it appropriate to do so.

The Disclosure Working Group may delegate some or all of the responsibilities set forth in (c) to individual members of the Disclosure Working Group or subcommittees comprised of Disclosure Working Group members. Additional specific responsibilities of the Disclosure Working Group are detailed in these Disclosure Policies.

**B) Disclosure Coordinator**

1. *Appointment.* The Disclosure Coordinator shall be selected from time to time by the CFO or the CFO's designee on the basis of the Disclosure Coordinator's familiarity with particular aspects of the Commission's disclosure and reporting matters, and/or on the Disclosure Coordinator's ability to effectively coordinate such disclosure and reporting based on the Disclosure Coordinator's position within the Commission. Should the Disclosure Coordinator be unavailable, either the CFO or the Disclosure Coordinator may appoint someone to act in the Disclosure Coordinator's place.
2. *Responsibilities.* The Disclosure Coordinator is responsible for:
  - (a) serving as a "point person" for personnel to communicate issues or information that should be or may need to be included in any Disclosure Document;
  - (b) coordinating compliance by the Commission with these Disclosure Policies, including timely dissemination of the annual report and event filings as described in Sections VII.B and C below;
  - (c) recommending changes to these Disclosure Policies to the Disclosure Working Group as necessary or appropriate; and
  - (d) maintaining records documenting the Commission's compliance with these Disclosure Policies.

The responsibilities of the Disclosure Coordinator are set forth in greater detail in these Disclosure Policies.

**C) Other Key Participants**

Other key participants include the following individuals, all of whose responsibilities are set forth in these Disclosure Policies:

1. *Deputy City Attorney.* The Deputy City Attorney has a significant role in implementing these Disclosure Policies and addressing disclosure issues for the Commission. In addition to the responsibilities specifically set forth in these Disclosure Policies, the Deputy City Attorney shall be responsible for recommending changes to these Disclosure Policies to the Disclosure Working Group as necessary or appropriate.
2. *Capital Finance Representative(s).* The Capital Finance Representative(s) shall be one or more senior employees or officers of the Airport's Capital Finance Section designated by the Managing Director of Finance. The Capital Finance Representative(s) have a significant role in implementing these Disclosure Policies and addressing disclosure issues for the Commission. In addition to the other responsibilities specifically set forth in these Disclosure Policies, the Capital Finance Representative(s) shall be responsible for recommending changes to these Disclosure Policies to the Disclosure Working Group as appropriate.
3. *Subject Matter Reviewers.* Subject Matter Reviewers shall be the individuals designated as such by the Disclosure Working Group or the Disclosure Coordinator who have special knowledge, experience or responsibility in a particular area of Airport business or operations. The Subject Matter Reviewers initially shall be managers in the various divisions as set forth in the definition of "Subject Matter Reviewers" in Exhibit D-1. The Disclosure Working Group or the Disclosure Coordinator may identify different Subject Matter Reviewers as it deems appropriate. Subject Matter Reviewers shall be responsible for reviewing portions of Disclosure Documents related to their respective areas of responsibility and confirming that those sections are updated and complete and accurate in all material respects. A sample form to request information from Subject Matter Reviewers is provided in Exhibit D-3. This sample form may be modified as necessary or desirable.

**III. GENERAL PRINCIPLES**

1. Individuals involved in the disclosure process may raise potential disclosure issues at any time during the process.
2. While care should be taken not to shortcut or eliminate steps outlined in the Disclosure Policies on an ad hoc basis, these Disclosure Policies are a "work in progress" and recommendations for improvement periodically shall be solicited and considered by the Disclosure Working Group.
3. The process of preparing and updating Disclosure Documents is not simply a

mechanical insertion of more current numbers and other data. While major changes may not be appropriate each time a Disclosure Document is prepared, everyone involved in the process should consider the need for revisions in the form and content of the sections for which they share responsibility.

4. Should the Commission prepare a Disclosure Document that is not specifically addressed in these Disclosure Policies, the principles and procedures set forth in these Disclosure Policies shall apply. Any person preparing any information for release to the public that could be considered a Disclosure Document shall notify the Disclosure Coordinator, who shall notify the other members of the Disclosure Working Group, of such information. Any questions about how these policies apply to the relevant document should be addressed to the Deputy City Attorney. In addition, questions about whether a document is, in fact, a Disclosure Document should be directed to the Deputy City Attorney.

5. The standard for accuracy is that there shall be no untrue statement of material fact and no omission of a statement necessary to make the statements made, in light of the circumstances under which they were made, not misleading. All participants in the process should keep this standard in mind at all times when preparing or reviewing any Disclosure Document. References in these Disclosure Policies to accuracy or material accuracy refer to this standard. Any questions about this standard should be directed to the Deputy City Attorney.

#### **IV. PREPARATION OF DISCLOSURE DOCUMENTS RELATED TO PUBLIC DEBT**

##### **A) Overview**

Public debt issuances generally involve the preparation of two offering documents (e.g., official statements or offering memoranda), one in preliminary form and one in final form. In some instances, only one offering document in final form is prepared for a debt issuance. The Commission may be required to supplement or amend the offering document at any time between the time of posting of the preliminary offering document until 25 days after the “end of the underwriting period” (usually the closing date for the bond issuance). In addition, offering documents are periodically prepared for remarketings of outstanding Commission debt or for the Commission’s commercial paper program. For transactions where there is only one (final) offering document, the procedures set forth in these Disclosure Policies for the preliminary offering document, plus the procedure set forth in Section IV.C.4 below, should be followed for that document.

##### **B) Preliminary Offering Documents**

No preliminary offering document shall be posted until the following procedures have been followed:

1. Each Subject Matter Reviewer shall have confirmed to the Disclosure Coordinator that the Subject Matter Reviewer has reviewed the relevant

sections of the offering document and that to the Subject Matter Reviewer's knowledge the sections are complete and accurate in all material respects.

2. Each member of the Disclosure Working Group shall have reviewed the offering document, and the Disclosure Working Group shall have held a meeting to discuss the offering document and shall have resolved any issues to the satisfaction of all members of the Disclosure Working Group. Each member of the Disclosure Working Group shall have confirmed to the Disclosure Coordinator that such member has reviewed the offering document and that to such member's knowledge the offering document is complete and accurate in all material respects, except that the Disclosure Coordinator shall make such confirmation to the Deputy City Attorney.

3. The Director and each Airport officer who reports directly to the Director (each, a Chief Officer), each principal member of Airport senior management and legal counsel shall have confirmed to the Disclosure Coordinator or the Deputy City Attorney that such person has reviewed the offering document and that to such person's knowledge it is complete and accurate in all material respects. Execution of a "deemed final" certificate may serve as such confirmation.

4. Except for offering documents for commercial paper, the Commissioners shall have been given an opportunity to provide input as to the content and coverage of the offering document and shall have been provided a draft of the offering document.

5. Bond Counsel, Disclosure Counsel and the Commission's external financial advisors shall have confirmed to the Disclosure Coordinator that they have reviewed the offering document, that any comments they have provided thereon have been resolved to their satisfaction and that they are not aware of any material inaccuracies in it.

6. In cases where a bank, insurer or other entity is providing credit or liquidity support for the bond issuance, the Disclosure Coordinator shall have received from the entity or its counsel reasonable comfort (such as a sign-off email, a certificate or a letter) that the disclosure concerning the entity and the support is materially accurate.

7. Except for offering documents for commercial paper, a meeting shall have been held to discuss with senior Airport management and/or other Airport officials the adequacy of the disclosure document (a due diligence meeting). The Capital Finance Representative(s), the Deputy City Attorney and Disclosure Counsel shall determine the appropriate Airport and outside participants in the meeting. At a minimum, the participants in such meeting shall include one or more members of the Disclosure Working Group, Disclosure Counsel, Bond Counsel, the Deputy City Attorney, the underwriters and their counsel. Such meeting may be held telephonically or virtually.

8. If required by the underwriters to comply with SEC Exchange Act Rule 15c2-12 or otherwise determined to be desirable by the Disclosure Working Group, Deputy City Attorney, Disclosure Counsel or Disclosure Coordinator, a senior official such as the Director, CFO or Chief Operating Officer shall sign a certificate to the effect that the preliminary offering document is deemed final as of its date other than information allowed to be omitted under SEC Exchange Act Rule 15c2-12(b)(1).

9. The senior managing or sole managing underwriter and underwriter's counsel for the bonds or debt issuance shall have confirmed that they are each signed off on the offering document and prepared for it to be posted.

10. Either the Deputy City Attorney or a Capital Finance Representative shall have notified Disclosure Counsel that the Commission is signed off on the offering document and prepared to post it. A copy of such communication shall be provided to the Disclosure Coordinator.

**C) Final Offering Documents**

No final offering document shall be posted until the following procedures have been followed:

1. Each member of the Disclosure Working Group shall have confirmed to the Disclosure Coordinator that such member has reviewed the offering document and that to such member's knowledge the offering document is complete and accurate in all material respects, except that the Disclosure Coordinator shall make such confirmation to the Deputy City Attorney.

2. Bond Counsel, Disclosure Counsel and the Commission's external financial advisors shall have confirmed to the Disclosure Coordinator that they have reviewed the offering document and that they are not aware of any material inaccuracies in it.

3. Except for offering documents for commercial paper, which historically have not been signed by an executive of the Commission, the offering document shall be signed by a senior executive of the Commission, such as the Director, CFO or Chief Operating Officer.

4. The senior managing or sole managing underwriter and underwriter's counsel for the bonds or debt issuance shall have confirmed that they are each signed off on the offering document and prepared for it to be posted.

5. In cases where a bank, insurer or other entity is providing credit or liquidity support for the bond issuance, the Disclosure Coordinator shall have received from the entity or its counsel reasonable comfort (such as a sign-off email, a certificate or a letter) that the disclosure concerning the entity and the support is materially accurate.

6. The offering document shall not be posted until either the Deputy City



Attorney or a Capital Finance Representative has notified Disclosure Counsel that the Commission is signed off on the offering document and prepared to post it. A copy of such communication shall be provided to the Disclosure Coordinator.

**D) Supplements to Offering Documents**

1. Should any member of the Disclosure Working Group become aware of anything that might cause the offering document to be materially inaccurate any time between the date the preliminary offering document is posted and 25 days after the end of the underwriting period, such member shall communicate the relevant information to the Disclosure Working Group and the Disclosure Working Group in consultation with Disclosure Counsel shall determine whether a supplement or amendment to the offering document is necessary.

2. Should the Disclosure Working Group determine that a supplement or amendment to the preliminary or final offering document is required, the Disclosure Working Group shall determine what procedures are appropriate with respect to such supplement or amendment.

**V. OTHER CERTIFICATIONS FOR BOND ISSUANCES**

**A) Overview**

Each time the Commission issues bonds or certain other debt instruments, a senior officer of the Commission (such as the Director, CFO or Chief Operating Officer) signs a bond purchase agreement or similar agreement (a Bond Purchase Agreement). Typically, such agreement includes representations as to the accuracy of the offering documents for the bond issuance. In addition, at the closing of a bond issuance, the Commission typically must deliver certifications as to the accuracy of the offering documents.

**B) Execution of Bond Purchase Agreement**

No more than three (3) business days before the Bond Purchase Agreement is to be executed, the Disclosure Coordinator shall confirm that no member of the Disclosure Working Group is aware of anything that has occurred that makes the preliminary offering document materially inaccurate or misleading unless the preliminary offering document has been amended or supplemented to correct such inaccuracy. Should any issues be raised, the Bond Purchase Agreement shall not be executed until such issues have been resolved to the satisfaction of the Disclosure Working Group.

**C) Procedures for Closing**

1. Within two business days prior to the scheduled closing, the Disclosure Coordinator shall confirm with each member of the Disclosure Working Group that nothing has occurred that makes the final offering document materially inaccurate or misleading unless the final offering document has been amended or

supplemented to correct such inaccuracy. Should any issues be raised, the Commission shall not issue the bonds until the issues have been resolved to the satisfaction of the Disclosure Working Group.

2. At the closing, Disclosure Counsel shall deliver a letter addressed to the Commission to the effect that no information has come to Disclosure Counsel's attention that caused Disclosure Counsel to believe that the preliminary offering document (as of the date of the Bond Purchase Agreement) or the final offering document (as of its date or as of the closing date) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading (other than customary carve-outs or exclusions).

3. At closing, Bond Counsel shall deliver a letter addressed to the Commission to the effect that the descriptions of the bonds and the bond documents included in the preliminary and final offering documents are accurate. In addition, if the Deputy City Attorney determines that Bond Counsel's involvement with the Commission generally and/or with the specific bond issuance merits the additional cost, the Deputy City Attorney may require Bond Counsel to deliver at closing a letter addressed to the Commission to the effect that no information has come to Bond Counsel's attention that caused Bond Counsel to believe that the preliminary offering document (as of the date of the Bond Purchase Agreement) or the final offering document (as of its date or as of the closing date) contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading (other than customary carve-outs or exclusions).

4. In cases where a bank, insurer or other entity is providing credit or liquidity support for the bond issuance, the support provider and/or its counsel shall provide customary certifications and/or opinions to the Commission as to the material accuracy of the disclosure regarding the support provider and the support it is providing.

5. The Commission shall not issue the bonds until a Capital Finance Representative or the Deputy City Attorney has received confirmation from the Disclosure Coordinator that the procedures set forth in Items 1-4 have been followed.

## **VI. ANNUAL FINANCIAL STATEMENTS**

The annual financial statements shall not be finalized for independent auditor's certification until:

1. Each member of the Disclosure Working Group shall have reviewed the draft financial statements (including the Management's Discussion and Analysis and Notes to Financial Statements) and the Disclosure Working Group shall have held a meeting to discuss the draft financial statements with the Airport Controller and shall have resolved

any issues to the satisfaction of all members of the Disclosure Working Group and the Airport Controller. Each member of the Disclosure Working Group shall have confirmed to the Disclosure Coordinator that such member has reviewed the draft financial statements and that to such member's knowledge they are accurate in all material respects, except that the Disclosure Coordinator shall make such confirmation to the Deputy City Attorney.

2. Disclosure Counsel shall have confirmed to the Disclosure Coordinator that they have reviewed the Management's Discussion and Analysis and the Notes to Financial Statements and that they are not aware of any material inaccuracies in them.

3. The draft financial statements shall not be finalized until the Airport Controller has received confirmation from the Disclosure Coordinator that the procedures set forth in Items 1-2 above have been followed.

## **VII. CONTINUING DISCLOSURE FILINGS**

### **A) Overview of Continuing Disclosure Filings**

Under the continuing disclosure certificates it entered into in connection with its bond issuances prior to February 25, 2019, the Commission is required to file an annual report with the MSRB's Electronic Municipal Market Access (EMMA) system by January 26 of each year. Under the continuing disclosure certificates it enters into in connection with its bond issuances after February 25, 2019, the Commission is required to file an annual report with EMMA by March 27 of each year. Such annual reports are required to include certain updated financial and operating information and the Commission's audited financial statements. The annual report may include the updated financial and operating information and financial statements, or may incorporate a recent final offering document by reference.

The Commission is also required under the continuing disclosure certificates to file notices of certain events with EMMA within 10 business days after the occurrence of such event. A complete list of events for which a filing may be required is attached as Exhibit D-2.

### **B) Annual Report**

Before any annual report is submitted to EMMA:

1. Each Subject Matter Reviewer whose area of review is addressed in the annual report shall have confirmed to the Disclosure Coordinator that the Subject Matter Reviewer has reviewed the relevant sections of the annual report and that to the Subject Matter Reviewer's knowledge the sections are complete and accurate in all material respects.

2. Each member of the Disclosure Working Group shall have reviewed the annual report and the Disclosure Working Group shall have held a meeting to

discuss the annual report and shall have resolved any issues to the satisfaction of all members of the Disclosure Working Group. Each member of the Disclosure Working Group shall have confirmed to the Disclosure Coordinator that such member has reviewed the annual report and that to such member's knowledge it is complete and accurate in all material respects, except that the Disclosure Coordinator shall make such confirmation to the Deputy City Attorney.

3. –Disclosure Counsel shall have confirmed to the Disclosure Coordinator that it has reviewed the annual report, that it appears to comply with the continuing disclosure certificates and that it is not aware of any material inaccuracies in the report.

**C) Event Filings**

1. Each member of the Disclosure Working Group shall notify the other members of the Disclosure Working Group if such member becomes aware of any of the events listed in Exhibit D-2. The Disclosure Working Group shall meet to discuss the event or correspond via email, as appropriate, and determine in consultation with Disclosure Counsel whether a filing is required or is otherwise desirable.

2. Should the Disclosure Working Group determine that a filing is required or is otherwise desirable, the procedures set forth in Section B above shall be followed.

3. For purposes of determining whether an obligation of the Commission is a “financial obligation” as defined in Exhibit D-2, the following guidelines shall apply:

a. Only leases where the Commission is lessee and the lease rentals are, to the knowledge of the Commission, pledged to repay a debt (whether of the Commission or of a third party) shall constitute “financial obligations.” All other leases, whether for real property or equipment, entered into in the ordinary course of business shall not constitute “financial obligations.”

b. Commercial paper notes are “financial obligations”, but an event notice is only filed when a major legal document associated with the commercial paper note program is entered into, amended or extended. The major legal documents include the subordinate master bond resolution, any bank reimbursement agreement, any letter of credit, or any other notes credit facility. An event notice need not be filed when the outstanding amount of commercial paper increases or decreases or the utilized or unutilized portion of a related credit facility changes because notes are issued or repaid.

c. Any debt obligation, or guarantee of a debt obligation, that has an aggregate principal amount of 2% of the Commission's annual operating budget or greater or has a scheduled principal payment of more than \$15,000,000 in any Fiscal Year, shall be evaluated as potentially being material.

**D) Filing Mechanics**

The Disclosure Coordinator shall establish reasonable procedures for ensuring the proper and timely filing on EMMA of any filing required by a continuing disclosure certificate, including, without limitation, a process for ensuring that all appropriate CUSIP numbers are included with any filing, ensuring that appropriate written confirmations are received, and a process of reviewing any filings to ensure that the filings were properly made. Currently, one of the Commission's external financial advisors is assigned the responsibility for maintaining a complete and current list of CUSIP numbers for all Commission bonds and for confirming after each EMMA filing that the filing was made for all applicable CUSIP numbers. The Disclosure Working Group or the Disclosure Coordinator may change this process as circumstances warrant.

**E) Instances of Noncompliance**

Should any member of the Disclosure Working Group become aware of any instance of noncompliance or potential noncompliance with the Commission's continuing disclosure obligations, the member shall notify the other members of the Disclosure Working Group and the group shall determine what further actions or filings, if any, are appropriate.

**VIII. MAINTENANCE OF INVESTOR RELATIONS WEBSITE**

The Disclosure Coordinator shall confirm to the Disclosure Working Group members that the Disclosure Coordinator has reviewed the Commission's investor relations website at least quarterly to confirm that it is up to date and shall maintain a written record of the dates such review has been completed.

**IX. TRAINING AND REVIEW**

**A) Training for Staff**

The Disclosure Coordinator shall ensure that training regarding disclosure obligations will be conducted at least once every two years for personnel likely to be involved in the preparation and review of Disclosure Documents, including the members of the Disclosure Working Group, the Director, the Chief Officers of the Airport, the Commission Secretary, the Subject Matter Reviewers, the Airport's Communications Department, and any others as determined by the Disclosure Working Group. This training shall assist these officers and staff members in identifying items that may need to be disclosed in a Disclosure Document. The Deputy City Attorney shall determine the extent to which Disclosure Counsel is involved in the training.

**B) Training for Commissioners**

Training for the Commissioners will be conducted at least once every two years. This training shall assist Commissioners in understanding their responsibilities with respect to Disclosure Documents.

**C) Review of Disclosure Policies; Waiver and Suspension of Procedures**

1. The Disclosure Working Group shall review these Disclosure Policies and evaluate the appropriateness of the procedures contained in these Disclosure Policies and any difficulties with compliance with these Disclosure Policies. periodically, on-or about the third anniversary of the approval of these Disclosure Policies, if not sooner. The Disclosure Working Group shall consider whether modifications to the Disclosure Policies are appropriate and if it determines to do so, shall recommend such modifications.

2. The Disclosure Coordinator shall disseminate any modifications to these Disclosure Policies within two weeks after receiving any such modifications.

3. The Disclosure Working Group may waive or suspend any of the procedures set forth in these Disclosure Policies for a particular transaction or type of transaction, or for all transactions, should the Disclosure Working Group determine that compliance with such procedure is not practical or necessary to ensure the accuracy and completeness of the related Disclosure Document(s).

**X. DOCUMENTATION**

**A. Disclosure File**

The Disclosure Coordinator shall maintain a file that documents from time to time the compliance by the Airport of these Disclosure Policies (the Disclosure File). The Disclosure Coordinator shall ensure that the Disclosure File contains a document establishing the selection of the Disclosure Coordinator under Section II.B.1 above, and a folder or subfile (each, a Deal Folder) with respect to each bond or debt issuance, and each Disclosure Document in case such Disclosure Documents is not directly related to a bond or debt issuance. Each Deal Folder shall contain those documents relating to the related Disclosure Documents that are referenced in Section X.B. below, including, with respect to each Disclosure Document, a written confirmation, memorandum, log or checklist documenting that the Disclosure Coordinator received verbal confirmation for each of the confirmations required by these Disclosure Policies with respect to such Disclosure Document.

**B. Retention of Documents**

The Disclosure Coordinator shall be responsible for retaining the following records demonstrating compliance with these Disclosure Policies: final versions of Disclosure Documents (including preliminary Disclosure Documents but not

including drafts); copies of the distribution of preliminary offering documents to Commissioners; written confirmations, certifications, letters and legal opinions described in these Disclosure Policies; copies of these Disclosure Policies and a list of individuals to whom they have been distributed and the dates of such distributions; copies of training materials; lists of attendees at trainings and the dates of such trainings; and a written record of the dates of meetings of the Disclosure Working Group. Such records shall be maintained in a central depository for a period of five years from the later of the date of delivery of the securities referenced in the Disclosure Document, or the date of the Disclosure Document is published, posted, or otherwise made publicly available, as applicable. Any records not directly related to a Disclosure Document shall be retained for a period of five years from the time such records are created.

**C. Review of Disclosure File**

Periodically as time permits in the ordinary course of business, the Deputy City Attorney shall review the Disclosure File to evaluate overall compliance of the Disclosure File with these Disclosure Policies. Such review can be made using a selective sampling of the documents in the Disclosure File.

**EXHIBIT D-1**  
**to**  
**DISCLOSURE POLICIES AND PROCEDURES**

**DEFINED TERMS**

Capitalized terms used but not defined in these Disclosure Policies shall have the definitions given to them in the Commission's Debt Policy.

“Bond Counsel” means the law firm engaged by the Commission to advise the Commission with respect to the validity and tax-exempt nature of its Bonds.

“Capital Finance Representative(s)” means the senior employee(s) or officer(s) of the Capital Finance Section designated as such by the Chief Financial Officer.

“Deputy City Attorney” means the Deputy City Attorney assigned by the San Francisco City Attorney to Commission financings.

“Disclosure Coordinator” means the person designated as such as provided in Section II.B.1 of these Disclosure Policies.

“Disclosure Counsel” means the law firm engaged by the Commission to advise the Commission with respect to disclosure obligations and requirements under federal securities laws. Nixon Peabody LLP currently serves as Disclosure Counsel.

“Disclosure Documents” means (a) offering documents for Commission Bonds (*e.g.*, preliminary and final Official Statements, Remarketing Memoranda and Offering Memoranda), (b) annual continuing disclosure reports filed with the MSRB, (c) event notices and any other filings with the MSRB, (d) the Commission's audited financial statements and (e) any other documents that are reasonably likely to reach investors or the securities markets, including but not limited to press releases, web site postings, and other communications required to be certified by the Airport Controller or the Airport Director as representations of the City's financial condition to investors or the securities markets.

“Disclosure Policies” means these disclosure policies, as they may be amended or supplemented from time to time.

“Disclosure Working Group” means the Disclosure Practices Working Group described in Section II.A.1 of these Disclosure Policies.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive filings pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934.

“Subject Matter Reviewers” mean the individuals designated as such by the Disclosure Working Group or Disclosure Coordinator. The Subject Matter Reviewers in the following areas initially shall be managers in the following Divisions or Sections. The Disclosure Working Group may designate different Subject Matter Reviewers as it deems appropriate.



*Subject Matter Responsible Department*

<b>Related Subject</b>	<b>Responsible Department</b>
Traffic	Financial Planning & Analysis
Concessions, Rental Cars	Revenue Development
Parking	Parking
Facility and Maintenance	Facilities Maintenance
Lease and Use Agreement	Financial Planning & Analysis, Deputy City Attorney & Aviation Management
Securities	Capital Finance
Budget	Budget
Financial Statements	Accounting
Capital Projects and Planning	Budget
Airline Gates, Signatory Airlines, Airline Bankruptcy	Aviation Management & Financial Planning & Analysis
Jet Fuel Distribution	SFO Fuel Company LLC
Airport Security	Operations and Security
Employee Benefits	Budget
Risk Management and Insurance	Risk Management
Operating Revenues and Expenses	Budget
Investments	Capital Finance
PFCs and Grants	Capital Finance
Management	Capital Finance
Employee Relations	Airport Human Resources
Legal, Litigation, Bankruptcy Risk	Deputy City Attorney
Fund Balances	Capital Finance and Accounting
Cybersecurity	Information Technology & Telecommunications
Sustainability and Environmental	Sustainability

**EXHIBIT D-2**  
**to**  
**DISCLOSURE POLICIES AND PROCEDURES**  
**CONTINUING DISCLOSURE LISTED EVENTS**

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person;
10. Adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of any of the Commission's bonds or other material events affecting the tax status of any of the Commission's bonds;
11. Modifications to rights of the bondholders;
12. Optional, unscheduled or contingent bond calls;
13. Release, substitution, or sale of property securing repayment of the Commission's bonds;
14. Non-payment related defaults;
15. Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material<sup>1</sup>;
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties;
17. The consummation of a merger, consolidation, or acquisition involving an

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<sup>1</sup> Note that filings are required to be made with respect to the events identified in 15 and 16 only for airport revenue bonds issued beginning in September 2019, but the Commission intends to make any such filings with respect to all of its outstanding airport revenue bonds.

obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

18. Appointment of a successor or additional trustee or the change of name of a trustee.

For purposes of this list, the term *financial obligation* means a:

(A) Debt obligation;

(B) Derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or

(C) Guarantee of paragraph (A) or (B).

**EXHIBIT D-3**  
**to**  
**DISCLOSURE POLICIES AND PROCEDURES**  
  
**FORM OF REQUEST FOR INFORMATION**  
**FROM SUBJECT MATTER REVIEWERS**

[The following form is provided as an example and can be modified as appropriate.]

The Airport Commission's Capital Finance Section is requesting information from [section, department or division name] to be included in a detailed disclosure of the Commission's financial and operating data for an [official statement] [annual report] to be issued by the Commission in connection with [the sale of bonds or other securities] [federal annual reporting requirements for municipal securities]. This information will be disseminated publicly to the investing public, including bondholders, rating agencies, financial advisors and other members of the investment community.

Federal securities laws require that the information be materially complete, accurate, and not misleading in any material respect. Note that failure to include relevant material information can make otherwise accurate statements misleading. Please review carefully and critically the information you are providing to be certain, to the best of your knowledge after reasonable inquiry of the appropriate persons, that it is accurate, complete and not misleading. Please be certain that the source documentation is reliable and available for review should any future inquiry arise. [Please provide a copy of all source documentation.] Please describe any exceptions or other caveats to the information you are providing.

Please review the information in its entirety, rather than simply updating that which has already been provided, to determine whether any material changes have occurred or if any new or additional information should be included to make the information you are providing not misleading and as complete and accurate as possible.

Please provide the information by no later than [X date], and please advise of any subsequent changes to such information through [Y date].

If you require additional information regarding this request for information, please contact \_\_\_\_\_, at x \_\_\_\_\_. Thank you for your assistance

## APPENDIX E

### POST-ISSUANCE COMPLIANCE POLICY FOR TAX-EXEMPT BONDS

Dated as of February 20, 2024

#### I. Purpose

The purpose of this Post-Issuance Compliance Policy for Tax-Exempt Bonds (this Tax Compliance Policy) is to formally adopt policies and procedures in connection with tax-exempt bonds, tax-exempt commercial paper notes, or other tax-exempt obligations (collectively, Bonds) sold and delivered by the Commission so as to ensure that the Commission complies with all applicable post-issuance requirements of federal income tax law in order to preserve the tax-exempt status of interest on the Bonds. This Tax Compliance Policy is also intended to memorialize certain policies and procedures that the Commission has previously established or followed in connection with its Bonds. Capitalized terms used but not defined in this Tax Compliance Policy shall have the meanings given to them in the Commission's Debt Policy to which this Tax Compliance Policy is attached.

#### II. General

Ultimate responsibility for all matters relating to the Bonds rests with the Commission and the Director. The Director has assigned to the Airport's Capital Finance Director (the Compliance Officer) primary responsibility for monitoring the Commission's compliance with post-issuance federal tax law requirements in order to preserve the tax-exempt status of interest on the Bonds.

##### A) Post-Issuance Compliance Requirements

###### *Bond Counsel Opinions*

The Commission, through the City Attorney, shall retain a law firm or firms with recognized expertise in federal tax law matters related to municipal bonds (individually and collectively, Bond Counsel) to deliver a legal opinion upon the delivery of each issue of Bonds, which opinion shall address whether interest on the Bonds is excluded from gross income for federal income tax purposes or qualifies for other federal income tax advantages. The opinion of Bond Counsel shall be based in part on the covenants, representations and agreements set forth in the Commission's resolutions and Tax Certificate relating to such Bonds, including covenants and agreements compliance with which is necessary to assure that post-issuance actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes or lose any applicable federal income tax advantages.

###### *External Advisors / Documentation*

The Commission, the Compliance Officer and other appropriate Commission personnel shall consult with Bond Counsel and other legal counsel, consultants

and advisors, as needed, in the course of the preparation, sale and delivery of each issue of Bonds to identify requirements and to establish procedures necessary or appropriate so that interest on the Bonds will be excluded from gross income for federal income tax purposes or qualify for other federal income tax advantages. Those requirements and procedures shall be documented in Commission resolutions, Tax Certificates and other documents finalized at or before issuance of the Bonds. Those requirements and procedures shall include post-issuance compliance with applicable arbitrage rebate calculation and reporting requirements and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Bonds.

The Tax Certificate for each issue of Bonds identifies the restrictions and requirements related to the uses of proceeds and projects financed or refinanced by the Bonds, and provides an outline for the Commission's ongoing compliance efforts. It may include detailed post-issuance compliance procedures for specific situations.

The Compliance Officer and other appropriate Commission personnel also shall consult with Bond Counsel and other legal counsel, consultants and advisors, as appropriate, following issuance of the Bonds to ensure that all applicable post-issuance federal income tax requirements are satisfied. This shall include, without limitation, consultation in connection with the negotiation and execution of future contracts with respect to the lease, use, management, allocation or operation of property and facilities financed from Bond proceeds (Financed Facilities).

Whenever necessary or appropriate, the Commission shall engage expert advisors (each a Rebate Service Provider) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds (Proceeds).

#### *Investment and Expenditure of Proceeds*

Unless otherwise provided by Commission resolutions, unexpended Proceeds shall be held by the City Treasurer, and the investment of Proceeds shall be managed by the City Treasurer. The City Treasurer shall maintain appropriate records regarding the investments and transactions involving Proceeds and the expenditure of such Proceeds. The Compliance Officer shall monitor such investments, transactions and expenditures for compliance with applicable federal tax law.

If a Commission resolution provides for Proceeds to be administered by a trustee bank (a Trustee), the Trustee shall provide regular, periodic statements (not less than quarterly) regarding the investments and transactions involving Proceeds and the expenditures of such proceeds.

The Compliance Officer shall ensure that the investment of Proceeds, including proceeds of refunding Bonds, is in compliance with any applicable yield restrictions as set forth in the Tax Certificate.

Proceeds may only be used in a manner that is consistent with the then applicable federal tax laws with respect to such Bonds. More specifically, the Commission shall use Proceeds from governmental purpose Bonds for public use projects, Proceeds from private activity (Alternative Minimum Tax) Bonds for qualified exempt facility private activity projects, and Proceeds from taxable bonds for rental car facilities, working capital and other uses not permitted for governmental use or private activity Bonds, in each case except as otherwise permitted by federal tax law.

#### *Arbitrage Rebate*

Unless the Tax Certificate documents that Bond Counsel has advised that arbitrage rebate will not be applicable to such issue of Bonds:

- the Commission shall engage a Rebate Service Provider, and the Commission and any Trustee shall deliver periodic statements concerning the investment of Proceeds to the Rebate Service Provider, which shall prepare required rebate calculations on a periodic basis consistent with the rules described in the Tax Certificate;
- upon request, the Compliance Officer and other appropriate Commission personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider to provide its services;
- the Compliance Officer and other appropriate Commission personnel shall monitor and take such actions to ensure that the final calculation and payment of required rebate amounts, if any, are completed no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed; and
- during the construction period of each capital project financed in whole or in part by Bonds, the Compliance Officer and other appropriate Commission personnel shall monitor the investment and expenditure of Proceeds and may consult with a Rebate Service Provider as needed to determine compliance with any applicable exceptions from the arbitrage rebate requirements, including exceptions from rebate that may require specific amounts of Proceeds to be spent by the dates that are 6 months, 12 months, 18 months and 24 months after the issue date of the Bonds.

The Commission shall retain copies of all arbitrage rebate reports and filings and Trustee statements as described below under “Record Keeping Requirements.”

#### *Use of Proceeds*

The Compliance Officer and other appropriate Commission personnel shall:

- monitor the use of Proceeds, and the lease, use, management, allocation and operation of all Financed Facilities throughout the term of the Bonds (and in some cases beyond the term of the Bonds) to ensure compliance with covenants and agreements set forth in applicable Commission resolutions and Tax Certificates;
- maintain records identifying the property and facilities or portion thereof that are financed or refinanced with proceeds of each issue of Bonds;
- consult with Bond Counsel as appropriate prior to entering into any contracts or other agreements or arrangements involving the lease, use, management, allocation or operation of Financed Facilities to ensure compliance with the various covenants and agreements set forth in applicable Commission resolutions and Tax Certificates;
- maintain records for any contracts, agreements and other arrangements involving the lease, use, management, allocation and operation of Financed Facilities as might be necessary or appropriate to document compliance with the covenants and agreements set forth in applicable Commission resolutions and Tax Certificates; and
- communicate periodically (and at least annually) with personnel responsible for Financed Facilities to identify and discuss any existing or planned lease, use, management, allocation or operation of such property and facilities to ensure that they are consistent with the covenants and agreements set forth in applicable Commission resolutions and Tax Certificates.

The Commission shall retain copies of all contracts, agreements and other arrangements with respect to the lease, use, management, allocation and operation of Financed Facilities as described below under “Record Keeping Requirements.”

#### *Allocation of Proceeds*

The Commission shall formally allocate each expenditure of Proceeds in a manner consistent with applicable federal tax law. Such allocation must be made not later than 18 months after the date of the expenditure or 18 months after the Financed Facility to which the expenditure relates is completed and actually operating at substantially the level for which it was designed but in all events not later than 60 days after the end of the fifth year after the date of issuance of the Bonds (or 60 days after none of the Bonds are outstanding, if earlier). The Compliance Officer shall be responsible for ensuring that such allocations are made for each issue of the Bonds.

#### **B) Identification and Correction of Compliance Errors**

In the event the use of Proceeds or Financed Facilities is inconsistent with the



covenants, representations or agreements set forth in the Tax Certificate, the Commission shall contact Bond Counsel in a timely manner so as to ensure that there is no adverse effect on the exclusion of interest on the Bonds from federal income tax. Various remedies are available to the Commission in the event of such compliance errors, as set out in more detail under “Remedial Action Procedures.” For example, a change in the use of the Financed Facilities after the issuance of the Bonds which results in excessive private business use may be corrected through “remedial action” as described in applicable United States Treasury Regulations. Such remedial action may include a defeasance of the portion of the Bonds affected by the excessive private business use. Other actions or failures to act that may adversely affect the tax-exempt status of the Bonds may be corrected through the Voluntary Closing Agreement Program (VCAP) described in IRS Notice 2008-31 (or subsequent guidance from the IRS). Once a determination has been made by the Service in a VCAP proceeding, the Director shall make any required remediation payment.

**C) Record Keeping Requirements**

Unless otherwise specified in applicable Commission resolutions or Tax Certificates, the Commission shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the Commission at or in connection with closing of the issue of Bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by Proceeds, including (without limitation) engineering, architectural, construction and other similar contracts, purchase orders, material invoices, requisitions and payment records, as well as documents relating to costs reimbursed with Proceeds and records identifying the property and facilities or portion thereof that are financed or refinanced with Proceeds;
- a copy of all contracts, agreements and other arrangements involving the private lease, use, management, operation or allocation of Financed Facilities; and
- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including Trustee statements.

**D) IRS Information Return Filings**

The Compliance Officer will ensure filing of information returns on IRS Form 8038-G or Form 8038, as applicable, no later than the 15th day of the second calendar month in the calendar quarter following the calendar quarter in which

each issue of Bonds is delivered.

### **III. Remedial Action Procedures**

#### **A) Tax-Exempt Private Activity Bonds**

This section sets forth certain procedures that may be required to be taken by the Commission with regard to the Commission's Bonds issued as qualified private activity bonds for exempt airport facilities (Private Activity Bonds) within the meaning of Section 142(a)(1) of the Internal Revenue Code of 1986, as amended (the Code), in the event that the Commission takes any deliberate actions not in compliance with the Tax Certificate for the applicable Private Activity Bonds.

##### *General Rule*

If less than 95 percent of the net proceeds of an issue of Private Activity Bonds are actually used to provide an exempt facility, the Private Activity Bonds will be treated as meeting the use of proceeds requirement of Section 142(a) of the Code if the issue meets the conditions described under "Reasonable Expectations Requirement" below and the Commission takes the remedial action described in either "Redemption or Defeasance" or "Alternative Use of Disposition Proceeds" below. If these requirements cannot be or are not satisfied, the Commission should consult with Bond Counsel regarding the potential application of the voluntary closing agreement program maintained by the Internal Revenue Service.

##### *Disposal of Financed Property After End of Useful Life*

Property financed with Private Activity Bonds that is past its reasonably expected useful life and without monetary value may be disposed of in a landfill or otherwise scrapped or abandoned such that it has no use. Other dispositions of property financed with Private Activity Bonds should follow the procedures identified in the Supplemental Tax Certificate of the Commission, dated April 20, 2017.

##### *Reasonable Expectations Requirement*

In order to be eligible to take the remedial action described in "Redemption or Defeasance" below with respect to an issue of Private Activity Bonds, the Commission must have reasonably expected on the issue date of that issue of Private Activity Bonds that 95 percent of the net proceeds of such issue would be used to provide an exempt facility and for no other purpose for the entire term of the issue of Private Activity Bonds (disregarding any redemption provisions). To meet this condition the amount of the Private Activity Bonds of that issue must have been based upon reasonable estimates of the cost of the projects to be financed or refinanced by the issue. The requirement set forth in this paragraph will generally be satisfied at the closing of the issue of Private Activity Bonds and described in the applicable Tax Certificate.

### *Remedial Action—Redemption or Defeasance*

- 1) **In General.** The requirements of this section for remedial action are met if all of the nonqualified obligations of the issue of Private Activity Bonds are redeemed on the earliest call date or at maturity (if not subject to call) after the date on which the failure to properly use the proceeds occurs. Proceeds of tax-exempt obligations (other than certain proceeds described in paragraph 1) under “When a Failure to Properly Use Proceeds Occurs” below) must not be used for this purpose. If the issue of Private Activity Bonds is not redeemed or does not mature within 90 days of the date on which a failure to properly use proceeds occurs, a defeasance escrow must be established for those obligations within 90 days of that date.
- 2) **Notice of Defeasance.** The Commission must provide written notice to the IRS of the establishment of a defeasance escrow within 90 days of the date the escrow is established.
- 3) **Special Limitation.** The establishment of a defeasance escrow does not satisfy the requirements of this section if the period between the issue date and the first call date, if applicable, or maturity date is more than ten and one half (10.5) years after the date of issuance of the issue.

### *Remedial Action—Alternative Use of Disposition Proceeds*

For dispositions of personal property exclusively for cash, remedial action may be taken. The requirements of this section are met if the Commission expends the Disposition Proceeds within six (6) months of the date of the disposition to acquire replacement property for the same qualifying purpose of the issue under Section 142 of the Code. “Disposition Proceeds” means any amounts (including property, such as an agreement to provide services) derived from the sale, exchange, or other disposition of property (other than investments) financed with proceeds of the applicable issue of Private Activity Bonds.

### *When a Failure to Properly Use Proceeds Occurs*

- 1) **Proceeds Not Spent.** For net proceeds that are not yet spent, a failure to properly use proceeds occurs on the earlier of the date on which the Commission reasonably determines that the financed facility will not be completed or the date on which the financed facility is placed in service.
- 2) **Proceeds Spent.** For net proceeds that are spent, a failure to properly use proceeds occurs on the date on which an action is taken that causes the obligations not to be used for the qualifying purpose for which the obligations were issued.

### *Nonqualified Bonds*

- 1) **Amount of Nonqualified Bonds.** The nonqualified bonds are a portion of

the outstanding Private Activity Bonds in an amount that, if the remaining obligations of the issue were issued on the date on which the failure to properly use the proceeds occurs, at least 95 percent of the net proceeds of the remaining obligations of the issue would be used to provide an exempt facility. If no proceeds have been spent to provide an exempt facility, all of the outstanding Private Activity Bonds are nonqualified bonds.

2) Allocation of Nonqualified Bonds. Allocations of nonqualified bonds must be made on a pro rata basis, except that an issuer may treat any bonds of an issue as the nonqualified bonds so long as:

a) The remaining weighted average maturity of the issue, determined as of the date on which the nonqualified bonds are redeemed or defeased (determination date), and excluding from the determination the nonqualified bonds redeemed or defeased by the issuer to meet the requirements set forth under “Reasonable Expectations Requirement” above, is not greater than

b) The remaining weighted average maturity of the issue, determined as of the determination date, but without regard to the redemption or defeasance of any Bonds (including the nonqualified bonds) occurring on the determination date.

## **B) Tax-Exempt Governmental Bonds**

This section sets forth certain procedures that may be required to be taken by the Commission with regard to the Commission’s Bonds issued as governmental purpose bonds (Governmental Bonds) in compliance with Section 141 of the Code, in the event that the Commission takes any deliberate action not in compliance with the Tax Certificate for the applicable Governmental Bonds. If these requirements cannot be or are not satisfied, the Commission should consult with Bond Counsel regarding the potential application of the voluntary closing agreement program maintained by the Internal Revenue Service.

### *Deliberate Action*

A deliberate action means any action, occurrence or omission by the Commission that is within the control of the Commission that causes either (1) the private business use test of Section 141(b) of the Code (the Private Business Use Test) to be satisfied with respect to the Governmental Bonds or the projects financed or refinanced by the Governmental Bonds (without regard to the private security or payment test of Section 141(b) of the Code), or (2) the private loan financing test of Section 141(c) of the Code (the Private Loan Financing Test), to be satisfied with respect to the Governmental Bonds or the proceeds thereof. An action, occurrence or omission is not a deliberate action if (1) the action, occurrence or omission would be treated as an involuntary or compulsory conversion under Section 1033 of the Code, or (2) the action, occurrence or omission is in response

to a regulatory directive made by the government of the United States. For purposes of these procedures, “Private Activity Bond Tests” means, collectively, the Private Business Use Test, the private security or payment test of Section 141(b)(2) of the Code and the Regulations thereunder, and the Private Loan Financing Test.

Deliberate actions for this purpose may include sales of projects financed with Governmental Bonds, leasing or renting projects or portions of projects financed with Governmental Bonds, and entering into management or service contracts with other entities for operation or management of projects financed with Governmental Bonds.

If the Commission takes any deliberate action with respect to an issue of Governmental Bonds, then the Commission will consult with Bond Counsel regarding permissible remedial actions that may be taken to remediate the effect of any such deliberate action upon the federal tax status of such Governmental Bonds, including the remedial actions described below.

#### *Disposal of Financed Property Before End of Useful Life*

Property financed with an issue of Governmental Bonds that is within its reasonably expected useful life but without monetary value may be disposed of in a landfill or used by other departments of the City and County of San Francisco. Other dispositions of property financed with Governmental Bonds should follow the procedures identified in the Supplemental Tax Certificate of the Commission, dated April 20, 2017.

#### *Disposal of Financed Property After End of Useful Life*

Property financed with Governmental Bonds that is past its reasonably expected useful life and without monetary value may be disposed of freely, including disposal in a landfill, use by other departments of the City and County of San Francisco, or donation to a non-profit or other organization. Other dispositions of property financed with Governmental Bonds should follow the procedures identified in the Supplemental Tax Certificate of the Commission, dated April 20, 2017.

#### *Conditions to Taking Remedial Action*

Unless Bond Counsel shall advise the Commission otherwise, none of the remedial actions described in these procedures shall be available to the Commission to remediate the effect of any deliberate action with respect to an issue of Governmental Bonds unless the following conditions have been satisfied:

- 1) The Commission, as of the Closing Date of such issue of Governmental Bonds, did not expect to satisfy either the private business tests or the private loan financing test of Section 141 of the Code and the Regulations thereunder for the entire term of such issue of Governmental Bonds;

- 2) The average maturity of such issue of Governmental Bonds did not, as of the issue date of the Governmental Bonds, exceed 120% of the average economic life of the projects financed or refinanced with such issue of Governmental Bonds;
- 3) Unless otherwise excepted under the Treasury Regulations, the Commission shall deliver a certificate, instrument or other written records satisfactory to Bond Counsel demonstrating that the terms of the arrangement pursuant to which the deliberate action is taken is bona fide and arm's length, and that the nongovernmental person using either the projects or the proceeds of the Governmental Bonds as a result of the relevant deliberate action will pay fair market value for the use thereof;
- 4) Any disposition must be made at fair market value and any Disposition Proceeds actually or constructively received by the Commission as a result of the deliberate action must be treated as Gross Proceeds of the Governmental Bonds and may not be invested in obligations bearing a yield in excess of the yield of such issue of Governmental Bonds subsequent to the date of the deliberate action; and
- 5) Proceeds of the issue of Governmental Bonds affected by the remedial action must have been allocated (or deemed allocated) to expenditures for the projects or other allowable governmental purpose before the date on which the deliberate action occurs.

“Disposition Proceeds” means any amounts (including property, such as an agreement to provide services) derived from the sale, exchange, or other disposition of property (other than investments) financed with proceeds of the applicable issue of Governmental Bonds. Conditions (i) and (ii) will be generally satisfied at closing of the Governmental Bonds and documented in the applicable Tax Certificate.

*Remedial Action—Redemption or Defeasance*

Remedial action may be taken by redeeming or defeasing the nonqualified bonds as described below. The term “nonqualified bonds” means that portion of an issue of Governmental Bonds outstanding at the time of a deliberate action in an amount that, if the outstanding Governmental Bonds were issued on the date on which the deliberate action occurs, the outstanding Governmental Bonds would not satisfy the Private Business Use Test or the Private Loan Financing Test, as applicable. For this purpose, the amount of private business use is the greatest percentage of private business use in any one-year period commencing with the deliberate action.

- 1) If the deliberate action taken by the Commission causing either the Private Business Use Test or the Private Loan Financing Test to be satisfied consists of a fair market value disposition of any property financed by an

issue of Governmental Bonds exclusively for cash, then the Commission may allocate the Disposition Proceeds to the redemption of nonqualified bonds of that issue pro rata across all of the then outstanding Governmental Bonds of that issue at the earliest redemption date after the taking of the deliberate action or, if any of such Governmental Bonds outstanding at the time of the taking of the deliberate action are not callable within 90 days of the date of the deliberate action, allocate the Disposition Proceeds to the establishment of a Defeasance Escrow for any such Governmental Bonds within 90 days of the taking of such deliberate action. Please note that a Defeasance Escrow only satisfies these remedial action procedures if the relevant nonqualified bonds are all maturing or callable within ten and one-half years (10.50) after their date of issuance

- 2) If the deliberate action taken by the Commission consists of a fair market value disposition of any property financed by an issue of Governmental Bonds for other than exclusively cash, then the Commission may use any funds (other than Proceeds of Governmental Bonds, any qualified tax credit bonds issued by the Commission, any Build America Bonds issued by the Commission, any obligations described in Section 6431 of the Code or proceeds of any obligation the interest on which is excludable from the gross income of the holders thereof for purposes of federal income taxation) for the redemption of all nonqualified bonds of such issue within 90 days of the date that the Commission takes such deliberate action or, in the event that not all of the nonqualified bonds are redeemable within 90 days after the date of the deliberate action, then the Commission may use such funds for the establishment of a Defeasance Escrow within 90 days of the date of the deliberate action for all of the nonqualified bonds not callable within 90 days of the date of the deliberate action. Please note that a Defeasance Escrow only satisfies these remedial action procedures if the relevant nonqualified bonds are all maturing or callable within ten and one-half years (10.50) after their date of issuance.
- 3) If the Commission creates a Defeasance Escrow for any nonqualified bonds that are not callable within 90 days of the date of the deliberate action, the Commission shall provide written notice to the IRS at the times and places as may be specified by applicable regulations, rulings or other guidance issued by the Department of the Treasury or the Internal Revenue Service.

*Remedial Action—Alternative Use of Disposition Proceeds.*

Use by the Commission of any Disposition Proceeds in accordance with the following requirements may be treated as a Remedial Action with respect to an issue of Governmental Bonds:

- 1) the deliberate action consists of a cash sale of all or any portion of the projects for fair market value;

- 2) the Commission reasonably expects to expend the Disposition Proceeds resulting from the deliberate action within two years of the date of the deliberate action;
- 3) the Disposition Proceeds are treated by the Commission as Proceeds of the issue of Governmental Bonds for purposes of Section 141 of the Code and the Regulations thereunder, and the use of the Disposition Proceeds in the manner in which such Disposition Proceeds are in fact so used by the Commission would not cause the Disposition Proceeds to satisfy the Private Activity Bond Tests;
- 4) the Commission does not take action after the date of the deliberate action to cause the Private Activity Bond Tests to be satisfied with respect to that issue of Governmental Bonds, the projects financed or refinance by that issue of Governmental Bonds or the Disposition Proceeds (other than any such use that may be permitted in accordance with the Treasury Regulations);
- 5) Disposition Proceeds that are not expended within two years of the date of the deliberate action must be used to redeem or defease Nonqualified Governmental Bonds in accordance with the requirements set forth in “*Remedial Action—Redemption or Defeasance*,” above; and
- 6) In the event that Disposition Proceeds are to be used by any organization described in Section 501(c)(3) of the Code, the Commission will consult with Bond Counsel as to any additional requirements that may be applicable.

*Remedial Action—Alternative Use of Refinanced Facilities.*

In certain circumstances where the deliberate action results in a use of the project that might qualify under a different category of tax-exempt bonds, remedial action may be available based on such alternative use of the project. The Commission will consult with Bond Counsel regarding the availability of such remedial action.

- 1) Absent an opinion of Bond Counsel, no Remedial Actions shall be available to remediate the satisfaction of the “private security or payment test” of Section 141(b) of the Code and the Treasury Regulations thereunder regarding the same with respect to the Governmental Bonds.
- 2) Nothing herein shall prohibit the Commission from taking any remedial actions not described herein that may become available subsequent to the issue date of the Governmental Bonds to remediate the effect of a deliberate action taken with respect to the Governmental Bonds, the proceeds thereof, or the projects financed or refinanced by such Governmental Bonds.



**C) Change in Law**

These procedures regarding remedial action are based on law in effect as of this date. Statutory or regulatory changes, including but not limited to clarifying Regulations, may affect the matters set forth in these procedures.