AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

January 24, 2025

The Airport Commission (the "Commission") of the City and County of San Francisco hereby provides its Continuing Disclosure Annual Report (the "Report"). The Report contains the audited financial statements of the Commission for the fiscal year ended June 30, 2024, as well as certain operating data and other information. It is delivered pursuant to the continuing disclosure certificates (the "Continuing Disclosure Certificates") that the Commission has executed or elected to apply in connection with the bond issues identified in the Report.

This Report is provided solely for the purpose of satisfying the Commission's obligations under the Continuing Disclosure Certificates.

AIRPORT COMMISSION OF THE CITY AND
COUNTY OF SAN FRANCISCO

Enclosure: Annual Report

AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO

CONTINUING DISCLOSURE ANNUAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Introduction

This Continuing Disclosure Annual Report for the Fiscal Year Ended June 30, 2024 (this "Report") is provided for the purpose of satisfying the obligations of the Airport Commission (the "Commission") of the City and County of San Francisco (the "City") under the continuing disclosure certificates (the "Continuing Disclosure Certificates") executed in connection with the following bond issues (collectively, the "Bonds"):

- Second Series Revenue Refunding Bonds, Series 2009D, dated November 4, 2009
- Second Series Revenue Refunding Bonds, Series 2016A, dated February 25, 2016
- Second Series Revenue Bonds, Series 2016B/C, dated September 29, 2016
- Second Series Revenue Refunding Bonds, Series 2016D, dated September 29, 2016
- Second Series Revenue Bonds, Series 2017A/B, dated October 31, 2017
- Second Series Revenue Refunding Bonds, Series 2017D, dated October 31, 2017
- Second Series Revenue Bonds, Series 2018D/E/F, dated May 30, 2018
- Second Series Revenue Refunding Bonds, Series 2018G, dated May 30, 2018
- Second Series Variable Rate Revenue Bonds, Series 2018B/C, dated June 6, 2018
- Second Series Revenue Bonds, Series 2019A/B/C, dated February 7, 2019
- Second Series Revenue Refunding Bonds, Series 2019D, dated February 7, 2019
- Second Series Revenue Bonds, Series 2019E/F/G, dated September 10, 2019
- Second Series Revenue Refunding Bonds, Series 2019H, dated September 10, 2019
- Second Series Revenue Refunding Bonds, Series 2020A/B/C, dated August 20, 2020
- Second Series Revenue Refunding Bonds, Series 2021A/B/C, dated April 21, 2021
- Second Series Revenue Bonds, Series 2022A/B/C, dated February 8, 2022
- Second Series Revenue Refunding Bonds, Series 2023A/B, dated March 1, 2023
- Second Series Revenue Refunding Bonds, Series 2023C/D, dated November 15, 2023
- Second Series Revenue Refunding Bonds, Series 2024A/B, dated June 4, 2024
- Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A/B, dated February 26, 2019.[1]

The Second Series Revenue Bonds and Second Series Revenue Refunding Bonds issued under the Indenture (defined below) are referred to herein as the "Senior Bonds."

The outstanding Senior Bonds were issued under Resolution No. 91-0210, which the Commission adopted on December 3, 1991, as supplemented and amended (the "1991 Master Resolution"). On January 10, 2025, the Commission entered into a Trust Indenture, dated as of January 1, 2025 (the "Trust Indenture"), by and between the Commission and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee"). Additionally, on January 10, 2025, the Commission entered into Series Indentures by and between the Commission and the Trustee related to each series of the Commission's outstanding Senior Bonds (collectively, the "Series Indentures," and together with the Trust Indenture, the "Indenture"). The Indenture amends and restates the 1991 Master Resolution. It makes no material changes to the terms of the Senior Bonds, but rather re-state the provisions of the 1991 Master Resolution with certain non-

[1] This Continuing Disclosure Annual Report satisfies the Commission's obligations under its continuing disclosure certificate with respect to these bonds. SFO Fuel Company LLC is obligated to make a separate filing.

material changes that did not require bondholder consent. The outstanding Senior Bonds remain outstanding under the Indenture. The Trust Indenture and the Series Indentures can be found at https://www.flysfo.com/about/finances/investor-relations.

By providing the information in this Report, the Commission does not imply or represent: (a) that all of the information provided is material to investors' decisions regarding the Bonds, (b) that no changes, circumstances or events have occurred since the end of the fiscal year ended June 30, 2024 other than what is contained in this Report, or (c) that no other information exists that may have a bearing on the Commission's financial condition, the security for the Bonds, or an investor's decision to buy, sell or hold the Bonds. The information contained in this Report has been obtained from officers, employees and records of the Commission and other sources that are believed to be reliable, but such information is not guaranteed as to its accuracy or completeness.

To the extent that this Report contains information that the Commission is not obligated to provide under the Continuing Disclosure Certificates, the Commission is not obligated to present or update such information in future annual reports.

No statement in this Report should be construed as a prediction or representation about the future operating results or financial performance of the Commission.

Audited Financial Statements

The audited financial statements of the Commission for the fiscal year ended June 30, 2024 are attached as **Appendix A**.

Operating and Financial Data

Operating and financial data of the Commission is included in the Official Statement, dated January 14, 2025 (the "Official Statement"), relating to the Commission's Second Series Revenue Bonds, Series 2025A, Series 2025B and Series 2025C (the "2025A/B/C Bonds"), which the Commission expects to issue on or about February 6, 2025. The Official Statement for the 2025A/B/C Bonds, which is available at https://emma.msrb.org/P11820175-P11395009-P11835565.pdf, is incorporated by reference herein.

Air Traffic Data, Cargo Traffic Data and Total Landed Weights

See the Official Statement for information regarding Air Traffic Data, Cargo Traffic Data and Total Revenue Landed Weights in Fiscal Year 2023-24 as well as the first five months of Fiscal Year 2024-25.

Airline Service

See the table of air carriers that served the Airport in Fiscal Year 2023-24 in the Management's Discussion and Analysis in the audited financial statements attached as Appendix A for a list of the air carriers serving the airport during Fiscal Year 2023-24. Corresponding information for the first five months of Fiscal Year 2024-25 is included in the Official Statement.

Ten Highest Revenue Producing Concessionaires and Ten Highest Revenue Producers

See the Official Statement for information regarding the ten highest revenue producing concessionaires and ten highest revenue producers in Fiscal Year 2023-24.

Total Outstanding Long-Term Debt

Outstanding Senior Bonds

The Commission had the following Senior Bonds outstanding as of June 30, 2024.

Series	Dated Date	Principal Amount Issued	Outstanding Principal (as of 6/30/24)	Purpose
2009D (Non-AMT/Private Activity)†	November 4, 2009	$ 88,190,000	$ 51,615,000	Refunding
2016A (Non-AMT/Governmental Purpose)†	February 25, 2016	232,075,000	118,525,000	Refunding
2016B (AMT)†	September 29, 2016	574,970,000	574,970,000	New Money
2016C (Non-AMT/Governmental Purpose)†	September 29, 2016	165,155,000	165,155,000	New Money
2016D (Non-AMT/Governmental Purpose)†	September 29, 2016	147,795,000	73,810,000	Refunding
2017A (AMT)†	October 31, 2017	339,585,000	339,580,000	New Money
2017B (Non-AMT/Governmental Purpose)†	October 31, 2017	231,985,000	231,985,000	New Money
2017D (AMT)$^{\Omega}$	October 31, 2017	144,830,000	46,575,000	Refunding
2018D (AMT)†	May 30, 2018	722,805,000	722,610,000	New Money
2018E (Non-AMT/Governmental Purpose)†	May 30, 2018	116,275,000	116,275,000	New Money
2018F (Taxable)†	May 30, 2018	7,025,000	7,025,000	New Money
2018G (AMT)†	May 30, 2018	35,665,000	35,660,000	Refunding
2018B (Non-AMT/Governmental Purpose)	June 6, 2018	138,170,000	138,170,000	New Money
2018C (Non-AMT/Governmental Purpose)	June 6, 2018	138,170,000	138,170,000	New Money
2019A (AMT)†	February 7, 2019	1,176,215,000	1,174,805,000	New Money
2019B (Non-AMT/Governmental Purpose) $^{\Omega}$	February 7, 2019	91,280,000	91,280,000	New Money
2019C (Taxable)†	February 7, 2019	88,750,000	8,010,000	New Money/Refunding
2019D (Non-AMT/Private Activity) $^{\Omega}$	February 7, 2019	407,320,000	373,295,000	Refunding
2019E (AMT)†	September 10, 2019	773,475,000	764,815,000	New Money
2019F (Non-AMT/Governmental Purpose)†	September 10, 2019	106,925,000	106,925,000	New Money
2019G (Taxable)†	September 10, 2019	41,770,000	9,715,000	New Money
2019H (AMT)†	September 10, 2019	267,005,000	148,195,000	Refunding
2020A(AMT)†	August 20, 2020	109,520,000	109,520,000	Refunding
2020B (Non-AMT/Governmental Purpose)†	August 20, 2020	51,575,000	51,575,000	Refunding
2020C (Taxable)	August 20, 2020	130,180,000	130,180,000	Refunding
2021A (AMT)†	April 21, 2021	195,225,000	195,225,000	Refunding
2021B (Non-AMT/Governmental Purpose)†	April 21, 2021	129,070,000	129,070,000	Refunding
2021C (Taxable)†	April 21, 2021	222,810,000	222,810,000	Refunding
2022A (AMT)†	February 8, 2022	301,530,000	298,705,000	New Money/Refunding
2022B (Non-AMT/Governmental Purpose)†	February 8, 2022	236,475,000	236,475,000	New Money/Refunding
2022C (Taxable)†	February 8, 2022	194,815,000	194,815,000	New Money/Refunding
2023A (AMT)†	March 1, 2023	162,405,000	151,215,000	Refunding
2023B (Non-AMT)†	March 1, 2023	79,510,000	79,510,000	Refunding
2023C (AMT)†	November 15, 2023	748,430,000	748,430,000	Refunding
2023D (Non-AMT/Governmental Purpose)†	November 15, 2023	45,880,000	45,880,000	Refunding
2024A (AMT)†	June 4, 2024	782,535,000	782,535,000	New Money/Refunding
2024B (Non-AMT)†	June 4, 2024	123,590,000	123,590,000	Refunding
TOTAL		$10,022,595,000	$8,936,700,000	

† Secured by Common Reserve Account (previously referred to as the Issue 1 Reserve Account or the Original Reserve Account).
$^{\Omega}$ Secured by 2017 Reserve Account.
Source: Commission.

Information on the Senior Bonds outstanding as of December 1, 2024 is included in the Official Statement. The Commission expects to issue its $1,006,205,000 2025A/B/C Bonds on February 6, 2025. The 2025A/B/C Bonds are expected to be secured by the Common Reserve Account.

Credit Facilities Relating to Senior Bonds

As of June 30, 2024, the Commission had outstanding $276,340,000 of variable rate tender option Senior Bonds, secured by bank letters of credit, as summarized in the table below. If amounts due on the Senior Bonds are paid under a letter of credit, the obligation of the Commission to repay such amounts would constitute "Repayment Obligations" under the Indenture and would be accorded the status of Senior Bonds.

CREDIT FACILITIES SUPPORTING SENIOR BONDS
(as of June 30, 2024)

	Series 2018B	**Series 2018C**
Outstanding Principal Amount	$138,170,000	$138,170,000
Type	LOC[1]	LOC[1]
Expiration Date	June 3, 2026	April 5, 2027
Credit Provider	Barclays[2]	Sumitomo[3]
Credit Provider Ratings[4]		
Short-Term	P-1/A-1/F1	P-1/A-1/F1
Long-Term	A1/A+/A+	A1/A/A

(1) Letter of Credit.
(2) Barclays Bank PLC.
(3) Sumitomo Mitsui Banking Corporation acting through its New York Branch.
(4) As of June 30, 2024. Ratings are provided for convenience of reference only. Such rating information has been obtained from sources believed to be reliable but has not been confirmed or re-verified by the rating agencies. The Commission does not take any responsibility for the accuracy of such ratings, nor does it give any assurance that such ratings will apply for any given period of time, or that such ratings will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant. The rating information reflects the ratings of the credit provider's obligations, not the rating on the related Bonds; ratings on related Bonds may be different. Ratings for the Credit Providers' obligations are displayed as Moody's/S&P/Fitch. The Long-Term ratings provided are Moody's Issuer Rating, Standard & Poor's Long-Term Local Issuer Credit Rating and Fitch's Long-Term Issuer Default Rating.

Source: Commission

Information regarding the variable rate tender option Senior Bonds and their supporting credit facilities (except for the Credit Provider Ratings) as of December 1, 2024 is included in the Official Statement.

Interest Rate Swaps

Pursuant to the Indenture, the Commission may enter into one or more interest rate swaps in connection with one or more series of Senior Bonds. The Commission is not currently party to any interest rate swap. The Indenture provides that, if and to the extent provided in any Series Indenture authorizing the issuance of a series Senior Bonds, regularly scheduled swap payments may be paid directly out of the account or accounts in the debt service fund established with respect to such series of Senior Bonds, and thus on a parity with debt service on the Senior Bonds.

Other Indebtedness

Commercial Paper Notes

The Commission has authorized, and the Board of Supervisors of the City has approved, the issuance by the Commission of up to $600,000,000 principal amount outstanding at any one time of commercial paper notes (the "Commercial Paper Notes"), which constitute "Subordinate Bonds." As of June 30, 2024 and December 1, 2024, the Commission had six irrevocable direct-pay letters of credit totaling $600,000,000 to support the Commercial Paper Notes. Payment of Commercial Paper Notes and repayment of amounts drawn on the letters of credit with respect thereto, are secured by a lien on Net Revenues subordinate to the lien of the Indenture securing the Senior Bonds. Those letters of credit are described in the following table. The same letters of credit remain in effect as of December 1, 2024.

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LETTERS OF CREDIT FOR COMMERCIAL PAPER NOTES
(as of June 30, 2024)

Series	Principal Amount	Letter of Credit Provider	Expiration Date	Credit Provider Ratings (short term; long term)[(1)]
Series A-1 Notes Series B-1 Notes Series C-1 Notes	$100,000,000	Bank of America, N.A.	April 28, 2028	P-1/A-1/F1+; Aa1/A+/AA
Series A-2 Notes Series B-2 Notes Series C-2 Notes	$100,000,000	Sumitomo Mitsui Banking Corporation, acting through its New York Branch	April 7, 2027	P-1/A-1/F1; A1/A/A
Series A-3 Notes Series B-3 Notes Series C-3 Notes	$100,000,000	BMO Bank N.A.	April 30, 2027	P-1/A-1/F1+; A1/A+/AA-
Series A-4 Notes Series B-4 Notes Series C-4 Notes	$100,000,000	Sumitomo Mitsui Banking Corporation, acting through its New York Branch	June 6, 2028	P-1/A-1/F1; A1/A/A
Series A-5 Notes Series B-5 Notes Series C-5 Notes	$125,000,000	Barclays Bank PLC	April 23, 2027	P-1/A-1/F1; A1/A+/A+
Series A-6 Notes Series B-6 Notes Series C-6 Notes	$75,000,000	Bank of America	May 4, 2026	P-1/A-1/F1+; Aa1/A+/AA

(1) As of June 30, 2024. Ratings are provided for convenience of reference only. Such rating information has been obtained from sources believed to be reliable but has not been confirmed or re-verified by the rating agencies. The Commission does not take any responsibility for the accuracy of such ratings, nor does it give any assurance that such ratings will apply for any given period of time or that such ratings will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant. The rating information reflects the ratings of the credit provider's obligations, not the rating on the related Commercial Paper Notes; ratings on related Commercial Paper Notes may be different. Ratings for the credit providers' obligations are displayed as Moody's/S&P/Fitch. The Long-Term ratings provided are Moody's Issuer Rating, S&P's Long-Term Local Issuer Credit Rating and Fitch's Long-Term Issuer Default Rating. The Short-Term ratings provided are Moody's Short-Term Rating, S&P's Short-Term Local Issuer Credit Rating and Fitch's Short-Term Issuer Default Rating.

Source: Commission.

SFO Fuel Bonds

The Commission issued $125,000,000 of Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC) Series 2019A and Series 2019B (the "SFO Fuel Bonds"), which are Special Facility Bonds (as defined in the Indenture), in February 2019. $87,705,000 aggregate principal amount of these Special Facility Bonds remained outstanding as of June 30, 2024 and December 1, 2024. The SFO Fuel Bonds were issued to finance and refinance (including through the refunding of Special Facility Bonds issued in 1997 and 2000) construction of jet fuel storage, distribution and related facilities at the Airport for the benefit of the airlines.

The SFO Fuel Bonds are payable from and secured by payments made by SFO FUEL COMPANY LLC, a special purpose limited liability company ("SFO Fuel"), pursuant to a lease agreement between the Commission and SFO Fuel with respect to the jet fuel storage and distribution facilities. SFO Fuel was formed by certain airlines operating at the Airport. The lease payments, and therefore the SFO Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers for into-plane fueling at the Airport, and are not payable from or secured by Net Revenues.

Airport Hotel Special Facility Revenue Bonds

In June 2018, the Commission issued $260,000,000 of San Francisco International Airport Hotel Special Facility Revenue Bonds (the "Hotel Special Facility Bonds") to finance and refinance (through the repayment of Commercial Paper Notes) the development and construction of a new Commission-owned hotel at the Airport (the "On-Airport Hotel"), to fund capitalized interest on the Hotel Special Facility Bonds and to pay related costs. The On-Airport Hotel was designated as a Special Facility (as defined in the Indenture), and the Hotel Special Facility Bonds are Special Facility Bonds. The Hotel Special Facility Bonds are payable from On-Airport Hotel revenues. There were $260,000,000 in principal amount of the Hotel Special Facility Bonds outstanding as of June 30, 2024 and December 1, 2024. The final maturity date of the Hotel Special Facility Bonds is April 1, 2058. The Hotel Special Facility Bonds are held by the Commission and were purchased with proceeds of the Commission's Second Series Revenue Bonds, Series 2018B and Series 2018C.

Historical Landing Fees and Terminal Rentals, Calculation of Compliance with Rate Covenant, Passenger Facility Charge Collections, Summary of Payments Made to the City

See the Official Statement for information regarding landing fees and terminal rental rates in Fiscal Year 2023-24, calculation of compliance with the Rate Covenant in Fiscal Year 2023-24, passenger facility charge ("PFC") designations, collections and amounts applied to pay debt service in Fiscal Year 2023-24 and payments made by the Airport to the City in Fiscal Year 2023-24. The PFC designation date for Fiscal Year 2023-24 is May 16, 2023.

The publication of this section in the Annual Report does not constitute or imply any representation (i) that all of the foregoing is material to investors, (ii) regarding any other financial, operating or other information about the Commission, the Airport or its bonds or (iii) that no other circumstances or events have occurred or that no other information exists concerning the Commission, its bonds or the Airport which may have a bearing on the financial condition of the Commission, the security for its bonds, or an investor's decision to buy, sell or hold any bonds.

By posting this statement, the Commission does not undertake to post any additional statement. The Commission disclaims any obligation to update this statement.

Appendix A

Audited Financial Statements for Fiscal Year Ended June 30, 2024

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Basic Financial Statements with
Schedule of Passenger Facility Charge Revenues and Expenditures

June 30, 2024

(With Independent Auditor's Report Thereon)

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Table of Contents

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Board of Supervisors
City and County of San Francisco

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Airport Commission, City and County of San Francisco, San Francisco International Airport, an enterprise fund of the City and County of San Francisco, California, (the "Airport"), as of and for the year ended June 30, 2024 and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2024, and the changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (*Government Auditing Standards*), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Airport, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matters

As discussed in Note 1, the financial statements present only the Airport and do not purport to, and do not, present fairly the financial position of the City and County of San Francisco, California, as of June 30, 2024, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's financial statements. The accompanying schedule of passenger facility charge revenues and expenditures is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of passenger facility charge revenues and expenditures is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated October 25, 2024 on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Costa Mesa, California
October 25, 2024

The Airport Commission (the Airport), an enterprise department of City and County of San Francisco (the City), presents the following narrative overview and analysis of the financial activities of the Airport for the fiscal year ended June 30, 2024. The terms "Airport" and "SFO" also refer to the land and improvements comprising the San Francisco International Airport.

The Airport's basic financial statements comprise the following components: (1) Financial Statements and (2) Notes to Financial Statements. The Airport's basic financial statements include:

The *Statement of Net Position* presents information on the Airport's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of the year-end, with the difference between the amounts as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Airport is improving or weakening.

While the statement of net position provides information about the nature and amount of resources and obligations at the year-end, the *Statement of Revenues, Expenses, and Changes in Net Position* presents the results of the Airport's operations over the course of the fiscal year and information as to how the net position changed during the fiscal year. The statement can be used as an indicator of the extent to which the Airport has successfully recovered its costs through user fees and other charges. All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The *Statement of Cash Flows* presents changes in cash and cash equivalents resulting from operating, noncapital financing, capital financing, and investing activities. The statement summarizes the annual flow of cash receipts and cash payments, without consideration of the timing of the event giving rise to the obligation or revenue and exclude noncash accounting measures of depreciation or amortization of assets.

The *Notes to Financial Statements* provide information that is not displayed on the face of the financial statements but is essential to a full understanding of the financial statements.

Highlights of Airline Operations at the Airport

Fiscal year 2023-24 passenger traffic at SFO concluded with approximately 51.3 million passengers, an increase of 9.0% compared to the prior fiscal year (FY). Domestic enplaned passengers increased by 4.7%, and international enplaned passengers increased by 20.7%. Total cargo and U.S. mail tonnage increased by 17.9%.

Published scheduled departing seats for SFO, Oakland International (OAK), and Mineta San Jose International (SJC) were 7.7% higher, 4.0% lower, and 6.3% lower, respectively, for fiscal year 2023-24 compared to the prior fiscal year. Total scheduled departing seats for the Bay Area were 3.0% higher than the prior fiscal year.

Passenger and Other Traffic Activity

The number of flight operations (takeoffs and landings) increased by 2.7% fiscal year over year. Aircraft revenue landed weight, which affects revenue generated by landing fees, increased by 9.4% in comparison to the prior fiscal year. Total Airport passengers, who are comprised of enplaned, deplaned and in transit passengers (defined as passengers who fly into and out of SFO on the same aircraft), were close to 51.3 million, which was 9.0% above last fiscal year. Overall enplaned passengers increased by 8.9% over the prior fiscal year to 25.5 million. Domestic enplanements increased by 4.7% to 18.0 million, and international enplanements increased by 20.7% to 7.5 million passengers. Total cargo and U.S. mail tonnage increased by 17.9%.

The following table[1] presents a comparative summary of passenger and other traffic at the Airport for fiscal years ended June 30, 2024 and 2023:

	FY 2024	FY 2023
Flight operations (takeoffs and landings)	379,839	369,974
Landed weight (in 1,000 lbs.)	35,384,827	32,350,429
Total Airport passengers	51,292,995	47,052,180
Enplaned passengers		
Domestic enplaned passengers	17,983,862	17,177,004
International enplaned passengers	7,531,674	6,242,564
Cargo and U.S. mail tonnage (in metric tons)	535,390	454,121

Passenger Traffic

Passenger enplanements in fiscal year 2023-24 increased by 8.9% from 23.4 million to 25.5 million passengers. Domestic passenger enplanements increased by 4.7%, and international enplanements increased by 20.7%. Overall enplanements increased by 2.1 million passengers, comprised of 0.8 million in domestic and 1.3 million in international enplanements. Passenger traffic continues to close the gap to pre-pandemic levels, and has recovered to 89.1%, with domestic and international recoveries to 84.4% and 102.9%, respectively, compared to fiscal year 2018-19 (the last full fiscal year before the Coronavirus Disease 2019 (COVID-19) pandemic).

[1] Sources: Airport's Analysis of Airline Traffic, Fiscal Years 2024 and 2023.

On a quarterly basis, enplanements increased by 14.9%, 11.8%, 8.2%, and 1.6%, relative to the same quarter in fiscal year 2022-23.

International passenger traffic has recovered since the COVID-19 pandemic and was 2.9% higher in fiscal year 2023-24 than in fiscal year 2018-19. Traffic to Asia, which was recovering strongly, saw a further boost when non-stop flights between the United States and the People's Republic of China resumed in November 2023. As a result, traffic to Asia increased by 54.5% in fiscal year 2023-24 over fiscal year 2022-23 and surpassed pre-pandemic levels by 1.0%. Enplanements to international regions other than the Middle East continued to improve over the previous fiscal year, with increases of 4.9% for Europe, 7.6% for Canada, 10.1% for Latin America, and 22.6% for Australia/Oceania. Traffic to Middle East was down by 19.5% over the previous fiscal year primarily due to United Airlines suspending its service to Tel Aviv as of November 2023.

Overall airline seat capacity increased by 7.7% during fiscal year 2023-24 as compared to fiscal year 2022-23, with a domestic increase of 2.3% and an international increase of 22.3%. The overall load factor (the percentage of seats filled on flights) increased by 1.0 percentage point to 85.4%. The domestic load factor increased by 1.9 percentage points to 87.0%, while the international load factor decreased by 1.1 percentage points to 81.7%.

Flight Operations

During fiscal year 2023-24, the number of aircraft operations (takeoffs and landings) increased by 9,865 flights (2.7%) as compared to fiscal year 2022-23. Scheduled passenger aircraft arrivals and departures increased by 11,219 flights (3.1%). Civil and military traffic decreased by 1,354 flights (12.6%). The total number of scheduled airline passenger and cargo landings increased by 6.4%, with an increase in revenue landed weight of 9.4%. Domestic passenger landings increased by 3.3%, while domestic landed weight increased by 2.4%. International passenger landings increased by 20.1%, while international landed weight increased by 22.3%. Average passenger aircraft size increased from approximately 167 to 172 seats per flight. Domestic scheduled seats per flight increased from 149 to 151, while international scheduled seats per flight increased from 243 to 247. The overall balance between mainline passenger aircraft (wide body and narrow body) and commuter aircraft (regional jets and turbo props) shifted 0.5% towards commuter aircraft, which increased to 22.4% for domestic and international operations combined. Mainline landings increased by 7,573 and commuter landings increased by 3,144.

Cargo Tonnage

Fiscal year 2023-24 cargo and mail tonnage increased by 81,269 metric tons (17.9%). Domestic cargo and mail increased by 14,829 metric tons (8.1%), while international cargo and mail increased by 66,440 metric tons (24.5%). Tonnage shares of cargo-only carriers decreased by 0.6% to 19.6%. Tonnage on cargo-only carriers increased by 14.4%, while tonnage on passenger carriers increased by 18.8%.

Financial Highlights

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $552.5 million.
- Total revenue bonds payable by the Airport increased by $908.4 million.

- Operating revenues were $1.4 billion.
- Operating expenses were $976.6 million.
- Nonoperating expenses, net of revenues from nonoperating sources, were $162.7 million including investment income of $156.8 million, revenues of $99.6 million from Passenger Facility Charges (PFC), $13.0 million from Customer Facility Charges (CFC), and offset interest expense of $365.1 million.
- Capital contributions consisting of grants from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) and the Transportation Security Administration's (TSA) totaled $63.9 million.
- Transfers to the City and County of San Francisco for the annual service payments were $55.6 million.
- Net position increased by $270.4 million mainly due to amounts contributed by the airlines for the deposit in the new Operating Revenue and Capital Improvement Fund (ORCIF) based on the new ten-year 2023 Lease and Use Agreement effective on July 1, 2023.

Overview of the Airport's Financial Statements

Net Position Summary

A condensed summary of the Airport's net position for the fiscal years 2023-24 and 2022-23 is shown below (in thousands):

	FY 2024	FY 2023
Assets:		
Unrestricted current assets	$ 1,245,436	1,223,147
Restricted current assets	955,000	741,971
Unrestricted noncurrent assets	753,061	831,198
Restricted noncurrent assets	1,218,357	1,113,454
Capital assets, net	7,136,289	6,934,498
Total assets	11,308,143	10,844,268
Deferred outflows of resources:		
Unamortized loss on refunding of debt	25,489	30,534
Deferred outflows related to OPEB	54,277	38,931
Deferred outflows related to pensions	135,732	105,957
Total deferred outflows of resources	215,498	175,422
Liabilities:		
Current liabilities	526,458	648,266
Current liabilities payable from restricted assets	259,617	202,883
Noncurrent liabilities	9,774,879	9,440,484
Net OPEB liability	249,579	257,767
Net pension liability	208,295	162,200
Total liabilities	11,018,828	10,711,600
Deferred inflows of resources:		
Unamortized gain on refunding of debt	42,549	—
Deferred inflows related to OPEB	35,135	50,948
Deferred inflows related to pensions	15,623	37,692
Deferred inflows related to leases	963,990	1,042,367
Total deferred inflows of resources	1,057,297	1,131,007
Net position:		
Net investment in capital assets	(1,934,425)	(1,603,694)
Restricted for debt service	157,855	75,798
Restricted for capital projects	833,330	653,258
Restricted for other purposes	6,403	4,660
Unrestricted	384,353	47,061
Total net position (deficit)	$ (552,484)	(822,917)

Total net position serves as an indicator of the Airport's financial position. The Airport's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $552.5 million and $822.9 million as of June 30, 2024 and 2023, respectively, representing an increase of $270.4 million (32.9%) in net position.

Restricted current assets consist of cash and investments held in the City Treasury and outside the City Treasury, accounts receivable, accrued interest, grants receivable, and PFCs receivable. Restricted current assets increased by $213.0 million (28.7%). The increase was primarily due to the higher grants receivable and investment earnings.

Unamortized loss on refunding of debt decreased by $5.0 million (16.5%) primarily due to the amortization of the bond refunding loss.

Deferred outflows related to OPEB increased by $15.3 million (39.4%) primarily due to experience losses. See additional information in Note 12b.

Deferred outflows related to pensions increased by $29.8 million (28.1%) primarily due to changes in the Airport's proportionate share and actuarial assumptions. See additional information in Note 12a.

Current liabilities payable from unrestricted assets decreased by $121.8 million (18.8%) primarily due to the decrease in unearned aviation revenue.

Current liabilities payable from restricted assets increased by $56.7 million (28.0%) primarily due to the increase in accounts payable for capital projects.

Net pension liability (NPL) increased by $46.1 million (28.4%) primarily due to investment losses. See additional information in Note 12a.

Unamortized gain on refunding of debt increased by $42.5 million (100.0%) primarily due to the issuance of 2023C/D Bonds and 2024A/B/C Bonds in part to fully refund the 2013A and 2014A/B Bonds.

Deferred inflows related to OPEB decreased by $15.8 million (31.0%) primarily due to experience losses. See additional information in Note 12b.

Deferred inflows related to pensions decreased by $22.1 million (58.6%) primarily due to investment losses which caused a reduction in deferred inflow of earnings. See additional information in Note 12a.

The Airport's net investment in capital assets decreased by $330.7 million (20.6%) primarily due to the reclassification of leases payable and deferred inflows related to leases from unrestricted net position to net investment in capital assets.

Net position restricted for debt service increased by $82.1 million (108.3%) primarily due to increased cash and investments held outside the City Treasury for debt service.

Net position restricted for capital projects increased by $180.1 million (27.6%) primarily due to higher PFC revenues generated from the growth in air traffic.

Net position restricted for other purposes increased by $1.7 million (37.4%) primarily due to the higher on-Airport Hotel (Hotel) occupancy levels resulting in the Hotel's operating revenues exceeding the Hotel's operating expenses.

The Airport's unrestricted net position increased by $337.3 million (716.7%) primarily due to the reclassification of leases payable and deferred inflows related to leases from unrestricted net position to net investment in capital assets.

Highlights of Changes in Net Position

The following table shows a condensed summary of changes in net position for fiscal years 2023-24 and 2022-23 (in thousands):

	FY 2024	FY 2023
Operating revenues	$ 1,401,390	1,064,104
Operating expenses	(976,556)	(902,750)
Operating income	424,834	161,354
Nonoperating expenses, net	(162,710)	(197,389)
Income (loss) before capital contributions and transfers	262,124	(36,035)
Capital contributions	63,909	28,679
Transfers to City and County of San Francisco	(55,600)	(48,701)
Changes in net position (deficit)	270,433	(56,057)
Total net position (deficit) – beginning of year	(822,917)	(660,243)
Cumulative effect of accounting change	—	(106,617)
Total net position (deficit) – end of year	$ (552,484)	(822,917)

Operating Revenues

The Airport derives its operating revenues from rates, fees, and charges assessed to the airlines; the operation of public and employee parking facilities; rents and fees assessed to concessionaires and ground transportation operators; and fees assessed for telecommunication access services. Landing fees and demised premises rental rates assessed to airlines are set periodically based on formulas and procedures described in the Lease and Use Agreement[2].

A brief summary of the underlying rate-setting methodology under this Lease and Use Agreement is presented below:

The Lease and Use Agreement establishes a residual rate-setting methodology for the calculation of the landing fees and demised premises rental rates using certain cost centers. Using this methodology, Rates and Charges (that includes landing fees, demised premises rental rates, and other fees) are established each fiscal year to produce projected revenues from the airlines equal to the difference between the Airport's estimated nonairline revenues and the Airport's budgeted total costs, including operating expenses, debt service expenses and the Annual Service Payment (ASP) to the City's General Fund for that fiscal year. The Lease and Use Agreement also permits the Airport to collect Rates and Charges for deposit in the ORCIF within the limitations established in the Lease and Use Agreement. Funds on deposit in the ORCIF may be used for any lawful purpose for which Airport revenues may be used. The Lease and Use Agreement provides for matching revenues each fiscal year to the Airport's expenditures by adjusting payments from the airlines. Differences between actual revenues and expenditures and the actual ORCIF deposit, and amounts estimated in the calculation of airline fees and charges for that fiscal year result in adjustments of demised premises rental rates and landing fees in subsequent years. Such differences are recorded on the statement of net position in the financial statements of the Airport in the fiscal year to which such differences pertain. Net overcharges are recorded as liabilities and net undercharges are recorded as assets.

The overcharge balance of $461.7 million as of June 30, 2023, decreased to $247.0 million as of June 30, 2024, and was recorded as unearned aviation revenue in the statement of net position. See Note 2h.

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[2] A new ten-year 2023 Lease and Use Agreement became effective on July 1, 2023 and is set to expire on June 30, 2033. The 2023 Lease and Use Agreement is referred to generally as the "Lease and Use Agreement," and the airlines that are parties to it are referred to as "Signatory Airlines."

The following table shows the air carriers that served the Airport in fiscal year 2023-24:

Domestic passenger air carriers
Alaska Airlines
American Airlines
Breeze Airways
Delta Air Lines
Frontier Airlines
Hawaiian Airlines
JetBlue Airways
Southwest Airlines
Sun Country Airlines
United Airlines

Commuter air carriers
Envoy Air (American Airlines)
Horizon Air (Alaska Airlines)
Jazz Aviation (Air Canada)
SkyWest Airlines (Alaska Airlines)
SkyWest Airlines (American Airlines)
SkyWest Airlines (Delta Air Lines)
SkyWest Airlines (United Airlines)

Foreign flag carriers
Aer Lingus
Aeromexico
Air Canada
Air France
Air India Limited
Air New Zealand
Air Pacific Limited dba Fiji Airways
Air Premia
Air Transat
All Nippon Airways
Asiana Airlines
British Airways
COPA Airlines, Inc.
Cathay Pacific
China Airlines
China Eastern
China Southern
Condor
EVA Airways
Emirates
Flair Airlines
French Bee
Iberia
ITA Airways
Japan Airlines
KLM Royal Dutch Airlines
Korean Air Lines
Lufthansa German Airlines
Norse Atlantic
Philippine Airlines
Porter Airlines
Qantas Airways
Qatar Airways
SAS Airlines
Singapore Airlines
Starlux Airlines
Swiss International
TACA International Airlines, S.A.
TAP Air Portugal
Turkish Airlines
Vietnam Airline JSC
Virgin Atlantic
WestJet
ZIPAIR Tokyo Inc

Cargo-only carriers
21 Air, LLC
ABX Air
Air Transport International
Atlas Air
Federal Express
Kalitta Air

The following table shows a comparison of terminal rental rates and airline landing fees for fiscal years 2023-24 and 2022-23:

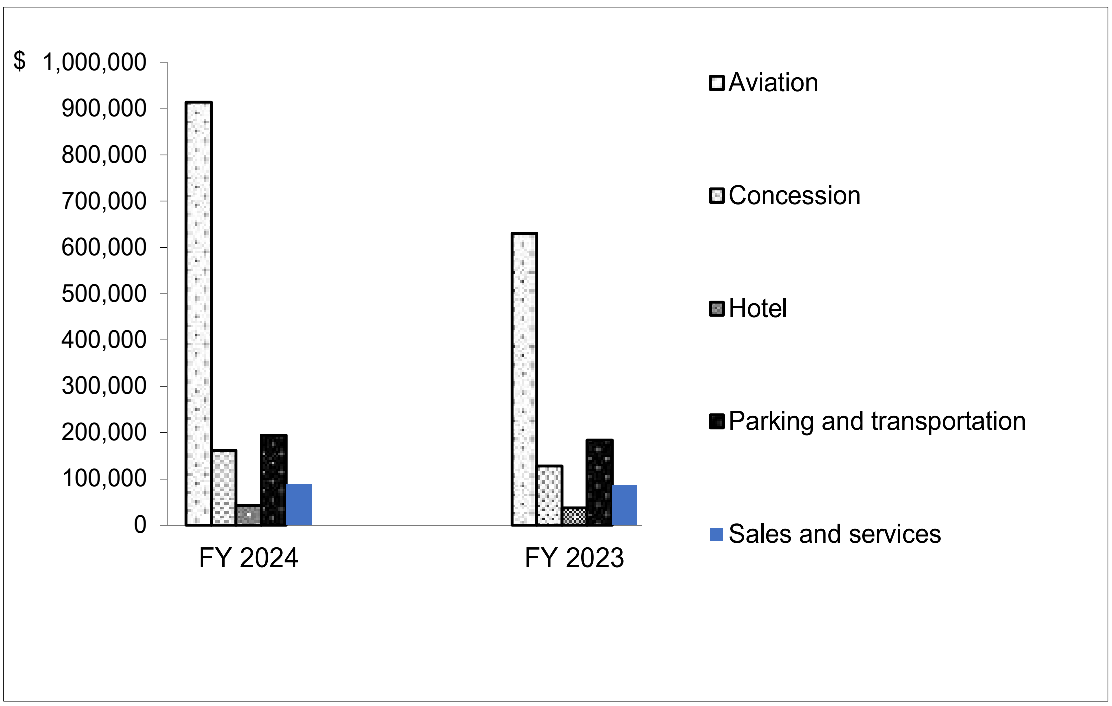
	FY 2024	FY 2023
Effective average terminal rental rate (per sq. ft.)	$ 225.62	187.47
Signatory Airline – landing fee rate (per 1,000 lbs.)	5.98	7.73
Non-Signatory Airline – landing fee rate (per 1,000 lbs.)	7.48	9.66
General aviation and itinerant aircraft – landing fee rate (per 1,000 lbs.)	7.48	9.66

During fiscal years ended June 30, 2024 and 2023, revenues realized from the following source equaled or exceeded 5.0% of the Airport's total operating revenues:

	FY 2024	FY 2023
United Airlines	21.7%	26.2%

The following shows a comparative summary of operating revenues for fiscal years 2023-24 and 2022-23 (in thousands):

		FY 2024	FY 2023
Aviation	$	913,990	630,250
Concession		161,927	128,019
Hotel		42,173	37,377
Parking and transportation		194,076	183,520
Sales and services		89,224	84,938
Total operating revenues	$	1,401,390	1,064,104



Operating revenues increased by 31.7%, from $1.1 billion in fiscal year 2022-23 to $1.4 billion in fiscal year 2023-24 primarily due to increased aviation revenues.

Aviation revenues increased from $630.3 million in fiscal year 2022-23 to $914.0 million in fiscal year 2023-24 primarily due to the amounts contributed by the airlines for ORCIF.

As determined by the calculation method in the Lease and Use Agreement, scheduled airline landing fees per thousand pounds decreased from $7.73 in fiscal year 2022-23 to $5.98 in fiscal year 2023-24. The airline average annual terminal rent per square foot increased from $187.47 in fiscal year 2022-23 to $225.62 in fiscal year 2023-24, due to a 16.5% increase in residual terminal rental revenue requirement combined with a 3.2% decrease in airline leased space to 1.66 million square feet.

Before the decrease of unearned aviation revenue of $214.7 million, revenues from landing fees decreased by $31.6 million (12.8%) due to a landing fee rate decrease partially offset by a landed weight increase. Terminal rentals increased by $52.5 million (16.5%), due to increases in terminal rental rates offset by reductions in airline leased space. In aggregate, all other aviation revenues increased by $3.5 million (3.2%), from $110.5 million in fiscal year 2022-23 to $114.0 million in fiscal year 2023-24, driven by the combined effect of increases in net aviation rental revenue and activity-based fees including airline ground leases, airline support services, public parking, and common use gate fees, and declines in non-signatory airline fees, aircraft parking, and Fixed Base Operations (FBO).

Concession revenues, consisting of rentals and fees derived from food and beverage concessions, duty-free, retail merchandise (gifts, candy, tobacco, and news), rental car concessions, and other concession revenue increased by 26.5%, from $128.0 million in fiscal year 2022-23 to $161.9 million in fiscal year 2023-24. The higher revenues resulted mainly from a combination of a 25.8% increase in duty-free sales and 8.0% increase in food & beverage and retail sales at the Airport. Food and beverage revenues increased by $5.7 million (27.6%) due to higher passenger volumes. The per passenger food and beverage spend rate decreased by 0.5% from $11.26 in fiscal year 2022-23 to $11.20 in fiscal year 2023-24. Retail merchandise revenues excluding duty-free revenues increased by $3.9 million (30.6%) for the same reasons. The Airport-wide per passenger spend rate for such merchandise decreased by 1.9% from $4.27 in fiscal year 2022-23 to $4.19 in fiscal year 2023-24. The increase of international passenger volumes in fiscal year 2023-24 resulted in a $21.4 million (140.3%) increase in revenues from duty-free merchandise sales. On- and off-Airport rental car revenues decreased by $0.6 million (1.0%) due to lower revenue per rental car contract. Other concession revenues increased by $5.9 million (18.3%), driven by terminal rate increases and non-airline space rental changes. During the pandemic, the Minimum Annual Guarantee (MAG) rent had been suspended due to severe decline in enplanements. Through June 2024, MAG rent has been reinstated for approximately 76.0% of all concession leases.

The on-Airport Hotel operating revenues increased by 12.8% from $37.4 million in fiscal year 2022-23 to $42.2 million in fiscal year 2023-24 primarily due to the increase in high-end leisure travelers, individual business travelers, and group meetings.

Public parking and transportation revenues, consisting of rentals and fees derived from parking facilities and ground transportation operations, increased by 5.8%, from $183.5 million in fiscal year 2022-23 to $194.1 million in fiscal year 2023-24. The aggregate effect of a 3.4% decrease in the average revenue per ticket, from $42.4 in fiscal year 2022-23 to $41.0 in fiscal year 2023-24, and a 5.5% increase in parking transactions resulted in a parking revenue increase of $2.7 million (2.1%). Ground transportation revenues, including taxi trip fee revenue, increased by $7.9 million (14.1%) primarily due to increased passenger levels. Transportation Network Company (TNC) operations at the Airport (including Uber Technologies Inc., Lyft, Inc., and Tickengo, Inc., d/b/a/ Wingz) increased by 14.7%. TNC Airport pick-ups/drop-offs totaled nearly 9.4 million resulting in $51.7 million in trip fee revenue as compared to $45.1 million in fiscal year 2022-23. Other modes of transportation also experienced changes in activity levels compared to fiscal year 2022-23, including hotel shuttles (up 8.5%), non-consolidated hotel shuttles (up 66.5%), door to door pre-arranged vans (down 37.5%), limousines (flat to last year), taxis (down 15.9%), scheduled buses (up 2.7%), charter buses (down 10.8%) and off-Airport parking vans (up 7.9%). The Airport continues to see a shift in passenger behavior where parking and TNCs are preferred over other single and high occupancy mode transportation (such as taxis, limousines, and buses), as compared to relative market share of ground transportation options prior to the pandemic.

Sales and service revenues consist of revenue derived from utility services, telecommunication access fees, badge and permit fees, rental car facility fees, and cost-based reimbursement of various services. Revenues from sales and services increased by 5.0%, from $84.9 million in fiscal year 2022-23 to $89.2 million in fiscal year 2023-24. Revenue from the sale of water sewage disposal increased by $2.1 million (31.9%). Telecommunication fees increased by $0.2 million (3.5%) due to increased demand for telecommunication access services. Licenses and permit fees increased by $0.1 million (5.9%) as a result of higher badging activity by tenant employees and contractors. The transportation and facility fee (AirTrain fee charged on rental car contracts) increased by $1.7 million (8.5%) driven by an 8.6% increase in the number of rental car contracts. Fees collected for the cost of the Rental Car Center increased by $0.8 million (4.4%) due to Rental Car Center structure and surface rent annual Consumer Price Index (CPI) adjustments. Revenue from penalties from the enforcement of airfield safety rules and regulations decreased by $0.2 million (9.7%). Miscellaneous terminal fees increased by $1.6 million (15.4%), driven by lease and permit terms. Governmental agency rent revenue decreased by $0.7 million (13.7%) due to leased space changes. Miscellaneous Airport revenues decreased by $0.3 million (113.1%) reflecting lease and permit terms. Net revenue from all other sales and services including sale of electricity, sale of natural gas, food court infrastructure/cleaning fees, refuse disposal, collection charges and settlements increased by $1.5 million (8.5%).

Operating Expenses

The following table shows a comparative summary of operating expenses for fiscal years 2023-24 and 2022-23 (in thousands):

		FY 2024	FY 2023
Personnel	$	316,285	283,669
Depreciation and amortization		358,872	355,475
Contractual services		114,854	97,718
Hotel		35,194	32,161
Light, heat and power		26,815	28,771
Services provided by other City departments		29,659	27,247
Repairs and maintenance		66,616	59,081
Materials and supplies		19,175	13,384
General and administrative		7,206	3,883
Environmental remediation		1,880	1,361
Total operating expenses	$	976,556	902,750

(Continued)

Operating expenses increased from $902.8 million to $976.6 million primarily due to increases in expenses for personnel, contractual services, and repairs and maintenance. In fiscal year 2023-24, the Airport capitalized $20.9 million of indirect costs related to construction of capital projects as overhead, compared to $16.9 million in fiscal year 2022-23. The variances in the different categories are discussed below.

Personnel expenses increased by $32.6 million (11.5%), from $283.7 million to $316.3 million. The increase was primarily due to staff cost-of-living adjustment, health insurance, and increase in overtime due to mandatory staff minimums and vacancies.

Contractual services increased by $17.2 million (17.6%), from $97.7 million to $114.9 million. The increase was primarily due to increased expenses for various professional services contracts, such as parking and curbside management.

Repairs and maintenance expenses increased by $7.5 million (12.8%), from $59.1 million to $66.6 million. The increase was primarily due to the increase in as-needed repair services, escalator and electric walk maintenance, and baggage handling system maintenance to meet the current safety standards.

Nonoperating Revenues and Expenses

The following summary shows a comparison of nonoperating revenues and expenses in fiscal years 2023-24 and 2022-23 (in thousands):

	FY 2024	FY 2023
Nonoperating revenues:		
Passenger facility charges (PFC)	$ 99,587	92,341
Customer facility charges (CFC)	13,015	11,441
Investment income (loss)	156,780	42,540
Other	7,365	32,056
Total nonoperating revenues	276,747	178,378
Nonoperating expenses:		
Interest expense	365,105	350,349
Write-offs and gain (loss) on disposal	24,566	70
Other	49,786	25,348
Total nonoperating expenses	439,457	375,767
Total nonoperating revenues (expenses), net	(162,710)	(197,389)
Capital contributions	63,909	28,679
Transfers to City and County of San Francisco	(55,600)	(48,701)
Total	$ (154,401)	(217,411)

Nonoperating revenues consist primarily of PFC, CFC, and investment income (loss), while nonoperating expenses consist of interest expense, and write-offs and gain (loss) on the disposal of capital assets. Write-offs include capital improvement costs that did not meet capitalization requirements. PFCs, which became effective in October 2001, generated $99.6 million during fiscal year 2023-24, an increase of 7.8% compared to the $92.3 million received in fiscal year 2022-23. The increase in PFC revenues was primarily due to an increase in passenger traffic. CFCs, which became effective in July 2022, generated $13.0 million during fiscal year 2023-24. The increase in CFC revenues was primarily due to an increase in rental car contracts.

Investment income (loss) increased by $114.3 million (268.9%), from $42.5 million to $156.8 million primarily due to the investment fair value adjustments. Excluding the fair value adjustments, the actual investment income (loss) increased by $48.4 million, from $63.1 million to $111.5 million.

Other nonoperating revenues decreased by $24.7 million (77.0%), from $32.1 million to $7.4 million primarily due to the fact that there were American Rescue Plan Act (ARPA) grant reimbursements in fiscal year 2022-23 but none in fiscal year 2023-24.

Interest expense increased by $14.8 million (4.2%), from $350.3 million to $365.1 million primarily due to an increase in debt issued to fund capital improvement projects.

Write-offs and gain (loss) on disposal increased by $24.5 million (24500.0%), from $0.1 million to $24.6 million primarily due to the cancellation or scope changes of capital projects that were placed on hold due to COVID-19 in 2020, the disposal of the old Terminal 1 assets, and the partial disposal of the International Terminal assets through project completion.

Other nonoperating expenses increased by $24.5 million (96.8%), from $25.3 million to $49.8 million primarily due to a significant rise in capital spending (under the capitalization threshold), driven by the resumption of capital projects halted by COVID-19 and the initiation of new capital projects.

Capital contributions received from federal grants and other grants increased by $35.2 million (122.8%), from $28.7 million to $63.9 million. The increase was primarily due to the increase in the AIP grant-funded expenditures attributed to the rehabilitation of two of the Airport taxiways and the Power Distribution Replacement Project.

The annual service payments transferred to the City increased by $6.9 million (14.2%), from $48.7 million to $55.6 million. The increase was due to higher concession, Hotel, and parking and transportation revenues attributable to the increase in passenger traffic.

Capital Acquisitions and Construction

Under the Lease and Use Agreement, the Airport is obligated to use commercially reasonable efforts to finance all capital improvements (above certain de minimis amounts) through the issuance of Airport revenue bonds, grants, TSA funding, and PFCs. The Lease and Use Agreement also provides for airline review of capital projects that exceed the dollar thresholds established within the Lease and Use Agreement, with some exceptions.

The Airport maintains a Capital Improvement Plan (CIP) to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance.

Expenses incurred during fiscal year 2023-24 with respect to major capital projects are listed below. The figures below do not reflect the total project budget. Most major capital projects at the Airport are implemented over multiple fiscal years (in thousands).

		Amount
Terminal 1 Redevelopment	$	198,100
Terminal 3 Renovation		134,721
Taxiway Improvements		65,453
International Terminal Refresh Program		46,253
Courtyard 3 Connector		37,428
Net Zero Energy Program		14,525
Power & Lighting Improvements		13,495
Miscellaneous Terminal Improvements		10,573
Waste Water System Improvements		10,545
International Terminal Improvements		9,759
Noise Insulation Program		6,153
Parking and Garage Improvements		5,932
AirTrain Improvements		5,886
Capital Improvement Plan Support		5,855
Miscellaneous Airfield Improvements		4,904
Plot 700 Redevelopment		4,473
Runway Improvements		4,353
Baggage Handling System		3,152
Storm Drain Improvements		3,111
Water System Improvements		2,961
Cargo and Hangar Improvements		2,665
Technology Improvement		2,591
Viaduct Improvements		2,542
Shoreline Protection		2,267
Airport Support Miscellaneous Improvements		2,142
Utility Improvements		2,108
Capital Equipment		1,860
Support Facility Improvements		1,309
All Other Projects		1,275
Energy and Efficency Improvements		1,163
Total	$	607,554

The Airport's fiscal year 2023-24 Capital Improvement Plan totals $11.0 billion ($2.4 billion of which was reflected as previously funded in the CIP approved by the Commission on October 3, 2023) which consists of: (1) the Ascent Program – Phase 1.5 at $8.0 billion, and (2) fiscal year 2023-24 Infrastructure Projects Plan totaling $3.0 billion. The CIP covers a 10-year period from fiscal year 2023-24 to fiscal year 2032-33. Passenger enplanements and deplanements at the Airport have continued to rise over the last two fiscal years, and were approximately 46.9 million in fiscal year 2022-23 and 51.1 million in fiscal year 2023-24. This continued growth has allowed construction activity to continue on major projects such as the Terminal 1 Redevelopment Program, Terminal 3 West's Renovation, the Courtyard 3 Connector project, and the International Terminal Phase 2 project, which will make improvements to the building and expand both departure level security checkpoints.

Notable projects that were completed in fiscal year 2023-24 included the Taxiway D&T Reconstruction project and the completion of the final phase of Harvey Milk Terminal 1, which was opened on June 17, 2024.

Additional information about the Airport's capital acquisitions and construction is presented in Note 5 to the financial statements.

Debt Administration

Refunding Bonds: On November 15, 2023, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2023C (AMT) and Second Series Revenue Refunding Bonds, Series 2023D (Non-AMT/Governmental Purpose) (collectively, the "2023C/D Bonds"), in aggregate principal amount of $794.3 million to refund $241.8 million of its Series 2013A Bonds, to repay $497.8 million of its commercial paper notes, to fund capitalized interest, to make a deposit in a debt service reserve, and to pay costs of issuance.

On June 4, 2024, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2024A (AMT), Second Series Revenue Refunding Bonds, Series 2024B (Non-AMT/Governmental Purpose), and Second Series Revenue Refunding Bonds, Series 2024C (Taxable) (collectively, the "2024A/B/C Bonds"), in aggregate principal amount of $924.7 million to refund $473.6 million of its Series 2014A Bonds and Series 2014B Bonds, to repay $452.5 million of its commercial paper notes, to fund capital projects, to fund capitalized interest, to make a deposit to a debt service reserve, and to pay costs of issuance.

Cash Defeasance: On May 2, 2024, the Airport legally defeased $0.2 million of its Series 2018D Bonds, $1.4 million of its Series 2019A Bonds, and $8.7 million of its 2019E Bonds, using monies previously deposited by the Airport in the Debt Service Holding Fund.

On June 27, 2024, the Airport legally defeased $18.5 million of its Series 2024C Bonds, using monies previously deposited by the Airport in the Debt Service Holding Fund.

Subordinate Commercial Paper Notes: During fiscal year 2023-24, the Airport issued $447.0 million in commercial paper notes to fund capital improvement projects. As of June 30, 2024, the Airport had no outstanding commercial paper notes. On June 4, 2024, the Series 2024A/B/C Bonds funded an escrow to repay $434.0 million of commercial paper notes as an in-substance defeasance. This escrow repaid the $434.0 million of commercial paper notes, plus interest due thereupon, on August 27, 2024.

More detailed information about the Airport's subordinate commercial paper notes and long-term debt is presented in Notes 6 and 7 to the financial statements.

1991 Master Bond Resolution Covenant Compliance: During fiscal year 2023-24, the Airport's operating revenues, together with the permitted transfers from the Airport's Contingency Account, were sufficient to meet the rate covenant requirements under the Airport's 1991 Master Bond Resolution. See "Debt Service Reserve and Covenants; Contingency Account" in Note 7.

Credit Ratings and Bond Insurance

Credit Ratings: During fiscal year 2023-24, Moody's Investors Service Inc. (Moody's), Fitch Ratings Inc. (Fitch), and S&P Global Ratings (S&P) affirmed their underlying long-term credit ratings on outstanding debt of the Airport of "A1", "A+", and "A+", respectively. Refer to the notes below.

Ratings on each subseries of the Airport's commercial paper notes reflect the short-term credit ratings of the bank whose letter of credit supports that subseries.

On October 13, 2023, and again on April 19, 2024, Moody's affirmed its "A1" rating with a stable outlook and Fitch affirmed its "A+" rating with a stable outlook for the Airport's outstanding fixed rate bonds and assigned these ratings to the Series 2023C/D Bonds and Series 2024A/B/C Bonds, respectively, which were issued on November 15, 2023, and June 4, 2024, respectively. S&P did not provide a rating for the Series 2023C/D Bonds or Series 2024A/B/C Bonds.

Each individual bond's rating is accessible through the Electronic Municipal Market Access (EMMA) website.

Bond Insurance: There were no insured Airport bonds outstanding during fiscal year 2023-24.

Fiscal Year 2024-25 Airline Rates and Charges

Terminal rental rates and airline landing fees for fiscal year 2024-25 have been developed as part of the annual budget process that started in September 2023. The Lease and Use Agreement between the Airport and the Signatory Airlines provides the rate-setting methodology for calculating the terminal rental rates and airline landing fees. Not less than 60 days prior to the start of the fiscal year, the Signatory Airlines are notified of the proposed rates and fees. These fees are subject to review by, but not the approval of, the Signatory Airlines. The terminal rental rates and airline landing fees for fiscal year 2024-25, which became effective on July 1, 2024, are as follows:

Effective average terminal rental rate (per sq. ft)	$	246.46
Signatory Airline – landing fee rate (per 1,000 lbs.)		6.48
Non-Signatory Airline – landing fee rate (per 1,000 lbs.)		8.10
General aviation – landing fee rate (per 1,000 lbs.)		8.10

The effective average terminal rental rate increased from $225.62 per sq. ft. in fiscal year 2023-24 to $246.46 per sq. ft. in fiscal year 2024-25. The fiscal year 2024-25 landing fee rate for Signatory Airlines increased by 8.4%, from $5.98 per 1,000 pounds in fiscal year 2023-24 to $6.48 per 1,000 pounds in fiscal year 2024-25, and the Non-Signatory Airline landing fee rate increased by 8.3%, from $7.48 per 1,000 pounds in fiscal year 2023-24 to $8.10 per 1,000 pounds in fiscal year 2024-25. The fiscal year 2024-25 landing fee rate for general aviation aircraft increased by 8.3%, from $7.48 per 1,000 pounds in fiscal year 2023-24 to $8.10 per 1,000 pounds in fiscal year 2024-25.

Requests for Information

This report is designed to provide a general overview of the San Francisco International Airport's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Chief Financial Officer, San Francisco International Airport, P.O. Box 8097, San Francisco, California 94128.

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Statement of Net Position

June 30, 2024

(In thousands)

		Amount
Assets		
Current assets:		
Cash and investments held in City Treasury	$	1,008,580
Cash and investments outside City Treasury		27,636
Cash – Revolving Fund		42
Accounts receivable (net of allowance for doubtful accounts of $957)		61,484
Lease receivable		125,253
Lease interest receivable		2,474
Accrued interest – City Treasury		11,038
Accrued interest – outside City Treasury		3,051
Inventories		744
Other current assets		5,134
Restricted assets:		
Cash and investments held in City Treasury		714,796
Cash and investments outside City Treasury		147,613
Accounts receivable		1,422
Accrued interest – City Treasury		7,318
Grants receivable		66,997
Passenger facility charges receivable		15,932
Other current assets		922
Total current assets		2,200,436
Noncurrent assets:		
Lease receivable		753,061
Restricted assets:		
Cash and investments held in City Treasury		519,375
Cash and investments outside City Treasury		693,879
Accrued interest – City Treasury		5,103
Capital assets, net		
Land and other assets not being depreciated/amortized		589,154
Facilities, infrastructure and equipment, net of depreciation/amortization		6,547,135
Total noncurrent assets		9,107,707
Total assets		11,308,143
Deferred outflows of resources:		
Unamortized loss on refunding of debt		25,489
Deferred outflows related to OPEB		54,277
Deferred outflows related to pensions		135,732
Total deferred outflows of resources	$	215,498

(Continued)

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Statement of Net Position

June 30, 2024

(In thousands)

		Amount
Liabilities		
Current liabilities:		
Accounts payable	$	101,378
Accrued payroll		22,321
Compensated absences		13,452
Accrued workers' compensation		3,150
Estimated claims payable		2,850
Unearned aviation revenue		247,045
Current maturities of long-term debt		136,262
Payable from restricted assets:		
Accounts payable		163,872
Accrued payroll		958
Grants received in advance		444
Accrued bond interest payable		67,090
Current maturities of long-term debt		27,253
Total current liabilities		786,075
Noncurrent liabilities:		
Compensated absences, net of current portion		11,478
Accrued workers' compensation, net of current portion		10,950
Estimated claims payable, net of current portion		2,977
Other liabilities		372
Long-term debt, net of current maturities		9,749,102
Net OPEB liability		249,579
Net pension liability		208,295
Total noncurrent liabilities		10,232,753
Total liabilities		11,018,828
Deferred inflows of resources:		
Unamortized gain on refunding of debt		42,549
Deferred inflows related to OPEB		35,135
Deferred inflows related to pensions		15,623
Deferred inflows related to leases		963,990
Total deferred inflows of resources		1,057,297
Net position:		
Net investment in capital assets		(1,934,425)
Restricted for debt service		157,855
Restricted for capital projects		833,330
Restricted for other purposes		6,403
Unrestricted		384,353
Total net position (deficit)	$	(552,484)

See accompanying notes to financial statements.

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2024

(In thousands)

	Amount
Operating revenues:	
Aviation	$ 913,990
Concession	161,927
Hotel	42,173
Parking and transportation	194,076
Sales and services	89,224
Total operating revenues	1,401,390
Operating expenses:	
Personnel	316,285
Depreciation and amortization	358,872
Contractual services	114,854
Hotel	35,194
Light, heat and power	26,815
Services provided by other City departments	29,659
Repairs and maintenance	66,616
Materials and supplies	19,175
General and administrative	7,206
Environmental remediation	1,880
Total operating expenses	976,556
Operating income	424,834
Nonoperating revenues (expenses):	
Investment income (loss)	156,780
Interest expense	(365,105)
Passenger facility charges	99,587
Customer facility charges	13,015
Write-offs and gain (loss) on disposal	(24,566)
Other nonoperating revenues	7,365
Other nonoperating expenses	(49,786)
Total nonoperating revenues (expenses), net	(162,710)
Income (loss) before contributions and transfers	262,124
Capital contributions:	
Grants	63,909
Transfers to City and County of San Francisco	(55,600)
Changes in net position	270,433
Total net position (deficit) – beginning of year	(822,917)
Total net position (deficit) – end of year	$ (552,484)

See accompanying notes to financial statements.

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Statement of Cash Flows

Year ended June 30, 2024

(In thousands)

		Amount
Cash flows from operating activities:		
Cash received from airline carriers, concessionaires, and others	$	1,213,234
Cash paid for employees' services		(356,167)
Cash paid to suppliers for goods and services		(296,025)
Net cash provided by operating activities		561,042
Cash flows from noncapital financing activities:		
Transfers to City and County of San Francisco		(55,600)
Other noncapital financing revenues		6,586
Other noncapital financing expenses		(49,786)
Net cash used in noncapital financing activities		(98,800)
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds and commercial paper notes		(116,550)
Interest paid on revenue bonds and commercial paper notes		(405,179)
Acquisition and construction of capital assets		(538,431)
Revenues from passenger facility charges		98,770
Revenues from customer facility charges		12,847
Proceeds from sale of revenue bonds		17,489
Proceeds from commercial paper notes		447,000
Lease payable		(86)
Capital contributed by federal agencies and others		23,601
Net cash used in capital and related financing activities		(460,539)
Cash flows from investing activities:		
Sales of investments with Trustee		744,919
Purchases of investments with Trustee		(750,027)
Interest received on investments		131,532
Net cash provided by investing activities		126,424
Net increase in cash and cash equivalents		128,127
Cash and cash equivalents, beginning of year		2,147,432
Cash and cash equivalents, end of year	$	2,275,559
Reconciliation of cash and cash equivalents to the statement of net position:		
Cash and cash equivalents held in City Treasury – unrestricted	$	1,008,580
Cash and cash equivalents held in City Treasury – restricted		1,234,171
Cash and cash equivalents outside City Treasury – unrestricted		27,636
Cash and cash equivalents outside City Treasury – restricted		5,130
Cash – Revolving Fund		42
Cash and cash equivalents, end of year	$	2,275,559

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Statement of Cash Flows

Year ended June 30, 2024

(In thousands)

		Amount
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	424,834
Adjustments for noncash and other activities:		
Depreciation and amortization		358,872
Cost of issuance paid from bond proceeds		2,874
Hotel expenses		36
Changes in assets and liabilities:		
Accounts receivable (net of change in allowance for doubtful accounts of $490)		8,265
Leases		(6,668)
Inventories		2,488
Other current assets		(109)
Net OPEB liability and OPEB related deferred outflows and inflows of resources		(39,347)
Net pension liability and pension related deferred outflows and inflows of resources		(5,749)
Accounts payable and other liabilities		25,019
Accrued payroll		2,936
Compensated absences		743
Accrued workers' compensation		1,533
Unearned aviation revenue		(214,685)
Net cash provided by operating activities	$	561,042
Noncash transactions:		
Accrued capital asset costs	$	157,194
Bond refunding through fiscal agent		1,832,037
GASB Statement No. 91 conduit debts - SFO fuel assets		4,352

See accompanying notes to financial statements.

(1) Definition of Reporting Entity

The accompanying financial statements reflect the net position and changes in net position of the Airport Commission (the Airport), an enterprise department of the City and County of San Francisco (the City). The terms "Airport" and "SFO" also refer to the land and improvements comprising the San Francisco International Airport. The San Francisco International Airport is a major origin and destination point and one of the nation's principal gateways for Pacific traffic. A five-member Airport Commission is responsible for its operation, development, and maintenance. Airport Commission members are appointed by the Mayor of the City for terms of four years.

The Airport is an integral part of the City and is reported as a major enterprise fund in the City's Annual Comprehensive Financial Report. There are no component units considered for inclusion in the Airport's financial reporting entity. The accompanying financial statements present only the financial operations of the Airport and do not purport to, and do not, present the financial position of the City, or the results of its operations and the cash flows of its other proprietary fund types.

(2) Significant Accounting Policies

(a) Measurement Focus and Basis of Accounting

The Airport's financial activities are accounted for on a flow of economic resources measurement focus, using the accrual basis of accounting in accordance with United States Generally Accepted Accounting Principles (GAAP).

The Airport distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an organization's principal ongoing operations. The principal operating revenues of the Airport are charges to airlines, concessionaires, on-Airport Hotel (Hotel), parking and transportation, and sales and services charges. Operating expenses of the Airport include personnel costs, depreciation and amortization, administrative expenses, contractual services, Hotel, light, heat and power, services provided by other City departments, repairs and maintenance, materials and supplies, and environmental remediation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

As prescribed under the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27, net pension asset/liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the San Francisco Employees' Retirement System (SFERS) plan and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As prescribed under GASB Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*, net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense are actuarially determined on a citywide basis. For purposes of

(Continued)

measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

As prescribed under GASB Statement No. 87, *Leases*, a lessor is required to recognize, for each lease, a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the term of the lease. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relates to future periods. Interest revenue is recognized on the lease receivable and inflow of resources (revenue) is recognized from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

(b) Effects of New Accounting Pronouncements

GASB Statement No. 99

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the City for the fiscal year ended June 30, 2022. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023. Application of this Statement did not have a significant impact on the Airport for the fiscal year ended June 30, 2024.

GASB Statement No. 100

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. GASB Statement No. 100 defines various types of accounting changes and prescribes accounting, reporting, and disclosure requirements for accounting changes and error corrections. It improves the consistency and comparability of financial information by requiring retrospective restatements where applicable. The new standard is effective for periods beginning after June 15, 2023. Application of this Statement did not have a significant impact on the Airport for the fiscal year ended June 30, 2024.

In addition, the Airport is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

GASB Statement No. 101

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. Application of this Statement is effective for the Airport's fiscal year ending June 30, 2025.

GASB Statement No. 102

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires state and local governments to disclose significant risks related to concentrations or constraints that could lead to substantial impacts. The new standard is effective for periods beginning after June 15, 2024. Application of this Statement is effective for the Airport's fiscal year ending June 30, 2025.

GASB Statement No. 103

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement introduces revisions to Management's Discussion and Analysis (MD&A) and updates the presentation of proprietary funds, distinguishing between operating and nonoperating revenues and expenses. The new standard is effective for periods beginning after June 15, 2025. Application of this Statement is effective for the Airport's fiscal year ending June 30, 2026.

GASB Statement No. 104

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets.* This Statement requires certain types of capital assets, such as lease assets recognized in accordance with Statement No. 87, *Leases,* and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* to be disclosed separately by major classes of underlying assets in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements* are also required to be disclosed separately. Furthermore, the Statement requires intangible assets other than those three types to be disclosed separately by major class. Finally, the Statement requires additional disclosures for capital assets held for sale. The new standard is effective for periods beginning after June 15, 2025. Application of this Statement is effective for the Airport's fiscal year ending June 30, 2026.

(c) Cash, Cash Equivalents, and Investments

The Airport maintains its cash, cash equivalents, investments, and a significant portion of its restricted cash and investments as part of the City's pool of cash and investments. The Airport's portion of this pool is displayed on the statement of net position as "Cash and investments held in City Treasury." Income earned or losses arising from pooled investments are allocated on a monthly basis to appropriate funds and entities based on their average daily cash balances.

The City reports certain investments at fair value in the statement of net position and recognizes the corresponding change in fair value of investments in the year in which the change occurred.

The Airport considers its pooled deposits held with the City Treasurer to be demand deposits and therefore cash for financial reporting. The City considers highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash and investments held by the bond trustees that meet these criteria are considered to be cash and cash equivalents.

The debt service fund, the debt service reserve fund, the costs of issuance fund, the debt service holding fund, and the variable rate demand bond fee account for the Airport's revenue bonds are held and invested at the Airport's direction by an independent bond trustee.

Certain accounts relating to the Hotel Special Facility Bonds are held and invested at the Airport's direction by an independent bond trustee.

(d) Capital Assets

Capital assets are stated at historical cost, or if donated, at acquisition value at the date of donation. The capitalization threshold for real property is $100,000 and $5,000 for personal property with a useful life greater than one year.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives:

	Years
Buildings, structures, and improvements	5-50
Equipment	5-20
Right-to-use assets - leases and SBITAs[1]	Various[2]
Intangible assets	3-20

(1) Subscription-Based Information Technology Arrangements (SBITA)
(2) The useful life of right-to-use assets is the shorter term of the agreement or the useful life of the asset

Maintenance, repairs, and minor replacements are charged against operations in the year performed. Major replacements that extend the useful life of the related assets are capitalized. No depreciation is provided on construction in progress until construction is substantially completed and the asset is placed in service. The Airport begins depreciation on capital assets the month following the date in which assets are placed in service. Additionally, the Airport commenced allocating indirect costs on self-constructed assets starting fiscal year 2006-07. The indirect cost rate applied is based on a cost allocation plan developed in accordance with the terms of 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance)*, as applicable. See Note 5.

(e) Bond Issuance Costs, Discounts, and Premiums

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discounts or premiums are offset against the related debt and are also amortized using the effective interest method. Deferred outflows/inflows of resources from refunding of debt are recognized as a component of interest expense, amortized using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(f) Compensated Absences

Vested vacation, sick leave, and related benefits are accrued when incurred for all Airport employees.

(g) Net Position

Net position consists of the following:

Net Investment in Capital Assets – consists of capital assets, including restricted capital assets, reduced by accumulated depreciation and amortization and by any outstanding debt incurred to acquire, construct, or improve those assets including any unamortized original issue discounts or premiums related to the debt. Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, such as deferred losses on refunding of debt, are also included in this component of net position.

Restricted for Debt Service and Capital Projects – consists of restricted assets and deferred outflows of resources reduced by liabilities related to those assets and deferred outflows of resources. Restricted assets are those assets with restrictions on their use that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Restricted for Other Purposes – consists of the on-Airport Hotel's assets and liabilities including the Hotel Trust accounts except the Hotel Debt Service Fund trust account, the Hotel Revenue Stabilization Fund trust account, the Hotel Capitalized Interest trust account, and the Hotel's capital lease obligations.

Unrestricted Net Position – consists of the net amount of the assets, deferred outflows of resources, and liabilities, of the Airport that are not restricted for any project or other purposes.

A significant portion of the Airport's net position is restricted by the 1991 Master Bond Resolution and 1997 Note Resolution (the "Master Bond Resolutions") and the Lease and Use Agreement with the airlines for the purpose of capital improvements and contingencies.

(h) Aviation Revenue, Unearned Revenue and Aviation Revenue Due

Aviation revenue is based on reimbursable expenditures as provided for in the Lease and Use Agreement with the airlines. Under the Lease and Use Agreement, the airlines are required to pay terminal rents and landing fees in amounts that, when aggregated with certain other Airport revenues, will be equal to the Airport's expenditures for: operating expenses other than depreciation and amortization, principal and interest on outstanding debt, annual service payments to the City's General Fund, and certain acquisitions of capital assets. The Lease and Use Agreement also permits the Airport to collect terminal rents and landing fees for deposit in the ORCIF within the limitations established in the Lease and Use Agreement. Airline payments are also required to cover expenses treated as "Operation and Maintenance Expenses" under the Master Bond Resolutions. Airport expenses that are funded with sources not includable as "Revenues" under the Master Bond Resolutions are not treated as "Operation and Maintenance Expenses" under the Master Bond

Resolutions. Other capital asset additions are funded with proceeds of revenue bonds for which the airlines are required to fund debt service. During fiscal year 2022-23, the Airport and airlines reached an agreement on a new, ten-year 2023 Lease and Use Agreement that expires on June 30, 2033. Airlines that are not signatories to this Lease and Use Agreement operate under month-to-month permits. As of June 30, 2024, the Signatory Airlines to the Lease and Use Agreement, totaling 44 passenger airlines and 5 cargo airlines, represented over 98.0% of enplaned passengers in fiscal year 2023-24.

Amounts billed to airlines are based on budgeted revenues and expenditures, including debt service, pension charges and proportionate payments to such compensation and other insurances or outside reserve funds as the Airport may establish or the Board of Supervisors may require with respect to employees of the Airport. Noncash accrued pension obligations other than those actually paid or budgeted to be paid during the fiscal year are excluded. Noncash accrued Other Postemployment Benefit obligations are included. Unanticipated sources of Revenues, or unanticipated grant funding available to apply to offset Airport expenses, can result in aviation revenue collected in advance. Aviation revenue collected in advance will be applied to reduce future billings and is recorded as a liability in the financial statements. Aviation revenue due to be collected will be reduced by increases in future billings and is recorded as an asset in the financial statements. Pursuant to the terms of the Lease and Use Agreement, the Airport has unearned aviation revenue of $247.0 million as of June 30, 2024.

(i) Concession Revenues

Concession revenues consist of rentals and fees derived from food and beverage concessions, duty-free, retail merchandise and rental car concessions. Revenues are based on terms of lease agreements entered into between the Airport and concessionaires and are the greater of a percentage of tenant’s gross revenues or, where applicable, Minimum Annual Guarantee (MAG) amount.

(j) Hotel Revenues

Hotel revenues consist of rooms, food and beverage, garage, meetings and special events, and parking services.

(k) Parking and Transportation Revenues

Parking and transportation revenues consist of fees derived from parking facilities and ground transportation operations. Parking revenues are parking fees collected from all public parking facilities at the Airport. Transportation revenues are ground transportation trip fees assessed to commercial vehicles that service the Airport.

(l) Sales and Services Revenues

Sales and services revenues are collected for utility, security, and miscellaneous services provided to the tenants. The Airport pays utility costs to the City through a work order system. Tenants are billed for utilities based on meter readings and utility rates. See Note 13.

(m) Environmental Remediation Expenses and Recoveries

The Airport incurs costs associated with environmental remediation activities, which arise during the normal course of business. These costs are recorded as a liability when the Airport is required to perform the remediation and if the costs can be reasonably estimated. The Airport records environmental remediation cost recoveries as nonoperating revenues in the financial statements.

(n) Capital Contributions

The Airport receives grants for the purpose of acquisition or construction of property and equipment. These grants are recorded as capital contributions when earned generally upon expenditures of the funds.

(o) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Reclassification

Certain amounts have been reclassified to conform to the current year’s presentation.

(3) Cash, Cash Equivalents, and Investments

(a) Pooled Cash and Investments

The Airport maintains operating cash, cash equivalents, investments, and certain restricted cash and investments as part of the City’s investment pool. The City’s investment pool is an unrated pool pursuant to investment policy guidelines established by the City Treasurer and is treated as a cash equivalent for financial reporting purposes as the Airport is able to withdraw amounts from the pool on demand without notice or penalty. The objectives of the City Treasurer’s investment policy are, in order of priority, preservation of capital, liquidity, and yield. The policy addresses soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code and the City Treasurer policy, and the percentage of the portfolio that may be invested in certain instruments with longer terms to maturity. The Airport’s unspent bond and commercial paper note proceeds are also generally invested as part of the City’s investment pool.

The Airport's cash and investments, at fair value, held in the City's pool as of June 30, 2024 (in thousands):

		Amount
Pooled cash and investments:		
Cash and investments held in City Treasury – unrestricted	$	1,008,580
Cash and investments held in City Treasury – restricted current		714,796
Cash and investments held in City Treasury – restricted noncurrent		519,375
Total cash and investments held in City Treasury	$	2,242,751

The following table shows the percentage distribution of the City's pooled investments by maturity:

Investment maturities (in months)			
Under 1	1 – less than 6	6 – less than 12	12 – 60
22.2%	19.5%	16.3%	42.0%

(b) Cash and Investments with Fiscal Agent

The restricted assets for revenue bond reserves, debt service and costs of issuance are held by an independent bond trustee for the Airport's senior lien bonds (the Senior Trustee) and a separate independent bond trustee for the Airport's subordinate lien bonds (the Subordinate Trustee, and collectively with the Senior Trustee, the Trustees). In addition, restricted assets relating to the Hotel Special Facility Bonds are held by an independent bond trustee for the Hotel Special Facility Bonds. The unrestricted assets in the debt service holding fund and the variable rate demand bond fee account are not pledged to the payment of the Airport's bonds, but are held by the Senior Trustee for the convenience of the Airport in the administration and investment of monies delivered to the Senior Trustee prior to the time the Airport is required to make deposits into the Debt Service Fund or pay the fees of the remarketing agents for the Airport's variable rate bonds, respectively.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Airport will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The California Government Code requires California banks and savings and loan associations to secure the Airport's deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance by pledging government and/or local agency securities as collateral. The fair value of such pledged securities must equal at least 110% and be of the type authorized in California Government Code, Section 53651 (a) through (i). The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the Airport's name. At June 30, 2024, all banks with funds deposited by the Treasurer secured deposits with sufficient collateral or FDIC insurance.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the Airport's investments to interest rate fluctuations is provided by the tables below, which show the distribution of the Airport's investments by maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The ratings for each of the investment types are provided by the tables below.

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Airport will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the Airport's name. The Airport also has investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the Airport's name. These amounts are included in the investments outside City Treasury and are provided by the tables below.

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

The Airport holds investments with trustees that represent 5.0% or more of the Airport's investments outside City Treasury as of June 30, 2024:

Freddie Mac Multifamily Structured Pass Through Certificates	6.6%

As of June 30, 2024, the Senior Trustee held investments for the benefit of the Airport with maturities as follows (in thousands):

Investments	Credit ratings June 30, 2024 (S&P/Moody's / Fitch)	June 30, 2024 Maturities	June 30, 2024 Fair value
California State Muni Bonds	AA-/Aa2/AA	March 1, 2027	$ 219
California State University	AA-/Aa2/NR	November 1, 2027	268
Credit Agricole CIB NY	A+/Aa3/AA-	February 1, 2027	4,691
Fannie Mae-Aces	AA+/Aaa/AA+	June 1, 2027 - July 1, 2028	1,074
Federal Farm Credit Banks Funding Corp	AA+/Aaa/AA+	June 23, 2026	5,064
Federal Home Loan Bank Notes	AA+/Aaa/NR	September 4, 2025 - March 23, 2026	9,569
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AA+	July 21, 2025 - October 10, 2028	24,328
Federal National Mortgage Association Notes	AA+/Aaa/AA+	June 17, 2025 - November 7, 2025	29,663
First American Government Obligation Fund	AAAm/Aaa-mf/AAAmmf	-	17,003
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AA+	December 1, 2024 - May 1, 2029	57,022
Goldman Sachs Financial Square Obligations Fund	AAAm/Aaa-mf/NR	-	22,567
Inter-American Development Bank	AAA/Aaa/AAA	February 1, 2027	874
Los Angeles Unified School District	NR/Aa2/AAA	July 1, 2025	465
Massachusetts Commonwealth Muni Bonds	NR/Aa1/AAA	July 15, 2025	516
National Australia BK/NY	AA-/Aa2/NR	January 12, 2026	5,075
New York State Urban Development Corp Bonds	NR/NR/AA+	March 15, 2025	537
Rabobank Corporate Notes	A+/Aa2/AA-	January 9, 2026 - July 17, 2026	5,793
State Board of Administration Finance	AA/Aa3/AA	July 1, 2025	130
State of Minnesota	AAA/Aaa/AAA	August 1, 2025	196
US Treasury Bill	A-1+/P-1/F1+	October 31, 2024	101,195
US Treasury Notes	AA+/Aaa/AA+	July 31, 2024 - April 30, 2029	524,196
Wells Fargo Bank NA Corporate Notes	A+/Aa2/AA-	January 15, 2026	9,041
Cash and Cash Equivalents	-	-	49,642
Total			$ 869,128

Fair Value Hierarchy

The Airport categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the assets. The inputs and techniques used for valuing securities are not necessarily an indication of risk associated with investing in those securities.

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The following is a summary of the fair value hierarchy of the Airport's cash and investments with fiscal agent as of June 30, 2024 (in thousands):

			Fair value measurement using		
	Fair value June 30, 2024	Investments exempt from fair value	Quote prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)
Investments outside City Treasury:					
Certificates of deposit	$ 5,512	-	-	5,512	-
State and local agencies	2,332	-	-	2,332	-
Supranationals	874	-	-	874	-
U.S. agencies	126,719	-	-	126,719	-
U.S. corporate bonds/notes (medium term notes)	19,088	-	-	19,088	-
U.S. treasury securities	625,391	-	625,391	-	-
Cash and cash equivalents	49,642	49,642	-	-	-
Money market funds*	39,570	39,570	-	-	-
Total	$ 869,128	89,212	625,391	154,525	-

* Investments exempt from fair value

Investments outside the City Treasury pool may consist of U.S. Treasury securities, U.S. Government Agency securities, and other investments such as commercial paper, money market funds, negotiable certificates of deposit, supranational securities, and other investments permitted under the applicable bond documents. U.S. treasury securities are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. Certificates of deposit, state and local agencies, supranationals, U.S. government agency securities, and U.S. corporate bonds are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curves, indices, and other market related data and are classified in Level 2 of the fair value hierarchy. Investments exempt from fair value treatment consist of money market mutual funds with investment holdings having maturities of one year or less at the time of purchase.

The primary objectives of the Airport's policy on investment of debt service reserve funds and debt service funds including principal and interest accounts held by the Trustees are, in order of priority, safety, liquidity, and yield.

Safety of principal is the foremost objective of the investment program. Investments undertaken seek to ensure the preservation of capital in the overall portfolio.

The term of any investment is based on the cash flow needed to meet the Airport's debt service requirements. Consequently, investment of any debt service reserve funds is limited to seven years or less, and all monies invested in any principal and interest payment accounts are to mature no later than the dates on which the principal or interest payments are due.

The Airport will maximize the retainable earnings of all bond proceeds after meeting the requirements of safety and liquidity. After these objectives are met, the Airport's investment policy will attempt to achieve net investment yield as close as practicable to each bond fund's arbitrage yield, if any.

Funds held by the Senior Trustee in funds and accounts established under the Airport Commission's Resolution No. 91-0210 adopted on December 3, 1991 (as amended and supplemented, the "1991 Master Bond Resolution") are invested in "Permitted Investments" as defined in the 1991 Master Bond Resolution.

Funds held by the Subordinate Trustee in funds and accounts established under the Airport Commission's Resolution No. 97-0146 adopted on May 20, 1997 (as amended and supplemented, the 1997 Note Resolution) are invested in "Permitted Investments" as defined in the 1997 Note Resolution.

The Airport had approximately $869.1 million in investments held by, and in the name of, the Senior Trustee and the Subordinate Trustee, collectively, as of June 30, 2024.

All other funds of the Airport are invested in accordance with (1) the City Treasurer's policy and, if applicable, (2) the 1991 Master Bond Resolution or the 1997 Note Resolution, as appropriate.

(4) Grants Receivable

The Airport receives federal funding from the FAA, the TSA, and other federal agencies. Grants receivable of $67.0 million as of June 30, 2024, were based on actual costs incurred, subject to federal reimbursement limits.

When determining the distribution of discretionary grants, the Secretary of Transportation may consider, as a militating factor, whether the Airport uses its revenues for purposes other than capital or operating costs, when those revenues exceed the amount used by the Airport for such costs in the base year ending June 30, 1995, as adjusted for inflation. The Airport pays a portion of the Airport's revenues to the City's General Fund as an annual service payment, in part as compensation for indirect services, management and facilities provided by the City to the Airport. The annual service payment is considered to be a noncapital, nonoperating cost for this purpose. With the exception of five fiscal years, the annual service payment has exceeded the base year payment when adjusted for inflation since fiscal year 1995-96.

In some years, the Airport has received a lower amount of FAA discretionary grants than it requested as a result of the amount of the annual service payments. The FAA militated $16.6 million in discretionary grants in the federal fiscal year ended September 30, 2024, and the Airport received $30.2 million in FAA discretionary grants, which included Bipartisan Infrastructure Law Airport Terminal Program funding. The FAA may reduce discretionary grants in the future as a result of the annual service payments or otherwise. Furthermore, AIP funding may be reduced in the future as a result of legislation or the failure of the U.S. Congress to pass an annual appropriation bill including such funding. Reduction in grants awarded to the Airport could result in the delay or cancellation of projects or the incurrence of additional debt by the Airport.

Grant-funded project costs are subject to audit by the funding agencies to ensure that the costs are allowable under the grant agreements. If any project costs are disallowed, amounts recorded as grants receivable will be reduced or refunded to the respective funding agencies.

(5) Capital Assets

Capital assets consist of the following (in thousands):

	July 1, 2023	Increases	Decreases	June 30, 2024
Capital assets not being depreciated/amortized:				
Land	$ 29,813	—	—	$ 29,813
Intangible assets	6,881	—	—	6,881
Construction in progress	1,000,206	584,278	(1,032,024)	552,460
Total capital assets not being depreciated/amortized	1,036,900	584,278	(1,032,024)	589,154
Capital assets being depreciated/amortized:				
Buildings, structures, and improvements	9,286,757	857,886	(171,747)	9,972,896
Equipment	936,861	185,252	(25,227)	1,096,886
Right-to-use assets	3,368	1,115	(1,352)	3,131
Intangible assets	37,871	1,206	(9,609)	29,468
Total capital assets being depreciated/amortized	10,264,857	1,045,459	(207,935)	11,102,381
Less accumulated depreciation/amortization:				
Buildings, structures, and improvements	(3,834,604)	(269,194)	134,977	(3,968,821)
Equipment	(496,578)	(85,354)	24,948	(556,984)
Right-to-use assets	(1,802)	(1,335)	1,351	(1,786)
Intangible assets	(34,275)	(2,989)	9,609	(27,655)
Total accumulated depreciation/amortization	(4,367,259)	(358,872)	170,885	(4,555,246)
Total capital assets being depreciated/amortized, net	5,897,598	686,587	(37,050)	6,547,135
Total capital assets, net	$ 6,934,498	1,270,865	(1,069,074)	$ 7,136,289

In fiscal year 2006-07, the Airport adopted a cost allocation plan to capture indirect costs as a component of a building or other capital asset to reflect the full and true cost of a capital asset. In accordance with the Uniform Guidance, the indirect costs capitalized for the fiscal year ended June 30, 2024, were $20.9 million.

For details on leases for Airport as lessee, see Note 9.

(6) Subordinate Commercial Paper Notes

On May 20, 1997, the Airport Commission adopted Resolution No. 97-0146 (as amended and supplemented, the 1997 Note Resolution). The 1997 Note Resolution authorizes the issuance of subordinate commercial paper (CP) notes in an aggregate principal amount not to exceed the lesser of $600.0 million or the stated amount of the letter(s) of credit securing the CP notes.

The Airport issues CP notes in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay letter of credit. In addition to the applicable letter of credit, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the San Francisco International Airport Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport Commission on December 3, 1991 (as amended and supplemented, the 1991 Master Bond Resolution).

Net Revenues are generally defined in the 1997 Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the 1997 Note Resolution), less Operation and Maintenance Expenses (as defined in the 1997 Note Resolution). See Note 8.

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the 1997 Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the 1997 Note Resolution.

Events of default for the CP notes include nonpayment events, bankruptcy events, noncompliance with covenants, and default under the 1991 Master Bond Resolution. The CP notes are not subject to acceleration.

Events of default with respect to the letters of credit supporting the CP notes include nonpayment events (both on CP notes and Senior Bonds), bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1997 Note Resolution, or a determination of taxability of interest on the tax-exempt CP notes. A downgrade of the Airport's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch or the withdrawal or suspension of any such rating for credit related reasons is an event of termination with respect to all of the letters of credit supporting the CP notes. Remedies include the letter of credit bank's ability to stop issuance of the CP notes it supports and to require a final drawing on the letter of credit. If not repaid when due, drawings under the respective letters of credit supporting the CP notes are amortized over a three- or five-year period.

As of June 30, 2024, the CP program was supported by six direct-pay letters of credit with a combined maximum stated principal amount of $600.0 million, from Bank of America, N.A. ($100.0 million, expires April 28, 2028), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires April 7, 2027), BMO Bank N.A. ($100.0 million, expires April 30, 2027), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires June 6, 2028), Barclays Bank PLC ($125.0 million, expires April 23, 2027), and Bank of America, N.A. ($75.0 million, expires May 4, 2026). Each of the letters of credit supports a separate subseries of the CP notes.

As of June 30, 2024, there were no obligations outstanding under the 1997 Note Resolution. On June 4, 2024, the Series 2024A/B/C Bonds funded an escrow to repay $434.0 million of commercial paper notes as an in-substance defeasance. This escrow repaid the $434.0 million of commercial paper notes, plus interest due thereupon, on August 27, 2024.

During fiscal year 2023-24, the Airport issued new money CP notes in the aggregate principal amount of $399.0 million (AMT), $35.0 million (Non-AMT), and $13.0 million (Taxable) to fund capital improvement projects.

The following table summarizes CP activity during the fiscal year ended June 30, 2024 (in thousands):

	Interest rate		July 1, 2023	Increases	Decreases	June 30, 2024
Commercial paper (Taxable)	5.35% - 5.69%	$	5,450	13,000	(18,450)	-
Commercial paper (AMT)	2.32% - 3.85%		457,225	399,000	(856,225)	-
Commercial paper (Non-AMT)	2.85% - 3.75%		40,550	35,000	(75,550)	-
Total		$	503,225	447,000	(950,225)	-

The table presents the CP notes' net increase and decrease activities during fiscal year 2023-24. $100.3 million of CP notes from the July 1, 2023 balance were repaid by 2023C/D Bonds proceed on November 16, 2023 and $397.5 million of CP notes from the July 1, 2023 balance were repaid by 2023C/D Bonds proceed on February 12, 2024. $18.5 million of CP notes were repaid 2024A/B/C Bonds on June 4, 2024. As of June 30, 2024, funds from the Series 2024A/B/C Bonds issued on June 4, 2024 were on deposit an escrow to repay $434.0 million of CP notes in August 2024.

(7) Long-Term Obligations

Long-term obligation activities for the fiscal year ended June 30, 2024, are as follows (in thousands):

		July 1, 2023	Increases	Decreases	June 30, 2024	Amounts Due within one year
Revenue bonds payable	$	8,049,665	1,718,975	(831,940)	8,936,700	163,515
Add unamortized premiums		954,556	113,063	(91,702)	975,917	-
Total revenue bonds payable		9,004,221	1,832,038	(923,642)	9,912,617	163,515
Commercial paper notes		497,775	-	(497,775)	-	-
Compensated absences		24,187	12,372	(11,629)	24,930	13,452
Accrued workers' compensation		12,567	6,627	(5,094)	14,100	3,150
Estimated claims payable		4,272	1,593	(38)	5,827	2,850
Other liabilities and leases payable		1,186	1,115	(1,225)	1,076	704
Net OPEB liability (see Note 12b)		257,767	-	(8,188)	249,579	-
Net pension liability (see Note 12a)		162,200	46,095	-	208,295	-
Total	$	9,964,175	1,899,840	(1,447,591)	10,416,424	183,671

Bond Transactions and Balances

On December 3, 1991, the Airport Commission adopted Resolution No. 91-0210 (as amended and supplemented, the 1991 Master Bond Resolution). The 1991 Master Bond Resolution authorizes the issuance from time to time of San Francisco International Airport Second Series Revenue Bonds to finance and refinance capital projects at the Airport. The maximum principal amount of such bonds is not limited by the 1991 Master Bond Resolution, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds. The 1991 Master Bond Resolution constitutes a contract between the Airport and the registered owners of the bonds under which the Airport has irrevocably pledged the Net Revenues of the Airport to the payment of the principal of and interest on the bonds.

Net Revenues are generally defined in the 1991 Master Bond Resolution as all revenues earned by the Airport from or with respect to its possession, management, supervision, operation, and control of the Airport (not including certain amounts specified in the 1991 Master Bond Resolution), less Operation and Maintenance Expenses (as defined in the 1991 Master Bond Resolution). See Note 8. Net Revenues generally exclude revenues from Airport facilities that have been designated by the Airport as "Special Facilities" and expenses of Special Facilities payable from such excluded revenues.

The bonds are special, limited obligations of the Airport, and the principal of and interest on the bonds are payable solely from and secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts provided in the 1991 Master Bond Resolution. The payment of the principal of and interest on all previously issued bonds under the 1991 Master Bond Resolution is secured by a pledge of, lien on and security interest in Net Revenues on a parity with the pledge, lien and security interest securing any additional bonds issued thereunder.

Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants, including the rate covenant described below. The bonds are not subject to acceleration.

Payment of principal, interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution. If there are no default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three- or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

As of June 30, 2024, long-term revenue bonds consisted of the following (in thousands):

Description	Date of issue	Interest rate	June 30, 2024
Second Series Revenue Bonds:			
Issue 2009D	11/04/09	3.00%-3.50%	$ 51,615
Issue 2016A	02/25/16	4.00%-5.00%	118,525
Issue 2016B	09/29/16	5.00%	574,970
Issue 2016C	09/29/16	5.00%	165,155
Issue 2016D	09/29/16	5.00%	73,810
Issue 2017A	10/31/17	5.00%	339,580
Issue 2017B	10/31/17	5.00%	231,985
Issue 2017D	10/31/17	5.00%	46,575
Issue 2018D	05/30/18	5.00%-5.25%	722,610
Issue 2018E	05/30/18	5.00%	116,275
Issue 2018F	05/30/18	3.80%	7,025
Issue 2018G	05/30/18	5.00%	35,660
Issue 2018B**	06/06/18	Variable rate	138,170
Issue 2018C**	06/06/18	Variable rate	138,170
Issue 2019A	02/07/19	4.00%-5.00%	1,174,805
Issue 2019B	02/07/19	5.00%	91,280
Issue 2019C	02/07/19	3.51%	8,010
Issue 2019D	02/07/19	5.00%	373,295
Issue 2019E	09/10/19	4.00%-5.00%	764,815
Issue 2019F	09/10/19	5.00%	106,925
Issue 2019G	09/10/19	1.98%-2.39%	9,715
Issue 2019H	09/10/19	5.00%	148,195
Issue 2020A	08/20/20	4.00%-5.00%	109,520
Issue 2020B	08/20/20	4.00%	51,575
Issue 2020C	08/20/20	2.96%	130,180
Issue 2021A	04/21/21	5.00%	195,225
Issue 2021B	04/21/21	5.00%	129,070
Issue 2021C	04/21/21	3.35%	222,810
Issue 2022A	02/08/22	4.00%-5.00%	298,705
Issue 2022B	02/08/22	4.00%-5.00%	236,475
Issue 2022C	02/08/22	2.58%-3.33%	194,815
Issue 2023A	03/01/23	5.00%	151,215
Issue 2023B	03/01/23	5.00%	79,510
Issue 2023C	11/15/23	5.00%-5.75%	748,430
Issue 2023D	11/15/23	5.25%	45,880
Issue 2024A	06/04/24	5.00%-5.25%	782,535
Issue 2024B	06/04/24	5.00%	123,590
			8,936,700
Unamortized premium			975,917
Total revenue bonds payable			9,912,617
Less current portion			(163,515)
Total long-term revenue bonds payable			$ 9,749,102

** The Airport used the proceeds of the Series 2018B/C Bonds to purchase $260.0 million of San Francisco International Airport Hotel Special Facility Revenue Bonds, to finance the development and construction of an AirTrain station adjacent to the on-Airport Hotel, and to pay costs of issuance of the Series 2018B/C Bonds.

Debt Service Reserve and Covenants; Contingency Account

The Airport issues its senior lien San Francisco International Airport Second Series Revenue Bonds under the 1991 Master Bond Resolution, which provides, among other things, the general terms and conditions of the bonds, the funds and accounts relating to the bonds, and certain covenants made by the Airport for the benefit of bondholders. Such covenants include not creating or allowing creation of liens on the Revenues or disposing of any property necessary to maintaining revenues or operating the Airport and maintaining specified levels of insurance or self-insurance. The Airport may establish one or more reserve accounts with different reserve requirements to secure one or more series of bonds. Accordingly, the Airport has two reserve accounts in the Reserve Fund: the Issue 1 Reserve Account and the 2017 Reserve Account, both are held by the Senior Trustee. As permitted under the 1991 Master Bond Resolution, the Airport may establish separate reserve accounts for individual series of bonds or may issue bonds without a reserve account.

Issue 1 Reserve Account – The Issue 1 Reserve Account is the Airport's original parity reserve account established in connection with the first issuance of bonds under the 1991 Master Bond Resolution and which now secures most of the Airport's outstanding bonds. Specifically, as of June 30, 2024, the Issue 1 Reserve Account secures all outstanding bonds except the series listed below as being secured by the 2017 Reserve Account, and except for Series 2018B and Series 2018C. The Airport may designate any series of bonds as a "participating series" secured by the Issue 1 Reserve Account. The reserve requirement is equal to the maximum annual debt service on the outstanding bonds secured by the Issue 1 Reserve Account accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account.

2017 Reserve Account – The Airport has established an additional pooled reserve account identified as the 2017 Reserve Account in the Reserve Fund, as security for each series of bonds (a 2017 Reserve Series) that is designated as being secured by the 2017 Reserve Account. As of June 30, 2024, only the Series 2017D, 2019B, and 2019D Bonds are secured by the 2017 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any fiscal year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10.0% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2.0% of the principal of such Series on its original date of sale), and (iii) 125.0% of the average aggregate annual debt service for all 2017 Reserve Series Bonds.

Reserve Policies – Under the 1991 Master Bond Resolution, the Airport may satisfy a portion of a reserve requirement by depositing with the Senior Trustee one or more reserve policies issued by a credit provider meeting specified rating requirements. However, the 1991 Master Bond Resolution does not require that those ratings be maintained after the date of deposit. As of June 30, 2024, the Issue 1 Reserve Account contains reserve policies. Each of the providers of the reserve policies in the Issue 1 Reserve Account were rated "AAA" at the time the policies were deposited. However, as a result of the financial crisis that began in 2007, all of the major municipal bond insurance companies have been downgraded, and several are no longer providing current financial and operating information. In addition, under the terms of several of the reserve policies, the value of the policies is adjusted downward from time to time as related bonds are refunded and such policies have experienced a reduction in value and may have experienced a reduction in value to zero. The policies in the Issue 1 Reserve Account with remaining value have termination dates. The Airport has periodically deposited additional cash in the Issue 1 Reserve Account to satisfy the reserve requirement and compensate for the diminished value or downgraded providers of these reserve policies.

Contingency Account – Under the 1991 Master Bond Resolution, the City Treasurer holds the Contingency Account as an account within the Revenue Fund, and the Airport may deposit in the Contingency Account such amounts, if any, as the Airport may determine from time to time. Monies in the Contingency Account may be applied (i) to pay Operation and Maintenance Expenses; (ii) to make any required payments or deposits to pay or secure the payment of the principal or purchase price of or interest or redemption premium on the 1991 Resolution Bonds; and (iii) to pay the cost of any additions, improvements, repairs, renewals or replacements to the Airport, in each case only if and to the extent that monies otherwise available to make such payments or deposits are insufficient.

Rate Covenant – Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

(a) Net Revenues (as defined in the 1991 Master Bond Resolution) in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport (there have been no such general obligation bonds outstanding for more than 30 years), and (ii) to make the annual service payments to the City, and

(b) Net Revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125.0% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differ from those required under GAAP, which are used to determine amounts reported in the Airport's financial statements. For example, the 1991 Master Bond Resolution includes in the definition of Operating and Maintenance Expenses (which is used to calculate Net Revenues) "the *payment* of pension charges … with respect to employees of the [Airport]…" (emphasis added) and excludes a number of noncash accrual items. Accordingly, the Airport excludes from its rate covenant calculations any noncash accrued pension obligations and includes only pension obligations actually paid during the fiscal year. As another example, the 1991 Master Bond Resolution excludes from the definition of Operating and Maintenance Expenses "any expense for which, or to the extent to which, the Airport is or will be paid or reimbursed from or through any source that is not included or includable as Revenues," and excludes from the definition of Revenues "grants-in-aid, donations and/or bequests." Accordingly, the Airport excludes from its rate covenant both grant funds used toward operating costs and the operating costs reimbursed using such grant funds.

Post-Issuance Compliance with Federal Tax Law

The Airport follows certain federal tax law post-issuance compliance procedures that are intended to ensure that proceeds of its tax-exempt bonds are invested and expended consistent with applicable federal tax law, including the Internal Revenue Code of 1986, the Regulations promulgated thereunder, and other applicable guidance from the U.S. Treasury Department and the Internal Revenue Service (IRS).

(a) Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2007-08 and 2023-24, as of June 30, 2024, the Airport Commission has authorized the issuance of up to $10.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes issued for capital projects, funding debt service reserves, funding capitalized interest, and for paying costs of issuance. As of June 30, 2024, $4.2 billion of the authorized capital plan bonds remained unissued.

(b) Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2004-05 and 2023-24, as of June 30, 2024, the Airport Commission has authorized the issuance of up to $17.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2024, $5.5 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2023-24, the Airport issued the following bonds for refunding and other purposes under the 1991 Master Bond Resolution:

On November 15, 2023, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2023C/D, in aggregate principal amount of $794.3 million to refund $241.8 million of its Series 2013A Bonds, to repay $497.8 million of its commercial paper notes, to fund capitalized interest, to make a deposit to a debt service reserve, and to pay costs of issuance. All $794.3 million constitute Second Series Revenue Refunding Bonds.

On June 4, 2024, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2024A/B/C, in aggregate principal amount of $924.7 million to refund $473.6 million of its Series 2014A Bonds and Series 2014B Bonds, to repay $452.5 million of its commercial paper notes, to fund capital projects, to fund capitalized interest, to make a deposit to a debt service reserve, and to pay costs of issuance. Of the aggregate principal amount of $924.7 million, $895.4 million constitutes Second Series Revenue Refunding Bonds and $29.3 million constitutes Capital Plan Bonds.

The proceeds of the Series 2023C/D Bonds (consisting of $794.3 million par amount and original issue premium of $25.0 million, less an underwriters' discount of $1.3 million), together with $1.1 million accumulated in the debt service fund were used to deposit $638.8 million into an escrow fund with the Senior Trustee to refund $241.8 million in revenue bonds as described below (in thousands) and repay $397.5 million in commercial paper notes, $100.3 million to repay $100.3 million of commercial paper notes, $35.0 million in capitalized interest accounts, $43.9 million in a debt service reserve account, and $1.1 million to pay costs of issuance.

The following table (in thousands) shows the outstanding balance after the bonds were refunded with the issuance of Series 2023C/D Bonds:

	Interest Rate		June 30, 2023	Amount Refunded	June 30, 2024
Second Series Revenue Bonds Issue:					
Series 2013A (AMT)	5.25%-5.50%	$	241,790	241,790	—
Total		$	241,790	241,790	—

The proceeds of the Series 2024A/B/C Bonds (consisting of $924.7 million par amount and original issue premium of $88.0 million, less an underwriters' discount of $1.5 million), together with $3.9 million accumulated in the debt service fund were used to deposit $909.1 million into an escrow fund with the Senior Trustee to refund $473.6 million in revenue bonds as described below (in thousands) and to repay $434.0 million in commercial paper notes, $18.5 million to repay $18.5 million of commercial paper notes, $15.3 million into project funds, $37.6 million in capitalized interest accounts, $33.5 million in a debt service reserve account, and $1.1 million to pay costs of issuance.

The following table (in thousands) shows the outstanding balance after the bonds were refunded with the issuance of Series 2024A/B/C Bonds:

	Interest Rate		June 30, 2023	Amount Refunded	June 30, 2024
Series 2014A (AMT)	5.00%	$	376,310	376,310	—
Series 2014B (Non-AMT/Governmental Purpose)	5.00%		97,290	97,290	—
Total		$	473,600	473,600	—

In aggregate, the Series 2023C/D refunding of bonds resulted in the recognition of a deferred accounting gain of $4.2 million for the fiscal year ended June 30, 2024. The Series 2023C/D refunding of bonds decreased the Airport's aggregate gross debt service payments by approximately $12.9 million over the life of the bonds and obtained an economic gain (the difference between the present values of the debt service on the old debt and the new debt) of $10.0 million.

In aggregate, the Series 2024A/B/C refunding of bonds resulted in the recognition of a deferred accounting gain of $36.2 million for the fiscal year ended June 30, 2024. The Series 2024A/B/C refunding decreased the Airport's aggregate gross debt service payments by approximately $62.1 million over the life of the bonds and obtained an economic gain (the difference between the present values of the debt service on the old debt and the new debt) of $37.0 million.

(c) Variable Rate Demand Bonds

As of June 30, 2024, the Airport had an outstanding aggregate principal amount of $276.3 million, consisting of Second Series Variable Rate Revenue Refunding Bonds, Series 2018B and Series 2018C (collectively, the "Variable Rate Bonds") with final maturity date of May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below.

Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.34% and 0.37% per annum. As of June 30, 2024, there were no unreimbursed draws under these facilities.

The letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2024, are as follows (in thousands):

	Series 2018B	Series 2018C
Principal amount	$ 138,170	138,170
Expiration date	June 3, 2026	April 5, 2027
Credit provider	Barclays(1)	SMBC(2)

(1) Barclays Bank PLC
(2) Sumitomo Mitsui Banking Corporation, acting through its New York branch

(d) Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2016-17, 2017-18, and 2018-19, the Airport Commission authorized the issuance of $260.0 million of Special Facility Bonds to finance the Hotel. These resolutions also designated the Hotel as a "Special Facility" under the 1991 Master Bond Resolution, which allows the Hotel revenues to be segregated from the Airport's other revenues and used to pay Hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. On June 6, 2018, the Airport issued its fixed rate Special Facility

Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the "Hotel Special Facility Bonds"), in the aggregate principal amount of $260.0 million to finance the Hotel and to fund a capitalized interest account.

The Hotel Special Facility Bonds are issued pursuant to a Trust Agreement (the "Hotel Trust Agreement"). On February 26, 2021, the Hotel Special Facility Bonds and the Hotel Trust Agreement were amended and restated, including to delay the initial principal repayment until April 1, 2025 (instead of April 1, 2022) and temporarily reduce the interest rate on the Hotel Special Facility Bonds from 3.00% to 0.086% from April 1, 2020 through September 30, 2023. The interest rate then began increasing incrementally until it will be restored to 3.00% beginning on April 1, 2029. In addition, the amendments provided that October 1, 2020 is no longer an interest payment date, and there was no requirement to pay interest accrued on the Hotel Special Facility Bonds until October 1, 2023. The maximum principal amount of the Hotel Special Facility Bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport Hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport Hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport Hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the Hotel, or a failure by the Airport to maintain a third-party manager for the Hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport's Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport Hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the Hotel.

Because the Airport is the issuer of the Hotel Special Facility Bonds and the sole beneficiary of the trust entity serving as holder of the Hotel Special Facility Bonds, neither the Hotel Special Facility Bonds debt service payments nor the Airport's receipts from the trust are included in the accompanying financial statements. The financial statements net the interest income received from the trust against the combined interest expenses of the Hotel Special Facility Bonds and the Series 2018B/C Bonds.

As of June 30, 2024, the Airport had $260.0 million of outstanding Hotel Special Facility Bonds.

(e) Debt Service Reserves and Requirements

Issue 1 Reserve Account

As of June 30, 2024, the reserve requirement for the Issue 1 Reserve Account was $621.6 million, which was satisfied by $624.9 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of $41.8 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated.

2017 Reserve Account

As of June 30, 2024, the reserve requirement for the 2017 Reserve Account was $39.3 million, which was satisfied by $57.8 million in cash and investment securities.

Series Not Secured by Reserve Accounts

The Airport does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2018B/C, all of which are secured by letters of credit.

Debt Service Requirements

Revenue bond debt service requirements to maturity as of June 30, 2024, are as follows (in thousands):

Fiscal Year Ending June 30	Principal	Interest	Total
2025	$ 163,515	426,193	589,708
2026	203,310	422,577	625,887
2027	209,165	412,800	621,965
2028	221,835	402,712	624,547
2029	162,175	391,884	554,059
2030-2034	950,620	1,839,437	2,790,057
2035-2039	1,367,485	1,581,417	2,948,902
2040-2044	1,964,610	1,178,286	3,142,896
2045-2049	2,496,945	629,469	3,126,414
2050-2054	1,133,150	97,725	1,230,875
2055-2058	63,890	5,290	69,180
Total	$ 8,936,700	7,387,790	16,324,490

The table below presents the revenue bond debt service requirements in the event the letters of credit securing the Airport's outstanding variable rate bonds had to be drawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreements with the banks providing such letters of credit (in thousands):

Fiscal Year Ending June 30	Principal	Interest	Total
2025	$ 163,515	426,193	589,708
2026	341,480	422,995	764,475
2027	346,625	407,984	754,609
2028	220,715	393,736	614,451
2029	160,795	382,980	543,775
2030-2034	936,920	1,795,790	2,732,710
2035-2039	1,339,945	1,540,842	2,880,787
2040-2044	1,920,010	1,143,290	3,063,300
2045-2049	2,441,025	602,544	3,043,569
2050-2052	1,065,670	80,597	1,146,267
Total	$ 8,936,700	7,196,951	16,133,651

(f) Cash Defeasance of Bonds

On May 2, 2024, the Airport defeased $0.2 million of its Series 2018D Bonds, $1.4 million of its Series 2019A Bonds, and $8.7 million of its 2019E Bonds, using monies previously deposited by the Airport in the Debt Service Holding Fund.

The outstanding balance for Series 2018D, 2019A, and 2019E Bonds for the fiscal year ended June 30, 2024 is as follows (in thousands):

Bond Series	June 30, 2023	Cash Defeasance Amount	June 30, 2024
2018D	$ 722,800	190	722,610
2019A	1,176,215	1,410	1,174,805
2019E	773,475	8,660	764,815

On June 27, 2024, the Airport legally defeased $18.5 million of its Series 2024C Bonds, using monies previously deposited by the Airport in the Debt Service Holding Fund. The Series 2024C Bonds were issued during fiscal year 2023-24.

The outstanding balance for Series 2024C Bonds for the fiscal year ended June 30, 2024 is as follows (in thousands):

Bond Series	June 30, 2023	Cash Defeasance Amount	June 30, 2024
2024C	$ -	18,540	-

(8) Pledged Revenue

The Airport has pledged all of the Net Revenues of the Airport to repay the following obligations when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds and Revenue Refunding Bonds (collectively, Senior Bonds) issued and to be issued under the Airport Commission's Resolution No. 91-0210 adopted on December 3, 1991 (as amended and supplemented, the "1991 Master Bond Resolution"), and amounts due with respect to the letters of credit supporting the Senior Bonds to the extent provided in the 1991 Master Bond Resolution, (2) the San Francisco International Airport Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) issued and to be issued under the Airport Commission's Resolution No. 97-0146 adopted on May 20, 1997 (as amended and supplemented, the "1997 Note Resolution") and amounts due to reimburse drawings under the letters of credit supporting the Commercial Paper Notes, and (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds. The Senior Bonds and Commercial Paper Notes are issued to finance capital projects at the Airport (including the funding of reserves) and to refund previously issued Senior Bonds and Commercial Paper Notes. The pledges of Net Revenues described above are in force so long as the secured obligations are outstanding. As of June 30, 2024, the final maturities of the obligations secured by the Net Revenues are Senior Bonds that mature in fiscal year 2057-58.

Net Revenues are defined in the 1991 Master Bond Resolution and the 1997 Note Resolution as Revenues less Operation and Maintenance Expenses. Revenues are defined to include all revenues earned by the Airport with respect to the Airport, as determined in accordance with GAAP. Revenues do not include:

(a) Investment income from monies in (i) the Construction Fund, (ii) the Debt Service Fund which constitute capitalized interest, or (iii) the Reserve Fund if and to the extent there is any deficiency therein;

(b) Interest income on, and any profit realized from, the investment of the proceeds of any Special Facility Bonds (as defined in the 1991 Master Bond Resolution);

(c) Special Facility Revenues (as defined in the 1991 Master Bond Resolution) and any income realized from the investment thereof unless designated as Revenues by the Airport;

(d) Any passenger facility or similar charge levied by or on behalf of the Airport unless designated as Revenues by the Airport;

(e) Grants-in-aid, donations and bequests;

(f) Insurance proceeds not deemed to be Revenues in accordance with GAAP;

(g) The proceeds of any condemnation award;

(h) The proceeds of any sale of land, buildings or equipment;

(i) Any money received by or for the account of the Airport from the levy or collection of taxes upon any property of the City and, with respect to the 1991 Master Bond Resolution only;

(j) Any Customer Facility Charge (as defined in the 1991 Master Resolution) or similar charge levied by or on behalf of the Airport against customers unless designated as Revenues by the Airport; and

(k) Any Federal Subsidy Payments (as defined in the 1991 Master Resolution) unless designated as Revenues by the Airport.

Operation and Maintenance Expenses are defined in the 1991 Master Bond Resolution and the 1997 Note Resolution to include all expenses of the Airport incurred for the operation and maintenance of the Airport, as determined in accordance with GAAP. Operation and Maintenance Expenses do not include:

(a) The principal of, premium, if any, or interest on the Senior Bonds or Subordinate Bonds (including Commercial Paper Notes);

(b) Any allowance for amortization, depreciation or obsolescence of the Airport;

(c) Any expense for which, or to the extent to which, the Airport will be paid or reimbursed from or through any source that is not included or includable as Revenues;

(d) Any extraordinary items arising from the early extinguishment of debt;

(e) Annual Service Payments to the City;

(f) Any costs, or charges made therefor, for capital additions, replacements or improvements to the Airport which, under GAAP, are properly chargeable to a capital account or reserve for depreciation; and

(g) Any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Airport properties. Operation and Maintenance Expenses include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Airport may establish or the Board of Supervisors may require with respect to Airport employees.

(Continued)

The original amount of revenue bonds issued, total principal and interest remaining, the original amount of commercial paper issued, applicable net revenues, total bond principal and interest paid during fiscal year 2023-24, and total commercial paper principal and interest paid during fiscal year 2023-24, are as follows (in thousands):

	Amount
Bonds issued with revenue pledge	$ 1,718,975
Bond principal and interest remaining due at the end of the fiscal year	16,324,490
Commercial paper issued with subordinate revenue pledge	447,000
Net revenues	828,989
Bond principal and interest paid in the fiscal year	473,864
Commercial paper principal, interest and fees paid in the fiscal year	9,035

As of June 30, 2024, the Series 2024A/B/C Bonds funded an escrow to repay $434.0 million of commercial paper notes as an in-substance defeasance. See Note 6.

Pledged Revenue of the On-Airport Hotel

Pursuant to the Hotel Trust Agreement, the Airport has pledged all of the Revenues of the on-Airport Hotel and certain other assets pledged under the Amended and Restated Hotel Trust Agreement to repay the Hotel Special Facility Bonds, all in accordance with the Hotel Trust Agreement. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. The Hotel Special Facility Bonds will mature in fiscal year 2057-58 and are subject to mandatory sinking fund redemption each year starting in 2025.

Revenues are defined in the Hotel Trust Agreement as the Total Operating Revenues, including any insurance proceeds, condemnation proceeds, performance bonds and guaranties and all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to the Hotel Trust Agreement (except any subaccounts of the Construction Fund that are otherwise pledged and the Rebate Fund).

Total Operating Revenues are defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport Hotel, whether or not arranged by, for or on behalf of another person or at another location, properly attributable to the period under consideration (including rentals or other payments from licensees or concessionaires of retail space in the Hotel, but not gross receipts of such licensees or concessionaires), determined in accordance with the Uniform System of Accounts and, to the extent consistent therewith GAAP, but do not include:

(a) Certain excluded taxes (such as sales tax) and other charges;
(b) Receipts from the financing, sale or other disposition of capital assets and other items not in the ordinary course of the Hotel's operations and income derived from securities and other property acquired and held for investment;
(c) Receipts from awards or sales in connection with any taking, from other transfers in lieu of and

under the threat of any taking, and other receipts in connection with any taking, but only to the extent that such amounts are specifically identified as compensation for alterations or physical damage to the Hotel;

(d) Proceeds of any insurance or sureties, including the proceeds of any business interruption insurance;

(e) Rebates, discounts, or credits of a similar nature (not including charge or credit card discounts, which shall not constitute a deduction from revenues in determining Total Operating Revenues, but shall constitute an Operating Expense of the Hotel);

(f) Consideration received at the Hotel for hotel accommodations, goods and services to be provided at other hotels although arranged by, for or on behalf of, the hotel manager; provided, that such consideration is recognized by such other hotels;

(g) Consideration received at other hotels for hotel accommodations, goods and services to be provided at the Hotel arranged by, for or on behalf of, such other hotels; provided, that such consideration is recognized by such other hotels;

(h) Notwithstanding any contrary requirements of GAAP all gratuities collected for the benefit of and paid directly to Hotel personnel;

(i) Proceeds of any financing;

(j) The initial operating funds and working capital loans and any other funds provided by the Airport to the Hotel manager whether for hotel Operating Expenses or otherwise;

(k) Other income or proceeds that do not result from: (i) the use or occupancy of the Hotel, or any part thereof, or (ii) the sale of goods, services or other items by or from the Hotel in the ordinary course of business;

(l) Interest earned on funds held in any fund or account under the Hotel Trust Agreement;

(m) The value of any complimentary rooms, goods or services;

(n) Refunds to Hotel guests of any sums or credits to any Hotel customers for lost or damaged items; and

(o) Refunds to parking customers of any sums or credits to any parking customers for lost or damaged items.

Generally, the Hotel Special Facility Bonds are paid after provision for the Operating Expenses of the Hotel and payment of taxes and insurance premiums have been made. The Hotel Special Facility Bonds are not payable from Net Revenues, as that term is defined in the 1991 Master Bond Resolution.

Pledged Facilities Rent from Fuel System Lease with SFO FUEL COMPANY LLC

The Airport entered into a Fuel System Lease dated as of September 1, 1997, as amended, with SFO FUEL COMPANY LLC (SFO Fuel), a special purpose limited liability company formed by certain airlines operating at the Airport. The facilities rent payable by SFO Fuel has been pledged and assigned to the bond trustee to secure the repayment of the San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A and 2019B (the “Fuel Bonds”), which were outstanding in the aggregate principal amounts of $87.7 million as of June 30, 2024. The Fuel bonds were issued primarily to finance and refinance improvements to the jet fuel storage and distribution system at the Airport. The pledge of the facilities rent will be in effect until the maturity of the Fuel bonds on January 1, 2047. This date may be extended in the event additional bonds (including refunding bonds) with a later maturity are issued.

(9) Leases

Airport as Lessor

As a lessor, the Airport leases terminal space (except for regulated leases), non-terminal buildings, and land to tenants under various operating leases, a majority of which are non-cancellable and terminate at various dates as late as 2053. In total, the Airport recognized lease revenue of $103.6 million and interest revenue of $20.3 million for the fiscal year ended June 30, 2024, related to these leases.

Certain provisions of the Airport’s leases provide for variable rental payments that are not included in the measurement of the lease receivable. Certain rental agreements with concessionaires specify that rental payments are to be based on a percentage of tenant sales, but no less than a fixed minimum amount. Concession percentage rents in excess of minimum guarantees (to the extent applicable) for the leases subject to GASB Statement No. 87 were approximately $16.4 million for the fiscal year ended June 30, 2024.

Additionally, several leases include terms that allow for an adjustment of the rents to market at determined intervals and at least upon renewal. As a result, variable rent revenue is recognized for the rent increases due to CPI adjustments. During fiscal year 2023-24, the Airport recognized $2.8 million in total variable lease revenue.

Information about lease revenues and interest revenues recognized during the fiscal year ended June 30, 2024, is presented below (in thousands):

		Principal	Interest	Total
Buildings	$	101,398	20,299	121,697
Land		2,217	11	2,228
Total Revenue	$	103,615	20,310	123,925

Below is a schedule of future principal and interest payment receipts that are included in the measurement of the lease receivable, for each of the five subsequent fiscal years and in five-year increments thereafter as of June 30, 2024 (in thousands):

Fiscal Year(s)		Principal	Interest	Total
2025	$	125,253	26,768	152,021
2026		126,056	22,680	148,736
2027		129,189	18,505	147,694
2028		121,833	14,313	136,146
2029		119,860	10,416	130,276
2030-2034		215,907	20,694	236,601
2035-2039		10,559	4,142	14,701
2040-2044		9,490	3,010	12,500
2045-2049		10,698	1,802	12,500
2050-2054		9,469	468	9,937
Total	$	878,314	122,798	1,001,112

Regulated Leases

Certain regulated leases are subject to external laws, regulations or legal rulings and are exempted from recognition under GASB Statement No. 87, subject to the conditions that:

(a) Lease rates cannot exceed a reasonable amount;

(b) Lease rates should be similar for similar situated lessees; and

(c) The lessor cannot deny potential lessees if facilities are available.

Such regulated leases at the Airport include:

(a) The Lease and Use Agreement with certain airlines regarding the use of spaces within the terminal buildings and equipment on an exclusive or preferential use basis, among other uses; and

(b) Non-terminal aeronautical buildings and land leases.

Based on its operational needs, an airline may lease terminal space under the Lease and Use Agreement, such as office space, ticket counter space, baggage makeup space, baggage claim space, and other operation spaces on a combination of exclusive, preferential, and common use basis. The Airport provides holdrooms on a preferential or common use basis to the airlines and adjusts the preferential assignment from time to time pursuant to the Lease and Use Agreement. For the fiscal year ending June 30, 2024, United Airlines accounted for 46.8 percent of total enplaned passengers at the Airport, followed by Alaska Airlines (10.4%), Delta Air Lines (8.1%), and American Airlines (6.8%), with no other airlines accounting for more than 5 percent of enplaned passengers. Non-terminal buildings and lands are leased on an exclusive basis.

The payments under the Lease and Use Agreement are recalculated at the end of each fiscal year and therefore are variable payments. Total inflow of resources for regulated leases during fiscal year ending June 30, 2024, was $349.1 million, including approximately $34.0 million of fixed payments and $315.1 million of variable payments. The additional exclusive and preferential use payments are the actual billed amount during fiscal year 2023-24, which was adjusted up by $84.5 million during year-end true-up process.

Below is a summary of the total number of regulated leases for fiscal year 2023-24, including which assets are subject to preferential or exclusive use by counterparties:

	# of Leases
Lease and Use Agreement	
Preferential and exclusive rental (a)	8
Exclusive rental only	36
Non-space rental, only common use	7
Subtotal	51
Other Regulated (b)	7
Total	58

Notes:

(a) Includes preferential gate holdroom leases

(b) Includes cargo, fuel, fixed-base facility leases, hangar leases, ground leases, and flight support services leases

Lease revenues and interest revenues recognized during the fiscal year ended June 30, 2024 for regulated leases are presented below (in thousands):

Expected minimum payments (a)	$ 30,926
Additional fixed payments (b)	3,114
Total fixed payments	34,040
Additional exclusive use payments (c)	164,767
Additional preferential use payments (d)	65,732
Year-end true-ups	84,541
Total regulated lease payments	$ 349,080

Notes:

(a) Doesn't include Lease and Use Agreement, the rental rates under which are recalculated annually and considered variable payments

(b) Includes additional rent above the expected minimum payments after adjusted by CPI and reappraisals

(c) Includes Lease and Use Agreement exclusive use rental revenues, other regulated leases that were charged by Airport's Rates and Charges rate, and percentage fee revenues above MAG

(d) Includes Lease and Use Agreement preferential use rental revenues

Below is a schedule of expected future minimum payments under these Lease and Use Agreements for each of the subsequent five years and in five-year increments thereafter (in thousands):

		Expected Minimum Payments (a)
FY 2025	$	29,731
FY 2026		16,131
FY 2027		1,644
FY 2028		1,644
FY 2029		1,644
FY 2030-2034		8,221
FY 2035-2039		8,221
FY 2040-2044		8,221
FY 2045-2049		4,521
Total	$	79,978

Note:
(a) Doesn't include Lease and Use Agreement, the rental rates under which are recalculated annually and considered variable payments

Airport as Lessee

As a lessee, the Airport had entered into one lease agreement for the land and building located at 837 Malcolm Road, Burlingame, California. The total lease asset and related accumulated amortization at June 30, 2024 are as follows (in thousands):

Lease Asset	$	671
Accumulated Amortization		(556)
	$	115

A summary of change in the related lease liability during the fiscal year ended June 30, 2024, is as follows (in thousands):

		July 1, 2023	Additions	Remeasurements	Deductions	June 30, 2024	Amounts Due Within One Year
Lease Liability	$	270	-	-	(145)	125	125

The future principal and interest payments as of June 30, 2024, are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2025	$ 125	-	125

(10) Conduit Debt

On February 26, 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (the "Fuel Bonds"), in an aggregate principal amount of $125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Airport for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at the Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve account for the Fuel Bonds, and pay costs of issuance. As of June 30, 2024, the outstanding balance was $87.7 million. The 2019 Fuel Bonds have a final maturity of January 1, 2047.

SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Airport and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers for into-plane fueling at the Airport and are not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel. The Fuel Bonds are therefore not reported in the accompanying financial statements.

A summary of change in deferred inflows related to leases during the fiscal year ending June 30, 2024, is presented below (in thousands):

	July 1, 2023	Additions	Deductions	June 30, 2024
Deferred inflows related to leases	$ 102,265	-	(4,352)	97,913

(11) Subscription-Based Information Technology

The Airport frequently procures IT products and services through the City's technology marketplace arrangements, which use substantially similar contracts, and issues purchase orders to specify the details of desired products or services. Some purchases that cover a period of multiple years are subject to the provisions of GASB Statement No. 96. There is typically no variable payment.

The total subscription assets and related accumulated amortization at June 30, 2024, are as follows (in thousands):

Subscription Assets	$	2,460
Accumulated Amortization		(1,230)
	$	1,230

A summary of change in the related subscription liability during the fiscal year ended June 30, 2024, is as follows (in thousands):

		July 1, 2023	Additions	Remeasurements	Deductions	June 30, 2024	Amounts Due Within One Year
Subscription Liability	$	891	1,115	-	(1,056)	950	579

The future principal and interest payments as of June 30, 2024, are as follows (in thousands):

Fiscal Year		Principal	Interest	Total
2025	$	579	31	610
2026		371	13	384
	$	950	44	994

(12) Employee Benefit Plans

(a) San Francisco City and County Employees' Retirement System Plan

The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension Plan (SFERS Plan). For purposes of measuring the net pension liability, deferred outflows/inflows of resources related to pensions, pension expense, information about the fiduciary net position of the SFERS Plan, and additions to/deductions from the SFERS Plan's fiduciary net position have been determined on the same basis as they are reported by the SFERS Plan. Contributions are recognized in the period in which they are due pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

Replacement Benefits Plan

The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code (IRC) Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Plan. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

GASB Statement No. 68 and 73 require that the SFERS Plan and RBP reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

SFERS Plan

The City is an employer of the plan with a proportionate share of 94.85% as of June 30, 2023 (measurement date), 0.02% decreased from prior fiscal year. The Airport's allocation percentage was determined based on the Airport's employer contributions divided by the City's total employer contributions for fiscal year 2022-23. The Airport's net pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense is based on the Airport's allocated percentage. The Airport's allocation of the City's proportionate share was 5.92% as of the measurement date.

Replacement Benefits Plan

The Airport's allocation percentage was determined based on the Airport's total pension liabilities divided by the City's total pension liabilities for fiscal year 2022-23. The Airport's total pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense is based on the Airport's allocated percentage. The Airport's allocation of the City's proportionate share was 2.81% as of the measurement date.

SFERS Plan Description

The Plan provides basic service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103 or by calling (415) 487-7000.

SFERS Benefits

The Retirement System provides service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and annual COLA after retirement. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the sheriff's department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are included in the Notes to the Financial Statements of San Francisco Employees' Retirement System.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service, and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2.0%. The Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Proposition A passed on November 8, 2022 making members who retired before November 6, 1996 (Pre96 Retirees) eligible for a Supplemental COLA, even if SFERS is not fully funded based on the market value of assets. Also, Pre96 Retirees' base retirement allowances were adjusted to account for Supplemental COLAs not received in 2013, 2014, 2017, 2018, and 2019 due to the full funding requirement. Effective with Proposition A, Pre96 Retirees receive the same Supplemental COLAs as the after November 6, 1996 and before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

Funding and Contribution Policy

SFERS Plan

Contributions are made by both the City and other participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 11.5% and 7.5% to 12.0%, as a percentage of gross covered salary in fiscal year 2023-24 and fiscal year 2022-23, respectively. Most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2022 actuarial report, the required employer contribution rate for fiscal year 2023-24 ranged from 15.24% to 18.24%. Based on the July 1, 2021 actuarial report, the required employer contribution rate for fiscal year 2022-23 ranged from 17.85% to 21.35%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. The City's proportionate share of employer contributions recognized by the Retirement System in fiscal year ended June 30, 2023 (measurement year) was $638.0 million. The Airport's allocation of employer contributions for fiscal year 2022-23 was $39.6 million, and $47.4 million for fiscal year 2021-22.

Replacement Benefits Plan

The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $4.6 million replacement benefits in the fiscal year ended June 30, 2024 and Airport's allocation portion for fiscal year 2023-24 was $129.5 thousand.

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2024, the City reported net pension liability for its proportionate share of the net pension liability of the SFERS Plan and net pension liability of RBP of $3.59 billion. The City's net pension liability for the SFERS Plan is measured as the proportionate share of the net pension liability. The net pension liability of the SFERS Plan is measured as of June 30, 2023 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 using standard update procedures. The City's proportion of the net pension liability for the SFERS Plan was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Airport's allocation of the City's proportionate share of the net pension liability/(asset) for the SFERS Plan as of June 30, 2024 and 2023 (reporting years) was $204.6 million and $158.3 million, respectively. The Airport's allocation of the total pension liability for the RBP as of June 30, 2024 and June 30, 2023 was $3.7 million and $3.9 million, respectively.

For the fiscal year ended June 30, 2024, the City's recognized pension expense/(benefit) was $667.3 million including amortization of deferred outflows/inflows related pension items. The Airport's allocation of pension expense/(benefit) including amortization of deferred outflows/inflows related pension items was $32.0 million. Pension expense/(benefit) increased from the prior fiscal year, largely due to the amortization of deferrals. At June 30, 2024, the Airport's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

Schedule of Deferred Inflows and Outflows of Resources

Fiscal Year 2023-24
(in thousands)

	SFERS Plan		Replacement Benefits Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 37,701	—	—	—
Differences between expected and actual experience	21,983	—	319	944
Changes in assumptions	26,478	12,081	289	764
Net difference between projected and actual earnings on pension plan investments	38,718	—	—	—
Change in employer's proportion	10,244	344	—	1,490
Total	$ 135,124	12,425	608	3,198

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in pension expense as follows (in thousands):

Year ended June 30:		SFERS Plan	Replacement Benefits Plan
2025	$	3,428	(725)
2026		(8,331)	(932)
2027		78,014	(678)
2028		11,887	(255)
Total	$	84,998	(2,590)

At June 30, 2024, the Airport reported $37.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability/(asset) in the reporting year ended June 30, 2025.

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for both SFERS Plan and RBP as of June 30, 2023 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2022 actuarial valuation. Refer to the July 1, 2022 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

Key Actuarial Assumptions:	**SFERS Plan**
Valuation Date	July 1, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.65% as of June 30, 2023 3.54% as of June 30, 2022 Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	7.20% as of June 30, 2023 7.20% as of June 30, 2022
Administrative Expenses	0.60% of payroll as of June 30, 2023 0.60% of payroll as of June 30, 2022

Basic COLA:	Old Miscellaneous and all New Plans	Old Police & Fire Pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
June 30, 2022	2.00%	1.90%	2.50%	3.60%
June 30, 2023	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions SFERS Plan – There were no changes in the discount rate for the measurement period ended June 30, 2023. The municipal bond yield increased from 3.54% to 3.65%.

Key Actuarial Assumptions:	Replacement Benefit Plan
Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	3.65% as of June 30, 2023 Bond Buyer 20-Bond GO Index, June 30, 2022 and June 29, 2023
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	3.65% as of June 30, 2023
Administrative Expenses	0.60% of payroll as of June 30, 2023

Basic COLA:	Old Miscellaneous and all New Plans	Old Police & Fire Pre 7/1/75	Old Police & Fire Charters A8.595 and A8.596	Old Police & Fire Charters A8.559 and A8.585
June 30, 2022	2.00%	1.90%	2.50%	3.60%
June 30, 2023	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions RBP – Both discount rate for the measurement period ended June 30, 2023 and the municipal bond yield increased from 3.54% to 3.65%.

Mortality rates for health Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used at the June 30, 2023 measurement date was based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2022.

Discount Rate

SFERS Plan

The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.20% as of June 30, 2023 (measurement date) and 7.20% June 30, 2022 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2023 was 7.20%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2022 actuarial valuation. That policy includes contributions equal to the employer portion of the entry age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the unfunded actuarial liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. However, the change due to Proposition A is being amortized over 10 years. In the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted effective July 1, 2013 was amortized over 17 years. For the July 1, 2021 valuation, all amortization periods for actuarial gains and losses and prior assumption changes were reduced to 5 years. The assumption change effective July 1, 2021 is amortized over 20 years. Future experience gains and losses and assumption or method changes on or after July 1, 2021 are amortized over 20 years. If the plan becomes 100% funded based on the actuarial value of assets, any new net surpluses are amortized over a rolling 20-year period. All amortization schedules are established as a level percentage of payroll so payments increase 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. Proposition C is a pension reform which changed the employees' pension contribution rate and limited COLA adjustment for employees hired on or after January 7, 2012. For members who were hired before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the actuarial value of assets. For members who were hired after Proposition C passed, the market value of assets must also exceed the actuarial liability for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. Most members receive a 1.50% Supplemental COLA when a full Supplemental COLA is granted.

No Supplemental COLA was payable as of July 1, 2023 due to the unfavorable investment return for fiscal year 2022-23. The table below shows the net assumed Supplemental COLA for members with a 2.00% Basic COLA for sample years.

Assumed Supplemental COLA
for Members with a 2.00% Basic COLA

FYE	96 - Prop C	Before 11/6/96 or After Prop C
2025+	0.75%	0.50%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members through 2104. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.65% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2023 is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	37.0%	4.6%
Treasuries	8.0%	1.7%
Liquid Credit	5.0%	3.5%
Private Credit	10.0%	5.8%
Private Equity	23.0%	7.8%
Real Assets	10.0%	5.3%
Absolute Return	10.0%	4.4%
Leverage	-3.0%	1.4%
	100.0%	

Replacement Benefits Plan

The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.65% as of June 30, 2023. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 30, 2022 and June 29, 2023. These are the rates used to determine the total pension liability as of June 30, 2023.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. The actual IRC Section 415(b) limitations published by the IRS of $265 was used for the 2023 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

On June 30, 2024, the City's membership in the RBP had a total of 277 active members and 149 retirees and beneficiaries currently receiving benefits. The Airport has 5 active members and 2 retirees and beneficiaries currently receiving benefits.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Airport's allocation of the employer's proportionate share of the net pension liability/(asset) for the SFERS Plan, calculated using the discount rate, as well as what the Airport's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

Employer	1% Decrease Share of NPL/(NPA) @ 6.20%	Share of NPL/(NPA) @ 7.20%	1% Increase Share of NPL/(NPA) @ 8.20%
Airport	$ 479,864	204,586	(22,379)

The following presents the Airport's allocation of the employer's proportionate share of the total pension liability for the Replacement Benefits Plan, calculated using the discount rate, as well as what the Airport's allocation of the employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate (in thousands):

Employer	1% Decrease @ 2.65%	Measurement Date @ 3.65%	1% Decrease @ 4.65%
Airport	$ 4,393	3,709	3,170

(b) Other Postemployment Benefits (OPEB)

The Airport participates in a single-employer defined benefit other postemployment benefits plan (the Plan). The Plan is maintained by the City and is administered through the City's Health Service System. It provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefit plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

	Fiscal Year 2023-24
Valuation Date (VD)	June 30, 2022 updated to June 30, 2023
Measurement Date (MD)	June 30, 2023
Measurement Period (MP)	July 1, 2022 to June 30, 2023

The Airport's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the fiscal year ended June 30, 2023. The Airport's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense is based on the Airport's allocated percentage. The Airport's proportionate share of the City's OPEB elements was 6.36% as of the measurement date.

Benefits

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service[1]
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement[2]		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

Retiree healthcare benefits are administered by the San Francisco Health Service System and included the following:

Medical:	PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured) HMO – Kaiser (fully-insured) and Blue Shield (flex-funded) and Health Net (flex-funded)
Dental:	Delta Dental, DeltaCare USA, and UnitedHealthcare Dental
Vision:	Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan

Projections of the sharing of benefit related costs are based on an established pattern of practice.

Contributions

Benefits provided under the Plan are currently paid through “pay-as-you-go” funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the Retiree Health Care Trust Fund (Trust Fund) a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City’s GASB Actuary has determined that the City’s portion of the Trust Fund is fully funded. At that time, the City’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the Trust Fund. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City shall contribute 0.25% of compensation into the Trust Fund for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City shall contribute an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City’s actuary has determined that the City’s portion of the Trust Fund is fully funded, the City’s 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation.

Additional or existing contribution requirements may be established or modified by amendment to the City’s Charter.

For the fiscal year ended June 30, 2024, the City’s funding was based on “pay-as-you-go” plus a contribution of $48.7 million to the Retiree Healthcare Trust Fund. The “pay-as-you-go” portion paid by the City was $230.0 million for a total contribution of $278.7 million for the fiscal year ended June 30, 2024. The Airport’s proportionate share of the City’s contributions for fiscal year 2023-24 was $17.7 million.

OPEB Liabilities, OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

As of June 30, 2024, the City reported net OPEB liabilities related to the Plan of $3.9 billion. The Airport's proportionate share of the City's net OPEB liability as of June 30, 2024 was $249.6 million.

For the fiscal year ended June 30, 2024, the City's recognized OPEB expense was $261.2 million. Amortization of the City's deferred outflows and inflows is included as a component of OPEB expense. The Airport's proportionate share of the City's OPEB income (expense) was $21.7 million.

As of June 30, 2024, the Airport reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 17,722	-
Differences between expected and actual experience	10,723	28,933
Changes in assumptions	7,255	-
Net difference between projected and actual earnings on plan investments	1,910	-
Change in proportion	16,667	6,202
Total	$ 54,277	35,135

Amounts reported as deferred outflows, exclusive of contributions made after the measurement date, and deferred inflows of resources will be amortized annually and recognized in OPEB income (expense) as follows (in thousands):

Fiscal Year:	
2025	$ (2,629)
2026	(278)
2027	(921)
2028	499
Thereafter	4,749
Total	$ 1,420

At June 30, 2024, the Airport reported $17.7 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting fiscal year ending June 30, 2025.

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2023 (measurement date) is provided below:

Key actuarial assumptions:

Valuation Date	June 30, 2022 updated to June 30, 2023
Measurement Date	June 30, 2023
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075
	Medicare trend starts at 7.24% trending down to ultimate rate of 3.94% in 2075
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2075
	Vision and expenses trend remains a flat 3.00% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019.

Non-Annuitants:		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees:		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees:		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries:		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

Change in Assumption – For the measurement date June 30, 2023, the healthcare cost trend rates change as follows:

Healthcare Cost Trend	**June 30, 2023 (MD)**	**June 30, 2022 (MD)**
Pre-Medicare	starts at 7.24% trending down to ultimate rate of 3.94% in 2075	starts at 7.74% trending down to ultimate rate of 3.93% in 2076
Medicare	starts at 7.24% trending down to ultimate rate of 3.94% in 2075	starts at 7.74% trending down to ultimate rate of 3.94% in 2076
10-County average	starts at 5.00% trending down to ultimate rate of 3.94% in 2075	starts at 5.00% trending down to ultimate rate of 3.94% in 2076

The mortality rates in the base tables are projected generationally from the base year using the MP-2019 projection scale.

Sensitivity of Liabilities to Changes in the Healthcare Cost Trend Rate and Discount Rate

The following presents the Airport's proportionate share of the City's net OPEB liability calculated using the healthcare cost trend rate, as well as what the Airport's allocation of the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate (in thousands):

1% Decrease	Healthcare Trend	1% Increase
$ 212,245	249,579	295,905

Discount Rate

The discount rate used to measure the Total OPEB Liability as of June 30, 2023 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.0% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	25.0%	8.7%
U.S. Small Cap	2.0%	9.3%
Developed Market Equity (non-U.S.)	13.0%	9.8%
Emerging Market Equity	10.0%	10.0%
Credit		
Bank Loans	3.0%	7.0%
High Yield Bonds	3.0%	7.3%
Rate Securities		
Investment Grade Bonds	7.0%	4.7%
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0%	3.6%
Private Markets		
Private Equity	10.0%	11.0%
Private Debt	5.0%	9.0%
Core Private Real Estate	5.0%	6.5%
Infrastructure (Core Private)	2.0%	7.8%
Risk Mitigating Strategies		
Global Macro	10.0%	5.7%
Total	100.0%	

The following presents the Airport's proportionate share of the City's net OPEB liability calculated using the discount rate, as well as what the Airport's proportionate share of the City's net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate (in thousands):

1.0% Decrease 6.0%	Discount Rate 7.0%	1.0% Increase 8.0%
$ 292,108	249,579	214,704

The City issues a publicly available financial report that includes the complete note disclosures and required supplementary information related to the City's postemployment health care obligations. The report may be obtained by writing to the City and County of San Francisco, Office of the Controller, 1 Dr. Carlton B. Goodlett Place, Room 316, San Francisco, California 94102, or by calling (415) 554-7500.

(13) Related-Party Transactions

The Airport receives services from various other City departments that are categorized in the various operating expense line items in the statement of revenues, expenses, and changes in net position. The cost of all services provided to the Airport through the City's work order system totaled approximately $196.9 million. These services included $55.8 million in utilities provided to tenants (see Note 2l) and the Airport. Included in personnel operating expenses were approximately $105.5 million related to police and fire services and $5.1 million in workers' compensation claims. The remaining expenses were categorized as Repair and Maintenance or capitalized with construction projects.

The Lease and Use Agreement with the airlines provides for continuing annual service payments to the City equal to 15.0% of concession revenues (net of certain adjustments), but not less than $5.0 million per fiscal year. The annual service payments to the City were $55.6 million in fiscal year 2023-24. The annual service payments are reported as transfers in the statement of revenues, expenses, and changes in net position.

(14) Passenger Facility Charges

In 2001, the Airport received authorization from the FAA to commence collection and use of a PFC in the amount of $4.50 per enplaning passenger to pay for certain eligible capital projects as approved by the FAA. The PFC revenues received by the Airport are subject to audit and final acceptance by the FAA and costs reimbursed with PFC revenues are subject to adjustment upon audit.

The Airport collects PFCs to pay debt service expenses associated with bonds that financed certain PFC-eligible capital projects. As of June 30, 2024, the FAA has approved several Airport applications to collect and use PFCs in a total cumulative collection amount of $2.3 billion, of which $1.5 billion are active applications with a final charge expiration date estimated to be December 1, 2030. As of June 30, 2024, $495.0 million of the authorized PFC collection remained uncollected.

The following is a summary of the active PFC Applications:

PFC Application #	Projects	FAA Approval	Amount	Status	Earliest Charge Effective Date	Est. Charge Expiration Date
PFC #5	• Terminal 2 and Boarding Area D Renovations - Design and Construction	October 2013 November 2014 (Amended)	$741,744,636	Active	1/1/2017	10/1/2024
			$741,744,636			
PFC #8	• Runway Safety Area Program (9 projects)	October 2018	$193,422,735	Active	10/1/2024	3/1/2029
	• Passenger Boarding Bridges		$23,666,082			
	• AirTrain Extension and Improvement		$319,710,719			
			$536,799,536			
PFC #9	• Interim Boarding Area B - Design and Construction	January 2021	$208,629,612	Active	3/1/2029	12/1/2030
			$208,629,612			
Total Active Applications			**$1,487,173,784**			

PFC collections and related interest earned (loss) for the fiscal year ended June 30, 2024, are as follows (in thousands):

	June 30, 2024
Amount collected	$ 99,587
Interest earned (loss)	28,817
Total	$ 128,404

Interest earned (loss) on PFC revenues is included in investment income (loss) in the accompanying financial statements.

A summary of changes in amount collected and interest earned (loss) during the fiscal year ending June 30, 2024, is presented below (in thousands):

	July 1, 2023	Increases	Decreases	June 30, 2024
Amount collected	$ 1,664,758	99,587	-	1,764,345
Interest earned (loss)	43,006	28,817	-	71,823
Total	$ 1,707,764	128,404	-	1,836,168

(15) Customer Facility Charges

A CFC is a user fee imposed on rental car users. There are no federal regulations that govern the collection of CFCs, so CFC collection is regulated by each state.

On March 1, 2022, the Airport Commission adopted Resolution No. 22-0031. This resolution allowed for the implementation of a CFC at a rate of $10.00 per rental car transaction. The CFC was imposed by the Airport in accordance with Sections 50474.21 and 50474.3 of the California Government Code, as they may be amended or supplemented. The Airport started to collect CFCs on July 1, 2022.

CFC collections and related interest earned (loss) for the fiscal year ended June 30, 2024, are as follows (in thousands):

	June 30, 2024
Amount collected	$ 13,015
Interest earned (loss)	492
Total	$ 13,507

Interest earned (loss) on CFC revenues is included in investment income (loss) in the accompanying financial statements.

A summary of changes in amount collected and interest earned (loss) during the fiscal year ending June 30, 2024, is presented below (in thousands):

	July 1, 2023	Increases	Decreases	June 30, 2024
Amount collected	$ 11,441	13,015	-	24,456
Interest earned (loss)	(204)	492	-	288
Total	$ 11,237	13,507	-	24,744

(16) Commitments, Litigation, and Contingencies

(a) Commitments

Purchase commitments for construction, material, and services as of June 30, 2024, are as follows (in thousands):

Construction	$	96,650
Operating		37,064
Total	$	133,714

The Airport's Noise Insulation Program was implemented to mitigate the aircraft noise impact in the surrounding communities. This involved execution of a Memorandum of Understanding in 1992 with neighboring communities to insulate eligible properties and acquire easements for noise, vibration, and other effects resulting from aircraft operations at the Airport, and implementation of a supplemental program in 2000 to complete the work. This program was managed by the local communities with Airport funds (using bond proceeds, operating and other internally generated funds), as well as federal grants.

In fiscal year 2007-08, these components of the program were finalized, and a new phase was started, with the Airport managing all new noise insulation work directly. In fiscal year 2023-24, the Airport disbursed approximately $6.5 million in the new phase of the program ($3.7 million in federal grants and $2.8 million in Airport funds). As of June 30, 2024, the cumulative commitment of Airport funds under this program were approximately $133.0 million.

(b) Security Deposits

Each Signatory Airline is required to post security with the Airport to guarantee its performance and payment under the Lease and Use Agreement. Such security generally consists of a surety bond or a letter of credit in an amount equal to two months of terminal area rentals, landing fees, and usage fees. Other forms of security deposits acceptable to the Airport, such as cash deposits, have on occasion been accepted in very limited amounts and circumstances, such as when an airline bankruptcy occurs where other forms of security deposits are temporarily unavailable. Airlines operating at the Airport pursuant to 30-day permits are required to post security bonds or letters of credit in an amount equal to six months of its estimated rentals and fees under such agreements.

(c) Litigation

The Airport is a defendant in various legal actions and claims that arise during the normal course of business. Insurance policies cover certain liabilities and defense costs. Only those potential liabilities not covered by insurance are included in the financial statements, and they have been estimated and reported in conformity with GAAP.

(d) Risk Management

Under the 1991 Master Bond Resolution, the Airport is required to procure or provide and maintain insurance, or to self-insure, against such risks as are usually insured by other major airports in amounts adequate for the risk insured against, as determined by the Airport. The Airport is not required to nor does it carry insurance or self-insure against any risks due to land movement or seismic activity.

The Airport has an ongoing loss prevention program, a construction safety officer, property loss control, and ongoing employee training programs. The Airport has instituted a Risk Management Program by implementing a comprehensive risk identification, assessment, and treatment protocol to address key risks that may adversely affect the Airport's ability to meet its business goals and objectives. The Airport carries aviation liability insurance coverage of $1.0 billion with $250.0 million in War Perils Liability, subject to a deductible of $10,000 per occurrence. Immediately following the events of September 11, 2001, insurers canceled the coverage for war, terrorism, and hijacking for all airports, including the Airport. A number of insurers now provide this coverage through the Federal Government Terrorism Risk Insurance Act (TRIA). However, the scope of the coverage is limited and the premiums are high. Due to these factors, the Airport, in consultation with the City's Risk Management Division, has elected to purchase War Perils Liability Coverage as part of its aviation liability program instead of TRIA.

The Airport also carries commercial property insurance on a replacement value basis on facilities at the Airport owned by the Airport, subject to a limit of $1.0 billion per occurrence and a deductible of $500,000 per occurrence. This policy includes flood coverage up to a $10.0 million sub-limit. The Airport also carries business interruption and extra expenses insurance up to a $100.0 million pooled sub-limit.

Additionally, tenants and contractors on all contracts are required to carry insurance including commercial general and automobile liability insurance, naming the Airport as additional insured as appropriate. The Airport is self-insured as part of the City's workers' compensation program. From current revenues, the Airport pays losses from workers' compensation claims of Airport employees, the deductible portion of insured losses, and losses from other uninsured risks. The Airport carries public officials and employment practices liability coverage of $5.0 million, subject to a deductible of $100,000 per occurrence for Public Officials' and Public Entity Liability matters, and $250,000 per occurrence for Employment Practices Liability matters. The Airport also carries insurance for excess auto, public employee dishonesty, fine arts, cyber liability, and watercraft liability for Airport fire and rescue vessels, and target range liability for the San Francisco Police Department's firearms range located at the Airport.

(Continued)

The estimated claims payable are actuarially determined as part of the City's self-insurance program. Changes in the reported amount resulted from the following activities (in thousands):

Balances as of June 30, 2023	$	4,272
Claims payments		(38)
Claims and changes in estimates		1,593
Balances as of June 30, 2024	$	5,827

The Airport is self-insured as part of the City's program for workers' compensation. All self-insurance claims are processed by the City. Liability and risk are retained by the Airport. Accrued workers' compensation includes provisions for claims reported and claims incurred but not reported. This accrued workers' compensation liability is actuarially determined as part of the City's program and is as follows (in thousands):

Balances as of June 30, 2023	$	12,567
Claims payments		(5,094)
Claims and changes in estimates		6,627
Balances as of June 30, 2024	$	14,100

(e) Grants

Grants that the Airport receives are subject to audit and final acceptance by the granting agency. Current and prior fiscal year costs of such grants are subject to adjustment upon audit.

(f) Financial Guarantees

The Airport participates in the City and County of San Francisco's contractor development program, previously referred to as the surety bond program, which provides training, support and City-funded surety bond guaranties for local business enterprise (LBE) contractors who want to bid on construction contracts for City departments (including the Airport), but cannot qualify for the required surety bonds on their own. If program parameters are met, the Airport may guarantee the lesser of $750,000 or 40% of the face amount of the surety bond, which would enable the LBE contractor to bid on Airport construction work. There were no outstanding Airport guaranties under the program as of June 30, 2024.

(g) Concentration of Credit Risk

The Airport leases facilities within the terminal buildings of the Airport to the airlines pursuant to the Lease and Use Agreement (see Note 2h) and to other businesses at the Airport to operate concessions pursuant to concession leases. For fiscal year ended June 30, 2024, revenues realized from the following source exceeded 5.0% of the Airport's total operating revenues:

United Airlines	21.7%

(h) Per- and Polyfluoroalkyl Substances (PFAS)

For its aircraft rescue and firefighting vehicles and fire suppression operating systems, the Airport uses Aqueous Film Forming Foam that contains Per- and Polyfluoroalkyl Substances (PFAS), as required by the FAA. PFAS are a group of more than 3,000 synthetic chemicals. The U.S. Environmental Protection Agency (EPA) determined that, due to the widespread use and persistence in the environment of PFAS, most people in the United States have been exposed to PFAS. The EPA also found evidence that continued exposure to certain PFAS above specified levels may lead to adverse health effects.

On March 20, 2019, the California State Water Resources Control Board (the “State Board”) issued an order pursuant to California Water Code Section 13267, for the Determination of the Presence of PFAS to all airports in California (the “Order”), including the Airport. The Order identifies the Airport as a facility that accepted, stored, or used materials that may contain PFAS. The Order requires the Airport to test soil, sediment, and groundwater for 23 types of PFAS. The Airport has completed the sampling required under this Order, which identified the presence of PFAS in soil, sediment, and groundwater at several locations at the Airport.

In March 2021, the State Board issued the Investigative Orders to Refineries and Bulk Fuel Terminals, which ordered certain facilities, including two facilities located at the Airport, to conduct a one-time sampling effort to determine whether soil, groundwater, surface water, and influent/effluent wastewater were impacted by PFAS. The Airport completed the required testing for these two facilities and submitted the final reports to the San Francisco Bay Regional Water Quality Control Board (the Regional Board) in February and April 2023. The Airport anticipates that additional orders will be issued requiring further testing and/or delineation of the presence of PFAS at the Airport. The State Board and the Regional Board have not yet established cleanup standards for PFAS or otherwise indicated what actions will be required for PFAS found in soil, sediment, and groundwater exceeding the levels they specify.

On May 8, 2024, the EPA published a final rule in the Federal Register listing PFOA and PFOS (and their salts and structural isomers) under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly referred to as the Superfund law. The CERCLA designation became effective on July 8, 2024. The CERCLA extends its reporting, liability, and remediation provisions to releases associated with PFOA and PFOS, but does not establish cleanup standards for PFOA and PFOS. EPA has delayed plans to expand the CERCLA hazardous substance designation to an additional seven PFAS, revising the anticipated timeline of April 2025 for proposing a rule to "to be determined."

On June 28, 2024, the U.S. Supreme Court overturned what is referred to as the *Chevron* doctrine in *Loper Bright Enterprises v. Raimondo*. While the implications of this decision are still uncertain, in general, the overturning of *Chevron* removes a standard of deference to agency interpretation when regulations are ambiguous. This decision may result in new challenges to older regulations.

As of June 30, 2024, it is uncertain whether and to what extent the levels of PFAS discovered at the Airport will trigger a remediation obligation. It is possible that the ultimate costs of remediation and third-party liability for PFAS could be extensive.

(17) Subsequent Events

On August 27, 2024, the escrow repaid $434.0 million of commercial paper (CP) notes, plus interest due thereupon, which were funded by 2024A/B/C Bonds. See Note 6.

In the normal course of its business, the Airport issued CP notes to finance certain projects in the Capital Improvement Plan on three occasions. On August 6, 2024, the Airport issued $65.0 million of AMT and Non-AMT CP notes. On October 1, 2024, it issued $168.5 million of AMT, Non-AMT, and Taxable CP notes. And on October 3, 2024, it issued $141.5 million of AMT CP notes.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Board of Supervisors
City and County of San Francisco

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Airport Commission, City and County of San Francisco, San Francisco International Airport (the "Airport"), an enterprise fund of the City and County of San Francisco (the "City) as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Airport's financial statements, and have issued our report thereon dated October 25, 2024. As discussed in Note 1, the financial statements present only the Airport and do not purport to, and do not, present fairly the financial position of the City, the changes in its financial position, or where applicable, its cash flows in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we do not express an opinion on the effectiveness of the Airport's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management nor employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Airport's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Crowe LLP

Costa Mesa, California
October 25, 2024

Crowe LLP
Independent Member Crowe Global

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF REVENUES AND EXPENDITURES OF PASSENGER FACILITY CHARGES

The Honorable Mayor and Board of Supervisors
City and County of San Francisco

Report on Compliance of Passenger Facility Charges

Opinion on Passenger Facility Charge Program

We have audited the Airport Commission, City and County of San Francisco, San Francisco International Airport (the "Airport") compliance with the types of compliance requirements identified as subject to audit in the *Passenger Facility Charge Audit Guide for Public Agencies,* issued by the Federal Aviation Administration ("Guide"), that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2024.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended June 30, 2024.

Basis for Opinion on Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of the Guide. Our responsibilities under those standards and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Airport and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the passenger facility charge program. Our audit does not provide a legal determination of the Airport's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Airport's passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Airport's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Airport's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Guide, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Airport's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Airport's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Revenues and Expenditures of Passenger Facility Charges

We have audited the financial statements of the Airport as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Airport's financial statements. We issued our report thereon dated October 25, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the financial statements. The accompanying schedule of revenues and expenditures of passenger facility charges is presented for purposes of additional analysis as required by the Guide and is not a required part of the financial statements. Such information is the responsibility of management and, except for that portion marked "unaudited," was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of revenues and expenditures of passenger facility charges is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Crowe LLP

Crowe LLP

Costa Mesa, California
October 25, 2024

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Schedule of Passenger Facility Charge Revenues and Expenditures

Year ended June 30, 2024

(In thousands)

	Passenger Facility Charge revenues	Interest earned	Total revenues	Expenditures on approved projects	Revenues over (under) expenditures on approved project
Program to date as of June 30, 2023 (Unaudited)	$ 1,664,758	43,006	1,707,764	(1,123,240)	$ 584,524
Fiscal year 2023 – 24 transactions (Audited):					
Reversal passenger facility charges accrual	(16,231)	-	(16,231)	-	(16,231)
Quarter ended September 30, 2023	25,729	4,647	30,376	-	30,376
Quarter ended December 31, 2023	25,076	5,186	30,262	-	30,262
Quarter ended March 31, 2024	22,533	5,672	28,205	-	28,205
Quarter ended June 30, 2024	26,540	6,288	32,828	-	32,828
Unrealized gain on investments	-	7,024	7,024	-	7,024
Passenger facility charges accrual	15,940	-	15,940	-	15,940
Total fiscal year 2023 – 24 transactions	99,587	28,817	128,404	-	128,404
Program to date as of June 30, 2024 (Unaudited)	$ 1,764,345	71,823	1,836,168	(1,123,240)	$ 712,928

See accompanying independent auditor’s report and notes to schedule of passenger facility charge revenues and expenditures.

AIRPORT COMMISSION
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

Notes to Schedule of Passenger Facility Charge Revenues and Expenditures

Year ended June 30, 2024

(In thousands)

(1) General

The accompanying schedule of Passenger Facility Charge (PFC) revenues and expenditures includes activities related to applications 02-02-C-00-SFO, 03-03-C-01-SFO, 11-05-C-01-SFO, 18-08-C-00-SFO, and 21-09-C-00-SFO of the PFC program of the Airport Commission, City and County of San Francisco (the Airport). The level of PFCs authorized, charge effective dates, and approved collection amounts of the Airport's PFC program are as follows:

Application number	Level of PFCs authorized	Charge effective date for collection	Amounts approved for collection (in thousands)
02-02-C-00-SFO	$ 4.50	October 1, 2001	$ 224,035
03-03-C-01-SFO	4.50	November 1, 2005	609,108
11-05-C-01-SFO	4.50	November 1, 2013	741,745
18-08-C-00-SFO	4.50	October 1, 2024	536,799
21-09-C-00-SFO	4.50	March 1, 2029	208,629
Total			$ 2,320,316

(2) Basis of Accounting – Schedule of Passenger Facility Charge Revenues and Expenditures

The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures (the Schedule) has been prepared on the accrual basis of accounting which is described in Note 2a of the Airport's basic financial statements.

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_______ Yes	___X___ No
Significant deficiency(ies) identified?	_______ Yes	___X___ None reported
Noncompliance material to financial statements noted?	_______ Yes	___X___ No

Passenger Facility Charge Audit Guide for Public Agencies

Internal control over major federal programs:		
Material weakness(es) identified?	_______ Yes	___X___ No
Significant deficiencies identified not considered to be material weaknesses?	_______ Yes	___X___ None reported
Type of auditor's report issued on compliance with the Passenger Facility Charge Audit Guide for Public Agencies:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with the Passenger Facility Charge Audit Guide for Public Agencies?	_______ Yes	___X___ No