



**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, 2025

(With Independent Auditor's Report Thereon)

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

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## 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, 2025 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, 2025, 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, 2025, 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.

As discussed in Note 2, during the year ended June 30, 2025, the Airport adopted new accounting guidance, GASB Statement No. 101, Compensated Absences, which resulted in a restatement of the July 1, 2024 net position in the amount of \$34,718,000. 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 27, 2025 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

Costa Mesa, California  
October 27, 2025

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Management's Discussion and Analysis (Unaudited)

June 30, 2025

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 (FY) ended June 30, 2025. 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 2024-25 total passenger traffic at SFO was more than 54.1 million passengers, an increase of 5.5% compared to the prior fiscal year. Domestic enplaned passengers increased by 5.6%, and international enplaned passengers increased by 5.9%. Total cargo and U.S. mail tonnage increased by 3.7%.

Fiscal year 2024-25 published scheduled departing seats for SFO were 7.3% higher than fiscal year 2023-24, while the Oakland International Airport (OAK) and the San Jose Mineta International Airport (SJC) were 9.2% and 0.9% lower, respectively. Total scheduled departing seats for the Bay Area were 3.2% higher than the prior fiscal year.

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**Passenger and Other Traffic Activity**

The number of flight operations (takeoffs and landings) increased by 8.1% over the previous fiscal year. Aircraft revenue landed weight, which affects revenue generated by landing fees, increased by 5.4% 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), surpassed 54.1 million, which was 5.5% above last fiscal year. Overall enplaned passengers increased by 5.7% over the prior fiscal year to 27.0 million. Domestic enplanements increased by 5.6% to approximately 19.0 million, and international enplanements increased by 5.9% to approximately 8.0 million passengers. Total cargo and U.S. mail tonnage increased by 3.7%.

The following table<sup>1</sup> presents a comparative summary of passenger and other traffic at the Airport for fiscal years ended June 30, 2025 and 2024:

	<b>FY 2025</b>	<b>FY 2024</b>
Flight operations (takeoffs and landings)	410,438	379,839
Landed weight (in 1,000 lbs.)	37,296,818	35,384,827
Total Airport passengers	54,118,814	51,292,995
Enplaned passengers		
Domestic enplaned passengers	18,990,249	17,983,862
International enplaned passengers	7,975,663	7,531,674
Cargo and U.S. mail tonnage (in metric tons)	555,099	535,390

**Passenger Traffic**

Passenger enplanements in fiscal year 2024-25 increased by 5.9% from 25.5 million to 27.0 million passengers. Domestic passenger enplanements increased by 5.6%, and international enplanements increased by 5.9%. Overall enplanements increased by approximately 1.5 million passengers, comprised of approximately 1.1 million in domestic and 0.4 million in international enplanements.

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<sup>1</sup> Sources: Airport's Analysis of Airline Traffic, Fiscal Years 2025 and 2024.

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On a quarterly basis, enplanements increased by 1.8%, 6.5%, 5.6%, and 9.0%, relative to the same quarter in fiscal year 2023-24.

Traffic to Asia increased by 10.2% in fiscal year 2024-25 over fiscal year 2023-24 and has surpassed pre-pandemic levels by 11.3%. Enplanements to international regions other than the Middle East continued to improve over the previous fiscal year, with increases of 3.3% for Europe, 4.9% for Canada, 4.6% for Latin America, and 2.0% for Australia/Oceania. Traffic to the Middle East was down by 5.5% 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 7.3% during fiscal year 2024-25 as compared to fiscal year 2023-24, with a domestic increase of 8.2% and an international increase of 5.3%. The overall load factor (the percentage of seats filled on flights) decreased by 1.4 percentage points to 84.0%. The domestic load factor decreased by 2.0 percentage points to 85.0%, while the international load factor increased by 0.2 percentage points to 81.9%.

### **Flight Operations**

During fiscal year 2024-25, the number of aircraft operations (takeoffs and landings) increased by 30,599 flights (8.1%) as compared to fiscal year 2023-24. Scheduled passenger aircraft arrivals and departures increased by 30,410 flights (8.2%). Civil and military traffic increased by 189 flights (2.0%). The total number of scheduled airline passenger and cargo landings increased by 5.5%, with an increase in revenue landed weight of 5.4%. Domestic passenger landings increased by 5.7%, while domestic landed weight increased by 6.3%. International passenger landings increased by 5.3%, while international landed weight increased by 4.5%. Average passenger aircraft size remained the same at approximately 172 seats per flight. Domestic scheduled seats per flight increased from 151 to 152, while international scheduled seats per flight decreased from 247 to 246. The overall balance between mainline passenger aircraft (wide body and narrow body) and commuter aircraft (regional jets and turbo props) shifted 2.2% towards mainline aircrafts, which increased to 79.8% for domestic and international operations combined. Mainline landings increased by 11,607, while commuter landings decreased by 1,801.

### **Cargo Tonnage**

Fiscal year 2024-25 cargo and mail tonnage increased by 19,709 metric tons (3.7%). Domestic cargo and mail decreased by 18,285 metric tons (9.3%), while international cargo and mail increased by 37,993 metric tons (11.2%). The tonnage of cargo carried by cargo-only carriers at the Airport decreased by 11.3%. Compared to prior fiscal year, share of the cargo carried by cargo-only carriers dropped by 2.8% to 16.8% of the total cargo at the Airport, mainly due to the increase in passenger aircraft operations.

### **Financial Highlights**

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$534.7 million.
- Total revenue bonds payable by the Airport increased by \$802.5 million.
- Operating revenues were \$1.4 billion.



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- Operating expenses were \$1.1 billion.
- Nonoperating expenses, net of revenues from nonoperating sources, were \$172.4 million including investment income of \$209.1 million, revenues of \$104.3 million from Passenger Facility Charges (PFC), \$13.7 million from Customer Facility Charges (CFC), and offset by interest expense of \$399.4 million and other nonoperating expenses of \$109.5 million.
- Capital contributions consisting of grants from the Federal Aviation Administration (FAA), Airport Improvement Program (AIP), and the Transportation Security Administration (TSA) totaled \$60.8 million.
- Transfers to the City included the annual service payment of \$58.2 million.
- Net position increased by \$17.8 million mainly due to the cumulative effect of accounting change from the adoption of the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*.

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**Overview of the Airport's Financial Statements**

**Net Position Summary**

A condensed summary of the Airport's net position for the fiscal years 2024-25 and 2023-24 is shown below (in thousands):

	<u>FY 2025</u>	<u>FY 2024</u>
Assets:		
Unrestricted current assets	\$ 1,322,414	1,245,436
Restricted current assets	1,087,534	955,000
Unrestricted noncurrent assets	705,715	753,061
Restricted noncurrent assets	1,481,815	1,218,357
Capital assets, net	<u>7,537,288</u>	<u>7,136,289</u>
Total assets	<u>12,134,766</u>	<u>11,308,143</u>
Deferred outflows of resources	<u>217,434</u>	<u>215,498</u>
Liabilities:		
Current liabilities	529,413	526,458
Current liabilities payable from restricted assets	332,670	259,617
Noncurrent liabilities	10,574,371	9,774,879
Net OPEB liability	236,686	249,579
Net pension liability	<u>229,504</u>	<u>208,295</u>
Total liabilities	<u>11,902,644</u>	<u>11,018,828</u>
Deferred inflows of resources	<u>984,269</u>	<u>1,057,297</u>
Net position:		
Net investment in capital assets	(2,194,281)	(1,949,136) *
Restricted for debt service	265,813	157,855
Restricted for capital projects	889,448	833,330
Restricted for other purposes	9,292	6,403
Unrestricted	<u>495,015</u>	<u>399,064</u> *
Total net position (deficit)	<u>\$ (534,713)</u>	<u>(552,484)</u>

\*FY 2023-24 lease receivable, lease interest receivable, and deferred inflows related to leases were reclassified from net investment in capital assets to unrestricted net position.

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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 \$534.7 million and \$552.5 million as of June 30, 2025 and 2024, respectively, representing an increase of \$17.8 million (3.2%) in net position due to the cumulative effect of the GASB 101 implementation.

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 \$132.5 million (13.9%). The increase was primarily due to the higher PFC collection, investment earnings, and capitalized interest deposits from the Series 2025A/B/C Bonds issuance.

Restricted noncurrent assets increased by \$263.5 million (21.6%), primarily due to the issuance of Series 2025A/B/C Bonds and investing earnings.

Unamortized loss on refunding of debt decreased by \$8.6 million (33.8%) primarily due to the amortization of the bond refunding loss.

Current liabilities payable from restricted assets increased by \$73.1 million (28.1%) primarily due to the increase in accounts payable for capital projects.

Net pension liability (NPL) increased by \$21.2 million (10.2%) primarily due to liability experience losses and offset by an investment experience gain. See additional information in Note 12a.

Deferred inflows related to Postemployment Benefits Other than Pensions (other postemployment benefits or OPEB) decreased by \$5.7 million (16.4%) primarily due to the decrease in deferred inflows of experience. See additional information in Note 12b.

Deferred inflows related to pensions decreased by \$7.1 million (45.6%) primarily due to the decrease in deferred inflows of assumption change. See additional information in Note 12a.

The Airport's net investment in capital assets decreased by \$245.1 million (12.6%) primarily due to the issuance of Series 2025A/B/C Bonds and the depreciation of capital assets, partially offset by the reclassification of FY 2023-24 lease receivable, lease interest receivable, and deferred inflows related to leases to unrestricted net position.

Net position restricted for debt service increased by \$108.0 million (68.4%) primarily due to increased cash and investments held outside the City Treasury for debt service.

Net position restricted for other purposes increased by \$2.9 million (45.1%) primarily due to the higher Hotel occupancy levels resulting in the Hotel's operating revenues exceeding the Hotel's operating expenses.

Unrestricted net position increased by \$96.0 million (24.0%), primarily due to the transfer from the PFC Fund to the Operating Fund, and the reclassification of FY 2023-24 lease receivable, lease interest receivable, and deferred inflows related to leases from net investment in capital assets.

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**Highlights of Changes in Net Position**

The following table shows a condensed summary of changes in net position for fiscal years 2024-25 and 2023-24 (in thousands):

	<u>FY 2025</u>	<u>FY 2024</u>
Operating revenues	\$ 1,369,248	1,401,390
Operating expenses	<u>(1,146,671)</u>	<u>(976,556)</u>
Operating income	222,577	424,834
Nonoperating revenues (expenses), net	<u>(172,375)</u>	<u>(162,710)</u>
Income (loss) before capital contributions and transfers	50,202	262,124
Capital contributions	60,776	63,909
Transfers to City and County of San Francisco	<u>(58,489)</u>	<u>(55,600)</u>
Changes in net position (deficit)	52,489	270,433
Total net position (deficit) – beginning of year, as previously reported	(552,484)	(822,917)
Cumulative effect of accounting change	<u>(34,718)</u>	<u>-</u>
Total net position (deficit) – beginning of year, as restated	<u>(587,202)</u>	<u>(822,917)</u>
Total net position (deficit) – end of year	<u><u>\$ (534,713)</u></u>	<u><u>(552,484)</u></u>

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**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<sup>2</sup>.

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 non-airline 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 Operating Revenue and Capital Improvement Fund (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 \$247.0 million as of June 30, 2024, decreased to \$202.9 million as of June 30, 2025, and was recorded as unearned aviation revenue in the statement of net position. See Note 2h.

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<sup>2</sup>The current 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."

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The following table shows the air carriers that served the Airport in fiscal year 2024-25:

<b>Domestic passenger air carriers</b>	<b>Foreign flag carriers</b>	<b>Cargo-only carriers</b>
Alaska Airlines	Aer Lingus	21 Air, LLC
American Airlines	Aeromexico	ABX Air
Breeze Airways	Air Canada	Air Transport International
Delta Air Lines	Air China	Atlas Air
Frontier Airlines	Air France	Federal Express
Hawaiian Airlines	Air India Limited	Kalitta Air
JetBlue Airways	Air New Zealand	
Southwest Airlines	Air Pacific Limited dba Fiji Airways	
Sun Country Airlines	Air Premia	
United Airlines	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	
	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	
<b>Commuter air carriers</b>		<b>Seasonal/Charter carrier</b>
Horizon Air (Alaska Airlines)		Swissport
Jazz Aviation (Air Canada)		
SkyWest Airlines (Alaska Airlines)		
SkyWest Airlines (American Airlines)		
SkyWest Airlines (Delta Air Lines)		
SkyWest Airlines (United Airlines)		

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The following table shows a comparison of terminal rental rates and airline landing fees for fiscal years 2024-25 and 2023-24:

	<b>FY 2025</b>	<b>FY 2024</b>
Effective average terminal rental rate (per sq. ft.)	\$ 246.46	225.62
Signatory Airline – landing fee rate (per 1,000 lbs.)	6.48	5.98
Non-Signatory Airline – landing fee rate (per 1,000 lbs.)	8.10	7.48
General aviation and itinerant aircraft – landing fee rate (per 1,000 lbs.)	8.10	7.48

During fiscal years ended June 30, 2025 and 2024, revenues realized from the following source equaled or exceeded 5.0% of the Airport's total operating revenues:

	<b>FY 2025</b>	<b>FY 2024</b>
United Airlines	25.5%	21.7%

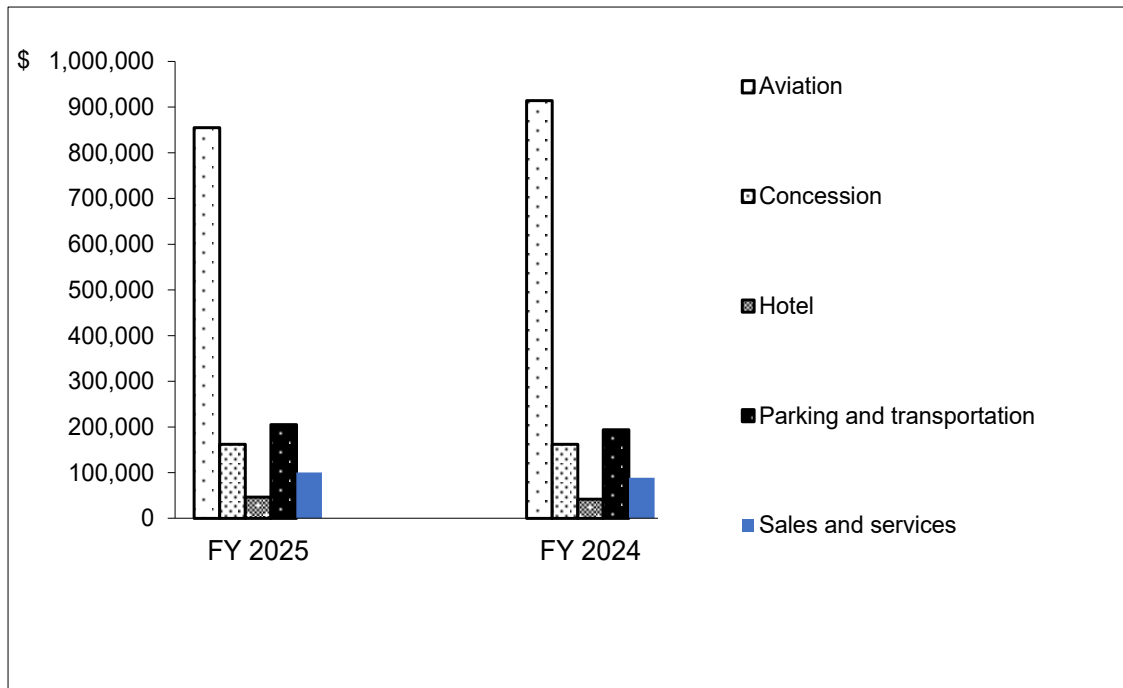
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The following shows a comparative summary of operating revenues for fiscal years 2024-25 and 2023-24 (in thousands):

		<u>FY 2025</u>	<u>FY 2024</u>
Aviation	\$	855,002	913,990
Concession		161,996	161,927
Hotel		46,575	42,173
Parking and transportation		205,262	194,076
Sales and services		100,413	89,224
Total operating revenues	\$	<u>1,369,248</u>	<u>1,401,390</u>



Operating revenues decreased by 2.1%, from \$1.40 billion in fiscal year 2023-24 to \$1.37 billion in fiscal year 2024-25 primarily due to decreased aviation revenues.

Aviation revenues decreased from \$914.0 million in fiscal year 2023-24 to \$855.0 million in fiscal year 2024-25 primarily due to a \$151.7 million reduction in contribution from the airlines for the ORCIF in accordance with the Lease and Use Agreement.



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As determined by the calculation method in the Lease and Use Agreement, scheduled airline landing fees per thousand pounds increased from \$5.98 in fiscal year 2023-24 to \$6.48 in fiscal year 2024-25. The airline average annual terminal rent per square foot (sq. ft.) increased from \$225.62 in fiscal year 2023-24 to \$246.46 in fiscal year 2024-25, due to a 17.6% increase in residual terminal rental revenue requirement combined with a 7.6% increase in airline leased space to 1.8 million square feet.

Before the decrease of unearned aviation revenue of \$44.1 million, revenues from landing fees increased by \$25.8 million (12.0%) due to the increases in both landing fee rate and landed weight. Terminal rentals increased by \$77.4 million (20.9%), due to the increases in both terminal rental rates and airline leased space. In aggregate, all other aviation revenues increased by \$8.4 million (7.4%), from \$114.0 million in fiscal year 2023-24 to \$122.4 million in fiscal year 2024-25, driven by the combined effect of increases in net aviation rental revenue and activity-based fees including airline support services, employee parking, common use gate 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 less than 0.1%, from \$161.9 million in fiscal year 2023-24 to \$162.0 million in fiscal year 2024-25. The higher revenues resulted mainly from a combination of 2.3% increase in food & beverage and retail sales, and a 42.8% increase in passenger services, which were offset by a 6.2% decrease in duty free sales at the Airport. Food and beverage revenues increased by \$3.6 million (13.7%) due to higher passenger volumes. The per passenger food and beverage spend rate decreased by 4.6% from \$11.20 in fiscal year 2023-24 to \$10.68 in fiscal year 2024-25. Retail merchandise revenues excluding duty-free revenues increased by \$1.8 million (11.1%) for the same reasons. The Airport-wide per passenger spend rate for such merchandise slightly increased by 0.7% from \$4.19 in fiscal year 2023-24 to \$4.22 in fiscal year 2024-25. Despite the increase of international passenger volumes in fiscal year 2024-25, revenues from duty-free merchandise sales decreased by \$2.7 million (7.4%) due to challenges associated with the global luxury market. On- and off-Airport rental car revenues decreased by \$1.9 million (3.4%) due to lower revenue per rental car contract. Other concession revenues increased by \$6.2 million (16.1%), primarily driven by the opening of the new passenger lounge in Harvey Milk Terminal 1 and non-airline space rentals. During the pandemic, the Minimum Annual Guarantee (MAG) rent had been suspended due to severe decline in enplanements. Through June 2025, MAG rent has been reinstated for approximately 89.0% of all concession leases.

The on-Airport Hotel operating revenues increased by 10.4% from \$42.2 million in fiscal year 2023-24 to \$46.6 million in fiscal year 2024-25 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 \$194.1 million in fiscal year 2023-24 to \$205.3 million in fiscal year 2024-25. The aggregate effect of an 11.0% increase in the average revenue per ticket, from \$41.0 in fiscal year 2023-24 to \$45.5 in fiscal year 2024-25, and a 5.9% decrease in parking transactions resulted in a parking revenue increase of \$5.7 million (4.4%). Ground transportation revenues, including taxi trip fee revenue, increased by \$5.5 million (8.6%) 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 7.3%. TNC Airport pick-ups/drop-offs totaled nearly 10.1 million resulting in \$55.5 million in trip fee revenue as compared to \$51.7 million in fiscal year 2023-24. Other modes of

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transportation also experienced changes in activity levels compared to fiscal year 2023-24, including hotel shuttles (up 20.0%), non-consolidated hotel shuttles (down 36.0%), door to door pre-arranged vans (down 93.0%), limousines (up 12.0%), taxis (down 7.3%), scheduled buses (up 2.0%), charter buses (down 27.0%) and off-Airport parking vans (up 14.0%). 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 12.6%, from \$89.2 million in fiscal year 2023-24 to \$100.4 million in fiscal year 2024-25. Revenue from the sale of water sewage disposal increased by \$1.3 million (14.7%). Telecommunication fees increased by \$0.9 million (17.6%) due to increased demand for telecommunication access services. Licenses and permit fees increased by \$0.3 million (11.5%) 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 \$1.0 million (4.9%) driven by a 4.9% increase in the number of rental car contracts. Fees collected for the cost of the Rental Car Center increased by \$0.5 million (2.6%) due to Rental Car Center structure rent annual Consumer Price Index (CPI) adjustment. Revenue from penalties from the enforcement of airfield safety rules and regulations decreased by \$0.1 million (5.6%). Miscellaneous terminal fees increased by \$4.6 million (39.2%), driven by lease and permit terms. Governmental agency rent revenue decreased by \$0.3 million (8.2%) due to leased space changes. Miscellaneous Airport revenues increased by \$1.3 million (3568.7%) reflecting refund of prior year work orders from Fine Arts Museums of San Francisco. Net revenue from all other sales and services including sale of electricity, sale of natural gas, refuse disposal, collection charges and settlements decreased by \$1.0 million (5.4%).

**Operating Expenses**

The following table shows a comparative summary of operating expenses for fiscal years 2024-25 and 2023-24 (in thousands):

	<b>FY 2025</b>	<b>FY 2024</b>
Personnel	\$ 388,763	316,285
Depreciation and amortization	414,926	358,872
Contractual services	134,010	114,854
Hotel	38,511	35,194
Light, heat and power	30,090	26,815
Services provided by other City departments	33,347	29,659
Repairs and maintenance	77,422	66,616
Materials and supplies	18,700	19,175
General and administrative	6,726	7,206
Environmental remediation	4,176	1,880
Total operating expenses	<u>\$ 1,146,671</u>	<u>976,556</u>

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Operating expenses increased from \$976.6 million to \$1.1 billion primarily due to the increases in expenses for personnel, depreciation and amortization, contractual services, light, heat and power, services provided by other City departments, repairs and maintenance, and environmental remediation. In fiscal year 2024-25, the Airport capitalized \$21.7 million of indirect costs related to construction of capital projects as overhead, compared to \$20.9 million in fiscal year 2023-24. The variances in the different categories are discussed below.

Personnel expenses increased by \$72.5 million (22.9%), from \$316.3 million to \$388.8 million. The increase was primarily due to headcount growth, staff cost-of-living adjustment, and higher pension and OPEB expenses.

Depreciation and amortization expenses increased by \$56.0 million (15.6%), from \$358.9 million to \$414.9 million. The increase was primarily due to the newly placed in service assets related to Taxiway D and T, the Terminal 1 Center, and the Baggage Handling Systems.

Contractual services increased by \$19.1 million (16.6%), from \$114.9 million to \$134.0 million. The increase was primarily due to increased expenses for various professional services contracts, such as parking management, guest services, curbside management, and shuttle buses.

Light, heat and power expenses increased by \$3.3 million (12.3%), from \$26.8 million to \$30.1 million. The increase was primarily due to an increase in consumption and rates.

Expenses for services provided by other City departments increased by \$3.6 million (12.1%), from \$29.7 million to \$33.3 million. The increase was primarily due to higher legal services and insurance premiums.

Repairs and maintenance expenses increased by \$10.8 million (16.2%), from \$66.6 million to \$77.4 million. The increase was primarily due to higher spending on as-needed maintenance, repair, and equipment modification services for elevators, escalators, electric walks, and wheelchair lifts.

Environmental remediation expenses increased by \$2.3 million (121.1%), from \$1.9 million to \$4.2 million. The increase was primarily due to a rise in capital spending related to the Taxiway D and T reconstruction project.

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**Nonoperating Revenues and Expenses**

The following summary shows a comparison of nonoperating revenues and expenses in fiscal years 2024-25 and 2023-24 (in thousands):

	<u>FY 2025</u>	<u>FY 2024</u>
Nonoperating revenues:		
Passenger facility charges	\$ 104,320	99,587
Customer facility charges	13,748	13,015
Investment income (loss)	209,053	156,780
Other	<u>11,678</u>	<u>7,365</u>
Total nonoperating revenues	<u>338,799</u>	<u>276,747</u>
Nonoperating expenses:		
Interest expense	399,390	365,105
Write-offs and gain (loss) on disposal	2,328	24,566
Other	<u>109,456</u>	<u>49,786</u>
Total nonoperating expenses	<u>511,174</u>	<u>439,457</u>
Total nonoperating revenues (expenses), net	(172,375)	(162,710)
Capital contributions	60,776	63,909
Transfers to City and County of San Francisco	<u>(58,489)</u>	<u>(55,600)</u>
Total	<u>\$ (170,088)</u>	<u>(154,401)</u>

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 \$104.3 million during fiscal year 2024-25, an increase of 4.7% compared to the \$99.6 million received in fiscal year 2023-24. The increase in PFC revenues was primarily due to an increase in passenger traffic. CFCs, which became effective in July 2022, generated \$13.7 million during fiscal year 2024-25. The increase in CFC revenues was primarily due to an increase in rental car contracts.

Investment income (loss) increased by \$52.3 million (33.4%), from \$156.8 million to \$209.1 million primarily due to higher interest rates and the investment fair value adjustments. Excluding the fair value adjustments, the actual investment income (loss) increased by \$42.7 million (38.3%), from \$111.5 million to \$154.2 million.

Other nonoperating revenues increased by \$4.3 million (58.1%), from \$7.4 million to \$11.7 million primarily due to energy tax credits filed with the Internal Revenue Service (IRS).

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Write-offs and gain (loss) on disposal decreased by \$22.3 million (90.7%), from \$24.6 million to \$2.3 million primarily due to fewer project scope changes and cancellations compared to fiscal year 2023-24, which was more significantly impacted by Coronavirus Disease 2019 (COVID-19).

Other nonoperating expenses increased by \$59.7 million (119.9%), from \$49.8 million to \$109.5 million primarily due to a rise in capital spending, driven by the initiation of new capital projects.

Transfers to the City increased by \$2.9 million (5.2%), from \$55.6 million to \$58.5 million. The increase was primarily due to the annual service payment from 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.

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Expenses incurred during fiscal year 2024-25 with respect to major capital projects are listed below (in thousands). The figures below do not reflect the total project budget. Most major capital projects at the Airport are implemented over multiple fiscal years.

	<u>Amount</u>
Terminal 3 Renovation	\$ 340,731
International Terminal Refresh Program	82,639
Terminal 1 Redevelopment	77,931
Courtyard 3 Connector	71,409
International Terminal Improvements	62,590
Taxiway Improvements	39,790
Parking and Garage Improvements	39,278
Cargo and Hangar Improvements	29,693
Water System Improvements	21,352
Plot 700 Redevelopment	19,849
Technology Improvement	18,222
Support Facility Improvements	16,408
Power & Lighting Improvements	15,810
Baggage Handling System	10,693
Waste Water System Improvements	9,360
Capital Improvement Plan Support	7,956
Utility Improvements	5,395
Noise Insulation Program	5,082
Gate Capacity Enhancements	3,813
Energy and Efficiency Improvements	3,404
Runway Improvements	3,313
Storm Drain Improvements	3,101
Shoreline Protection	3,069
Miscellaneous Terminal Improvements	1,541
Airport Support Miscellaneous Improvements	1,533
Roadway Improvements	1,346
All Other Projects	2,090
Total	\$ <u>897,398</u>

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For fiscal year 2024-25, the Airport continued to use the prior fiscal year 2023-24 CIP, which totaled \$11.02 billion and consisted of: (1) the Ascent Program – Phase 1.5 at \$8.03 billion, and (2) fiscal year 2023-24 Infrastructure Projects Plan totaling \$2.99 billion. In August 2025, the Airport updated the CIP to a new total of \$12.45 billion, which represents a \$1.43 billion increase. The new CIP includes the fixed Ascent Program – Phase 1.5 at \$8.03 billion which remains unchanged, and the new fiscal year 2025-26 Infrastructure Projects Plan which now totals \$4.42 billion. The new CIP covers a 10-year period from fiscal year 2025-26 to fiscal year 2034-35. Passenger enplanements and deplanements at the Airport have continued to rise over the last two fiscal years, and were approximately 54.0 million in fiscal year 2024-25 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 3 West Modernization project, 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 2024-25 included the Sanitary Waste Treatment Plant Improvements and the Taxiway A & B Phase 1 Rehabilitation.

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

**Debt Administration**

*Revenue Bonds:* On February 6, 2025, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2025A (AMT), Second Series Revenue Bonds, Series 2025B (Non-AMT/Governmental Purpose), and Second Series Revenue Bonds, Series 2025C (Federally Taxable) (collectively, the "2025A/B/C Bonds"), in aggregate principal amount of \$1.0 billion to repay \$375.0 million of its commercial paper notes, to fund capital projects, to fund capitalized interest, to fund a deposit to the contingency account, to fund a deposit to a debt service reserve, and to pay costs of issuance.

*Cash Defeasance:* On June 26, 2025, the Airport legally defeased \$28.9 million of its Series 2016D Bonds and \$17.1 million of its Series 2025C Bonds, using monies budgeted for debt service.

*Subordinate Commercial Paper Notes:* During fiscal year 2024-25, the Airport issued \$375.0 million in commercial paper notes to fund capital improvement projects. As of June 30, 2025, the Airport had no outstanding commercial paper notes. On February 6, 2025, the 2025A/B/C Bonds repaid \$4.0 million of commercial paper notes and funded an escrow to repay \$371.0 million of commercial paper notes as an in-substance defeasance. This escrow repaid the \$371.0 million of commercial paper notes, plus interest due thereupon, on May 6, 2025.

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.

*Trust Indenture Covenant Compliance:* During fiscal year 2024-25, 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 Trust Indenture ("Trust Indenture"), dated as of January 1, 2025 by and between the Airport and The Bank of New York Mellon Trust Company, N.A., as trustee. See "Debt Service Reserve and Covenants; Contingency Account" in Note 7.

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**Credit Ratings and Bond Insurance**

*Credit Ratings:* During fiscal year 2024-25, Moody's Investors Service Inc. (Moody's) and Fitch Ratings Inc. (Fitch) affirmed their underlying long-term credit ratings on outstanding debt of the Airport of "A1" and "A+", respectively, while S&P Global Ratings (S&P) raised its long-term rating on outstanding debt of the Airport to "AA-" from "A+". 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 January 6, 2025, Moody's affirmed its "A1" rating and revised its outlook to positive from stable for the Airport's outstanding fixed rate bonds and assigned these ratings to the 2025A/B/C Bonds, which were issued on February 6, 2025. On January 7, 2025, Fitch affirmed its "A+" rating with a stable outlook, and S&P raised its rating to "AA-" with a stable outlook from "A+" for the Airport's outstanding fixed rate bonds and assigned these ratings to the 2025A/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 2024-25.

**Fiscal Year 2025-26 Airline Rates and Charges**

Terminal rental rates and airline landing fees for fiscal year 2025-26 have been developed as part of the annual budget process that started in fall 2024. 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 2025-26, which became effective on July 1, 2025, are as follows:

Effective average terminal rental rate (per sq. ft.)	\$	271.64
Signatory Airline – landing fee rate (per 1,000 lbs.)		6.59
Non-Signatory Airline – landing fee rate (per 1,000 lbs.)		8.24
General aviation – landing fee rate (per 1,000 lbs.)		8.24



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The effective average terminal rental rate increased from \$246.46 per sq. ft. in fiscal year 2024-25 to \$271.64 per sq. ft. in fiscal year 2025-26. The fiscal year 2025-26 landing fee rate for Signatory Airlines increased by 1.7%, from \$6.48 per 1,000 pounds in fiscal year 2024-25 to \$6.59 per 1,000 pounds in fiscal year 2025-26, and the Non-Signatory Airline landing fee rate increased by 1.7%, from \$8.10 per 1,000 pounds in fiscal year 2024-25 to \$8.24 per 1,000 pounds in fiscal year 2025-26. The fiscal year 2025-26 landing fee rate for general aviation aircraft increased by 1.7%, from \$8.10 per 1,000 pounds in fiscal year 2024-25 to \$8.24 per 1,000 pounds in fiscal year 2025-26.

**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.

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Statement of Net Position

June 30, 2025

(In thousands)

	<u>Amount</u>
<b>Assets</b>	
Current assets:	
Cash and investments held in City Treasury	\$ 1,079,809
Cash and investments outside City Treasury	32,033
Cash – Revolving Fund	32
Accounts receivable (net of allowance for doubtful accounts of \$1,058)	58,640
Lease receivable	129,322
Lease interest receivable	2,402
Accrued interest – City Treasury	9,225
Accrued interest – outside City Treasury	4,225
Inventories	691
Other current assets	6,035
Restricted assets:	
Cash and investments held in City Treasury	796,930
Cash and investments outside City Treasury	203,438
Accounts receivable	2,780
Accrued interest – City Treasury	7,732
Grants receivable	56,119
Passenger facility charges receivable	9,661
Other current assets	10,874
Total current assets	<u>2,409,948</u>
Noncurrent assets:	
Lease receivable	705,715
Restricted assets:	
Cash and investments held in City Treasury	690,385
Cash and investments outside City Treasury	783,991
Accrued interest – City Treasury	7,439
Capital assets, net	
Land and other assets not being depreciated/amortized	1,099,942
Facilities, infrastructure and equipment, net of depreciation/amortization	6,437,346
Total noncurrent assets	<u>9,724,818</u>
Total assets	<u>12,134,766</u>
Deferred outflows of resources:	
Unamortized loss on refunding of debt	16,871
Deferred outflows related to OPEB	59,162
Deferred outflows related to pensions	141,401
Total deferred outflows of resources	<u>\$ 217,434</u>

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Statement of Net Position

June 30, 2025

(In thousands)

	<u>Amount</u>
Liabilities	
Current liabilities:	
Accounts payable	\$ 101,372
Accrued payroll	27,460
Compensated absences	32,796
Accrued workers' compensation	3,670
Estimated claims payable	2,654
Unearned aviation revenue	202,919
Current maturities of long-term debt	158,542
Payable from restricted assets:	
Accounts payable	222,273
Accrued payroll	1,035
Accrued bond interest payable	77,654
Current maturities of long-term debt	31,708
Total current liabilities	<u>862,083</u>
Noncurrent liabilities:	
Compensated absences, net of current portion	29,474
Accrued workers' compensation, net of current portion	12,662
Estimated claims payable, net of current portion	5,596
Other liabilities	1,796
Long-term debt, net of current maturities	10,524,843
Net OPEB liability	236,686
Net pension liability	229,504
Total noncurrent liabilities	<u>11,040,561</u>
Total liabilities	<u>11,902,644</u>
Deferred inflows of resources:	
Unamortized gain on refunding of debt	39,916
Deferred inflows related to OPEB	29,386
Deferred inflows related to pensions	8,498
Deferred inflows related to leases	906,469
Total deferred inflows of resources	<u>984,269</u>
Net position	
Net investment in capital assets	(2,194,281)
Restricted for debt service	265,813
Restricted for capital projects	889,448
Restricted for other purposes	9,292
Unrestricted	495,015
Total net position (deficit)	<u>\$ (534,713)</u>

See accompanying notes to financial statements.

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Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2025

(In thousands)

	<b>Amount</b>
Operating revenues:	
Aviation	\$ 855,002
Concession	161,996
Hotel	46,575
Parking and transportation	205,262
Sales and services	100,413
Total operating revenues	<u>1,369,248</u>
Operating expenses:	
Personnel	388,763
Depreciation and amortization	414,926
Contractual services	134,010
Hotel	38,511
Light, heat and power	30,090
Services provided by other City departments	33,347
Repairs and maintenance	77,422
Materials and supplies	18,700
General and administrative	6,726
Environmental remediation	4,176
Total operating expenses	<u>1,146,671</u>
Operating income	<u>222,577</u>
Nonoperating revenues (expenses):	
Investment income (loss)	209,053
Interest expense	(399,390)
Passenger facility charges	104,320
Customer facility charges	13,748
Write-offs and gain (loss) on disposal	(2,328)
Other nonoperating revenues	11,678
Other nonoperating expenses	(109,456)
Total nonoperating revenues (expenses), net	<u>(172,375)</u>
Income (loss) before capital contributions and transfers	50,202
Capital contributions:	
Grants	60,776
Transfers to City and County of San Francisco	(58,489)
Changes in net position (deficit)	52,489
Total net position (deficit) – beginning of year, as previously reported	(552,484)
Cumulative effect of accounting change	(34,718)
Total net position (deficit) – beginning of year, as restated	(587,202)
Total net position (deficit) – end of year	<u>\$ (534,713)</u>

See accompanying notes to financial statements.

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Statement of Cash Flows  
Year ended June 30, 2025  
(In thousands)

	<u>Amount</u>
Cash flows from operating activities:	
Cash received from airline carriers, concessionaires, and others	\$ 1,217,859
Cash paid for employees' services	(393,881)
Cash paid to suppliers for goods and services	(379,523)
Net cash provided by operating activities	<u>444,455</u>
Cash flows from noncapital financing activities:	
Transfers to City and County of San Francisco	(58,489)
Other noncapital financing revenues	11,105
Other noncapital financing expenses	(109,456)
Net cash used in noncapital financing activities	<u>(156,840)</u>
Cash flows from capital and related financing activities:	
Principal paid on revenue bonds and commercial paper notes	(213,515)
Interest paid on revenue bonds and commercial paper notes	(441,643)
Acquisition and construction of capital assets	(759,451)
Revenues from passenger facility charges	110,582
Revenues from customer facility charges	12,330
Proceeds from sale of revenue bonds	699,792
Proceeds from commercial paper notes	375,000
Lease payable	1,829
Lease receipt	156,775
Capital contributed by federal agencies and others	66,858
Net cash provided by capital and related financing activities	<u>8,557</u>
Cash flows from investing activities:	
Sales of investments with Trustee	965,338
Purchases of investments with Trustee	(1,089,375)
Interest received on investments	156,674
Net cash provided by investing activities	<u>32,637</u>
Net increase in cash and cash equivalents	328,809
Cash and cash equivalents – beginning of year	<u>2,275,559</u>
Cash and cash equivalents – end of year	<u>\$ 2,604,368</u>
Reconciliation of cash and cash equivalents to the statement of net position:	
Cash and cash equivalents held in City Treasury – unrestricted	\$ 1,079,809
Cash and cash equivalents held in City Treasury – restricted	1,487,315
Cash and cash equivalents outside City Treasury – unrestricted	32,033
Cash and cash equivalents outside City Treasury – restricted	5,179
Cash – Revolving Fund	32
Cash and cash equivalents – end of year	<u>\$ 2,604,368</u>

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Statement of Cash Flows

Year ended June 30, 2025

(In thousands)

	<u>Amount</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 222,577
Adjustments for noncash and other activities:	
Depreciation and amortization	414,926
Lease revenue / amortization of deferred inflows related to leases	(138,061)
Hotel expenses	(220)
Changes in assets and liabilities:	
Accounts receivable (net of change in allowance for doubtful accounts of \$101)	2,859
Inventories	52
Other current assets	(10,852)
Net OPEB liability and OPEB related deferred outflows and inflows of resources	(23,527)
Net pension liability and pension related deferred outflows and inflows of resources	8,416
Accounts payable and other liabilities	2,418
Accrued payroll	5,139
Compensated absences	2,622
Accrued workers' compensation	2,232
Unearned aviation revenue	(44,126)
Net cash provided by operating activities	\$ <u>444,455</u>
Noncash transactions:	
Accrued capital asset costs	\$ 215,799
Bond refunding through fiscal agent	370,451
GASB Statement No. 91 conduit debts - SFO fuel assets	4,352

See accompanying notes to financial statements.

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**(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. Net OPEB liability is

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measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees attributed to those employees' past service, less the amount of the Retiree Healthcare Trust Fund investments are measured 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**

During fiscal year 2024-25, the Airport implemented the following accounting standards:

**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. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the Airport reported the implementation of GASB Statement No. 101 as a change in accounting principle.

The cumulative effect of applying the new recognition and measurement guidance as of July 1, 2024 was recorded as a restatement of liabilities and beginning net position. The impact is presented in the following table (in thousands):

			FY 2025 Restated Beginning Balance
Accrued Compensated Absences - Current	\$		16,922
Accrued Compensated Absences - Noncurrent			17,796
Changes to Net Position	\$		34,718

	6/30/2024 As Previously Reported	Changes in Accounting Principle	6/30/2024 As Restated
Net Position (deficit) \$	(552,484)	(34,718)	(587,202)



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**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. Application of this Statement did not have a significant impact on the Airport for the year ended June 30, 2025.

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

**GASB Statement No. 103**

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement 1) introduces revisions to Management's Discussion and Analysis (MD&A), 2) updates the presentation of proprietary funds, distinguishing between operating and nonoperating revenues and expenses, 3) requires the display of inflows and outflows related to each unusual or infrequent item separately, 4) requires presentation of each major component unit separately in the government-wide statement of net position and statement of activities, and 5) requires presentation of budgetary comparison information in required supplementary information. 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.

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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 capitalized interest 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 is \$100,000 for real property and \$10,000 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 <sup>(1)</sup>	Various <sup>(2)</sup>
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.

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**(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**

Airport employees may accumulate earned, but unused leave benefits up to a specified maximum, as outlined in their applicable leave policies. In accordance with GASB Statement No. 101, *Compensated Absences*, the Airport recognizes liabilities for leaves that are attributable to services already rendered, will be paid upon separation or usage, and are more likely than not to be used or paid. Compensated absences that meet these criteria consist of vacation, sick, compensatory time, and other holidays and leaves. The Airport records the compensated absences liability, including employer payroll taxes and the employer's share of social security and Medicare taxes, as both current and noncurrent liabilities in the Statement of Net Position in the government-wide and proprietary fund financial statements. The Airport applies the current pay rates of active employees to leave balances in effect at fiscal year-end.

**(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 and inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt, such as deferred losses and gains 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, and the Hotel's capital lease obligations.

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

A significant portion of the Airport's net position is restricted by the Trust Indenture 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.

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**(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 payment 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 Operating Revenue and Capital Improvement Plan (ORCIP) 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, 2025, the Signatory Airlines to the Lease and Use Agreement, totaling 44 passenger airlines and 5 cargo airlines, represented over 98.6% of enplaned passengers in fiscal year 2024-25.

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 OPEB 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 \$202.9 million as of June 30, 2025.

**(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

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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.

**(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. In accordance with GASB Statement No. 87, the Airport reclassified the lease receivable, lease interest receivable, and deferred inflows related to leases from the net investment in capital assets to the unrestricted net position.

**(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 (CP) note proceeds are also generally invested as part of the City's investment pool.

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The Airport's cash and investments, at fair value, held in the City's pool as of June 30, 2025 (in thousands):

	Amount
Pooled cash and investments:	
Cash and investments held in City Treasury – unrestricted	\$ 1,079,809
Cash and investments held in City Treasury – restricted current	796,930
Cash and investments held in City Treasury – restricted noncurrent	690,385
Total cash and investments held in City Treasury	<u>\$ 2,567,124</u>

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
20.8%	18.9%	17.5%	42.8%

**(b) Cash and Investments with Fiscal Agent**

The restricted assets for revenue bond reserves, debt service, capitalized interest, 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,

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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, 2025, 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 the Trustees that represent 5.0% or more of the Airport's investments outside City Treasury as of June 30, 2025:

Freddie Mac Multifamily Structured Pass Through Certificates	12.6%
Federal Home Loan Bank Discount Notes	13.2%

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As of June 30, 2025, the Senior Trustee held investments for the benefit of the Airport with maturities as follows (in thousands):

Investments	Credit ratings June 30, 2025 (S&P/Moody's / Fitch)	June 30, 2025	
		Maturities	Fair value
Australia and New Zealand Banking Group NY	AA-/Aa2/AA-	December 16, 2026	\$ 5,478
California State University	AA-/Aa2/NR	November 1, 2027	274
Chevron USA Inc	AA-/Aa2/NR	February 26, 2027	3,023
Commonwealth Bank of Australia/NY	AA-/Aa2/AA-	November 27, 2026	5,486
Commonwealth of Massachusetts	NR/Aa1/AAA	July 15, 2025	525
Credit Agricole CIB / New York	A+/A1/AA-	February 1, 2027	4,762
Fannie Mae-Aces	AA+/Aa1/AA+	June 1, 2027 - July 1, 2028	5,793
Federal Farm Credit Banks Funding Corp	AA+/Aa1/AA+	June 23, 2026	5,117
Federal Home Loan Bank Discount Notes	A-1+/P-1/NR	October 27, 2025 - October 30, 2025	134,764
First American Government Obligation Fund	AAAm/Aaa-mf/AAAmf	-	20,249
Freddie Mac Multifamily Structured Pass	AA+/Aa1/AA+	December 1, 2025 - February 1, 2030	128,061
Goldman Sachs Financial Square Treasury Obligations Fund	AAAm/Aaa-mf/NR	-	24,923
Inter-American Development Bank	AAA/Aaa/AAA	February 1, 2027	887
Los Angeles Unified School District/CA	NR/Aa2/AAA	July 1, 2025 - July 1, 2028	2,151
National Australia Bank Ltd/New York	AA-/Aa2/NR	January 12, 2026	5,116
Rabobank Corporate Notes	A+/Aa2/AA-	July 17, 2026 - March 5, 2027	6,406
State Board of Administration Finance	AA/Aa2/AA	July 1, 2025	135
State of California	AA-/Aa2/AA	March 1, 2027	223
State of Connecticut	AA-/Aa3/AA-	March 15, 2030	2,123
State of Minnesota	AAA/Aaa/AAA	August 1, 2025	204
U.S. Treasury Bill	A-1+/P-1/F1+	July 1, 2025 - August 28, 2025	8,346
U.S. Treasury Notes	AA+/Aa1/AA+	July 31, 2025 - May 31, 2030	629,208
Walmart Inc	AA/Aa2/AA	April 28, 2027	5,457
Wells Fargo Bank NA	A+/Aa2/AA-	January 15, 2026	9,120
Cash and Cash Equivalents	-	-	11,631
Total			\$ <u>1,019,462</u>



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**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, 2025 (in thousands):

	Fair value June 30, 2025	Investments exempt from fair value	Fair value measurement using		
			Quoted 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	\$ 5,586	-	-	5,586	-
State and local agencies	5,635	-	-	5,635	-
Supranationals	887	-	-	887	-
U.S. agencies	273,735	-	-	273,735	-
U.S. corporate bonds/notes (medium term notes)	39,262	-	-	39,262	-
U.S. treasury securities	637,554	-	637,554	-	-
Cash and cash equivalents	11,631	11,631	-	-	-
Money market funds*	45,172	45,172	-	-	-
Total	<u>\$ 1,019,462</u>	<u>56,803</u>	<u>637,554</u>	<u>325,105</u>	<u>-</u>

\* 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

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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 Trust Indenture are invested in "Permitted Investments" as defined in the Trust Indenture.

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 \$1.0 billion in investments held by, and in the name of, the Senior Trustee and the Subordinate Trustee, collectively, as of June 30, 2025.

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

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**(4) Grants Receivable**

The Airport receives federal funding from the Federal Aviation Administration (FAA), the Transportation Security Administration (TSA), and other federal agencies. Grants receivable of \$56.1 million as of June 30, 2025, 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 mitigating 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 payment. The FAA militated \$22.5 million in discretionary grants in the federal fiscal year ended September 30, 2025, and the Airport did not receive any FAA discretionary grants. The FAA may reduce discretionary grants in the future as a result of the annual service payment or otherwise. Furthermore, Airport Improvement Program (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.

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**(5) Capital Assets**

Capital assets consist of the following (in thousands):

	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Capital assets not being depreciated/amortized:				
Land	\$ 29,813	-	-	\$ 29,813
Intangible assets	6,881	-	-	6,881
Construction in progress	552,460	814,917	(304,129)	1,063,248
Total capital assets not being depreciated/amortized	<u>589,154</u>	<u>814,917</u>	<u>(304,129)</u>	<u>1,099,942</u>
Capital assets being depreciated/amortized:				
Buildings, structures, and improvements	9,972,896	292,534	(92,898)	10,172,532
Equipment	1,096,886	6,829	(25,144)	1,078,571
Right-to-use assets	3,131	3,301	(831)	5,601
Intangible assets	29,468	2,740	(21,544)	10,664
Total capital assets being depreciated/amortized	<u>11,102,381</u>	<u>305,404</u>	<u>(140,417)</u>	<u>11,267,368</u>
Less accumulated depreciation/amortization:				
Buildings, structures, and improvements	(3,968,821)	(312,432)	92,706	(4,188,547)
Equipment	(556,984)	(100,683)	25,067	(632,600)
Right-to-use assets	(1,786)	(1,109)	832	(2,063)
Intangible assets	(27,655)	(702)	21,545	(6,812)
Total accumulated depreciation/amortization	<u>(4,555,246)</u>	<u>(414,926)</u>	<u>140,150</u>	<u>(4,830,022)</u>
Total capital assets being depreciated/amortized, net	<u>6,547,135</u>	<u>(109,522)</u>	<u>(267)</u>	<u>6,437,346</u>
Total capital assets, net	<u>\$ 7,136,289</u>	<u>705,395</u>	<u>(304,396)</u>	<u>\$ 7,537,288</u>

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, 2025, were \$21.7 million.

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

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**(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 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 the Trust Indenture.

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 Trust Indenture. 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.

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As of June 30, 2025, 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, 2025, there were no obligations outstanding under the 1997 Note Resolution. On February 6, 2025, the 2025A/B/C Bonds funded an escrow to repay \$371.0 million of commercial paper notes as an in-substance defeasance. This escrow repaid the \$371.0 million of commercial paper notes, plus interest due thereupon, on May 6, 2025.

During fiscal year 2024-25, the Airport issued new money commercial paper notes in the aggregate principal amount of \$302.5 million (AMT), \$68.5 million (Non-AMT), and \$4.0 million (Taxable) to fund capital improvement projects.

The following table summarizes CP notes activity during the fiscal year ended June 30, 2025 (in thousands):

	<u>Interest rate</u>	<u>July 1, 2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2025</u>
Commercial paper (Taxable)	4.38% - 4.70%	\$ -	4,000	(4,000)	-
Commercial paper (AMT)	2.77% - 3.25%	-	302,500	(302,500)	-
Commercial paper (Non-AMT)	2.75% - 3.15%	-	68,500	(68,500)	-
Total		\$ -	<u>375,000</u>	<u>(375,000)</u>	<u>-</u>

The table presents the CP notes' net increase and decrease activities during fiscal year 2024-25. Funds on deposit in an escrow from Series 2024A/B/C Bonds issued on June 4, 2024 repaid \$434.0 million of CP notes on August 27, 2024. \$302.5 million of CP notes issued during fiscal year 2024-25 were repaid on May 6, 2025, by proceeds on deposit in an escrow account from Series 2025A Bonds. \$68.5 million of CP notes issued during fiscal year 2024-25 were repaid on May 6, 2025, by proceeds on deposit in an escrow account from Series 2025B Bonds. \$4.0 million of CP notes issued during fiscal year 2024-25 were repaid by Series 2025C Bonds proceeds on February 6, 2025.

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**(7) Long-Term Obligations**

Long-term obligation activities for the fiscal year ended June 30, 2025, are as follows (in thousands):

	July 1, 2024	Increases	Decreases	June 30, 2025	Amounts due within one year
Revenue bonds payable	\$ 8,936,700	1,006,205	(209,515)	9,733,390	190,250
Add unamortized premiums	975,917	65,783	(59,997)	981,703	-
Total revenue bonds payable	9,912,617	1,071,988	(269,512)	10,715,093	190,250
Compensated absences*	59,648	2,622	-	62,270	32,796
Accrued workers' compensation	14,100	6,888	(4,656)	16,332	3,670
Estimated claims payable	5,827	2,489	(66)	8,250	2,654
Other liabilities and leases payable	1,076	3,418	(1,473)	3,021	1,225
Net OPEB liability (see Note 12b)	249,579	-	(12,893)	236,686	-
Net pension liability (see Note 12a)	208,295	21,209	-	229,504	-
Total	\$ 10,451,142	1,108,614	(288,600)	11,271,156	230,595

\*The change in compensated absences above is the net change for this fiscal year.

**Bond Transactions and Balances**

Previously, the Board of Supervisors authorized the issuance and sale of San Francisco International Airport Second Series Revenue Bonds pursuant to Resolution No. 91-0210, which the Airport adopted on December 3, 1991 (as supplemented and amended, the "1991 Master Resolution"). The 1991 Master Resolution set forth the terms of all the Airport's outstanding bonds. On January 1, 2025, the Airport and the Bank of New York Mellon Trust Company, N.A. as trustee, entered into a trust indenture (the "Trust Indenture") as well as Series Indentures for all of the Airport's outstanding Senior Bonds, amending and restating the Trust Indenture. The Trust Indenture authorizes the issuance from time to time of bonds to finance and refinance capital projects at the Airport.

The maximum principal amount of such bonds is not limited by the Trust Indenture, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds. The Trust Indenture 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 Trust Indenture 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 Trust Indenture), less Operation and Maintenance Expenses (as defined in the Trust Indenture). 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.

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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 Trust Indenture. The payment of the principal of and interest on all previously issued bonds under the Trust Indenture 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 Trust Indenture, 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 Trust Indenture. 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 Trust Indenture.



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As of June 30, 2025, long-term revenue bonds consist of the following (in thousands):

Description	Date of Issue	Remaining Interest Rates	June 30, 2025
Second Series Revenue Bonds:			
Issue 2009D	11/04/09	3.25%-3.50%	\$ 45,480
Issue 2016A	02/25/16	4.00%-5.00%	96,370
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%	9,810
Issue 2017A	10/31/17	5.00%-5.25%	339,580
Issue 2017B	10/31/17	5.00%	231,985
Issue 2017D	10/31/17	5.00%	19,790
Issue 2018B**	06/06/18	Variable rate	138,170
Issue 2018C**	06/06/18	Variable rate	138,170
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 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%	355,235
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	2.17%-2.39%	8,185
Issue 2019H	09/10/19	5.00%	113,135
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%	290,460
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%	140,785
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
Issue 2025A	02/06/25	5.00%-5.50%	883,785
Issue 2025B	02/06/25	5.00%	105,305
			9,733,390
Unamortized premium			981,703
Total revenue bonds payable			10,715,093
Less current portion			(190,250)
Total long-term revenue bonds payable		\$	10,524,843

\*\* 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.

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**Debt Service Reserve and Covenants; Contingency Account**

The Airport issues its senior lien San Francisco International Airport Second Series Revenue Bonds under the Trust Indenture, 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 Common Reserve Account (previously known as the "Issue 1 Reserve Account") and the 2017 Reserve Account, both are held by the Senior Trustee. As permitted under the Trust Indenture, the Airport may establish separate reserve accounts for individual series of bonds or may issue bonds without a reserve account.

*Common Reserve Account* – The Common Reserve Account is the Airport's original parity reserve account established in connection with the first issuance of bonds under the 1991 Master Resolution. The Common Reserve Account now secures most of the Airport's outstanding bonds. Specifically, as of June 30, 2025, the Common 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 Common Reserve Account. The reserve requirement is equal to the maximum annual debt service on the outstanding bonds secured by the Common Reserve Account accruing in any year during the life of all participating series of bonds secured by the Common 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, 2025, 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 Trust Indenture, 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 Trust Indenture does not require that those ratings be maintained after the date of deposit. As of June 30, 2025, the Common Reserve Account contains reserve policies. Each of the providers of the reserve policies in the Common 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

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zero. The policies in the Common Reserve Account with remaining value have termination dates. The Airport has periodically deposited additional cash in the Common Reserve Account to satisfy the reserve requirement and compensate for the diminished value or downgraded providers of these reserve policies.

*Contingency Account* – Under the Trust Indenture, 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 outstanding bonds under the Trust Indenture; 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 Trust Indenture, 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 Trust Indenture) 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 payment 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 Trust Indenture 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 Trust Indenture 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 Trust Indenture 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.

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**Debt Instruments and Certain Terms and Characteristics Thereof**

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

Pursuant to resolutions adopted between fiscal years 2007-08 and 2024-25, as of June 30, 2025, the Board of Supervisors 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, 2025, \$3.2 billion of the authorized capital plan bonds remained unissued.

On February 6, 2025, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2025A/B/C. The proceeds of the Series 2025A/B/C Bonds (consisting of \$1.0 billion par amount and original issue premium of \$65.8 million, less an underwriters' discount of \$1.8 million) were used to deposit \$370.5 million into an escrow fund with the Senior Trustee to repay \$371.0 million in commercial paper notes plus interest, \$568.9 million into project funds, \$10.0 million into the contingency account, \$4.0 million to repay \$4.0 million of commercial paper notes, \$91.8 million in capitalized interest accounts, \$23.8 million in a debt service reserve account, and \$1.3 million to pay costs of issuance.

**(b) *Second Series Revenue Refunding Bonds***

Pursuant to resolutions adopted between fiscal years 2004-05 and 2024-25, as of June 30, 2025, the Board of Supervisors 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 bonds issued pursuant to the Trust Indenture 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, 2025, \$5.5 billion of the authorized refunding bonds remained authorized but unissued.

**(c) *Variable Rate Demand Bonds***

As of June 30, 2025, 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 Trust Indenture and are accorded the status of other outstanding bonds to the

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extent provided in the Trust Indenture. The commitment fees for the letters of credit range between 0.34% and 0.37% per annum. As of June 30, 2025, 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, 2025, 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 <sup>(1)</sup>	SMBC <sup>(2)</sup>

(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 Trust Indenture, 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 to, among other things, modify the principal and interest repayment schedule for the Hotel Special Facility Bonds. 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 Trust Indenture). However, because the Airport is the

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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 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, 2025, the Airport had \$256.8 million of outstanding Hotel Special Facility Bonds.

**(e) Debt Service Reserves and Requirements**

**Common Reserve Account**

As of June 30, 2025, the reserve requirement for the Common Reserve Account was \$657.9 million, which was satisfied by \$664.8 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, 2025, the reserve requirement for the 2017 Reserve Account was \$41.6 million, which was satisfied by \$59.3 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.

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**Debt Service Requirements**

Revenue bond debt service requirements to maturity as of June 30, 2025, are as follows (in thousands):

Fiscal Year Ending June 30	Principal	Interest*	Total
2026	\$ 190,250	466,000	656,250
2027	200,215	456,876	657,091
2028	214,960	447,236	662,196
2029	168,535	436,817	605,352
2030	178,230	428,743	606,973
2031-2035	1,182,965	2,006,512	3,189,477
2036-2040	1,619,290	1,673,779	3,293,069
2041-2045	2,064,560	1,233,141	3,297,701
2046-2050	2,539,970	666,349	3,206,319
2051-2055	1,325,605	187,051	1,512,656
2056-2058	48,810	593	49,403
Total	<u>\$ 9,733,390</u>	<u>8,003,097</u>	<u>17,736,487</u>

\*The Series 2018B/C Bonds accrue interest at a rate that resets weekly, as determined by the designated Remarketing Agent. The rates in effect as of June 30, 2025 were used to project future interest payments through maturity.

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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
2026	\$ 328,420	473,741	802,161
2027	337,675	459,382	797,057
2028	213,840	445,582	659,422
2029	167,155	435,170	602,325
2030	176,410	427,104	603,514
2031-2035	1,166,815	1,998,537	3,165,352
2036-2040	1,588,470	1,666,454	3,254,924
2041-2045	2,017,150	1,226,951	3,244,101
2046-2050	2,481,910	661,712	3,143,622
2051-2055	1,255,545	184,294	1,439,839
Total	<u>\$ 9,733,390</u>	<u>7,978,927</u>	<u>17,712,317</u>

**(f) Cash Defeasance of Bonds**

On June 26, 2025, the Airport legally defeased \$28.9 million of its Series 2016D Bond, and \$17.1 million of its Series 2025C Bond, using monies budgeted for debt service.

The outstanding balance for Series 2016D and 2025C Bonds for the fiscal year ended June 30, 2025 is as follows (in thousands):

Bond Series	June 30, 2024	Cash Defeasance Amount	Redemption	June 30, 2025
2016D	\$ 73,810	28,885	35,115	9,810
2025C	-	17,115	-	-

As of June 30, 2025, the balance of previously defeased bonds by the Airport was \$56.3 million. Monies were placed in an escrow to provide for the future debt payments on the defeased bonds. Once defeased, these bonds ceased to be obligations of the Airport and are not reflected in the Airport's financial statements.

**(g) Post-Issuance Compliance with Federal Tax Laws**

The Airport follows certain federal tax post-issuance compliance procedures that are intended to ensure that proceeds of its tax-exempt bonds are invested and expended consistent with applicable



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federal tax law, including the Internal Revenue Code (IRC) of 1986, the Regulations promulgated thereunder, and other applicable guidance from the U.S. Treasury Department and the Internal Revenue Service (IRS).

**(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 Trust Indenture, and amounts due with respect to the letters of credit supporting the Senior Bonds to the extent provided in the Trust Indenture, (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, 2025, 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 Trust Indenture 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 Trust Indenture);
- (c) Special Facility Revenues (as defined in the Trust Indenture) 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 Trust Indenture only;
- (j) Any Customer Facility Charge (as defined in the Trust Indenture) 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 Trust Indenture) unless designated as Revenues by the Airport.

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Operation and Maintenance Expenses are defined in the Trust Indenture 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 Payment 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.

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 2024-25, and total commercial paper principal and interest paid during fiscal year 2024-25, are as follows (in thousands):

	<u>Amount</u>
Bonds issued with revenue pledge	\$ 1,006,205
Bond principal and interest remaining due at the end of the fiscal year	17,903,155
Commercial paper issued with subordinate revenue pledge	375,000
Net revenues	797,979
Bond principal and interest paid in the fiscal year	583,877
Commercial paper principal, interest and fees paid in the fiscal year	5,701

**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.

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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;

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- (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 Trust Indenture.

**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 \$78.3 million as of June 30, 2025. 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 \$138.1 million and interest revenue of \$28.5 million for the fiscal year ended June 30, 2025, 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 \$20.1 million for the fiscal year ended June 30, 2025.

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 Consumer Price Index (CPI) adjustments. During fiscal year 2024-25, the Airport recognized \$4.9 million in total variable lease revenue.

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Information about lease revenues and interest revenues recognized during the fiscal year ended June 30, 2025, is presented below (in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Buildings	\$ 136,954	28,534	165,488
Land	1,107	1	1,108
Total Revenue	\$ <u>138,061</u>	<u>28,535</u>	<u>166,596</u>

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, 2025 (in thousands):

Fiscal Year(s)		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$	129,322	24,993	154,315
2027		133,115	22,709	155,824
2028		127,640	17,658	145,298
2029		126,218	13,208	139,426
2030		67,862	9,701	77,563
2031-2035		195,040	22,542	217,582
2036-2040		26,454	5,510	31,964
2041-2045		11,257	2,814	14,071
2046-2050		10,958	1,542	12,500
2051-2053		<u>7,171</u>	<u>266</u>	<u>7,437</u>
Total	\$	<u>835,037</u>	<u>120,943</u>	<u>955,980</u>

**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.

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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, 2025, United Airlines accounted for 48.7 percent of total enplaned passengers at the Airport, followed by Alaska Airlines (9.5%), Delta Air Lines (7.6%), and American Airlines (6.9%), 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, 2025, was \$309.2 million, including approximately \$33.5 million of fixed payments and \$275.7 million of variable payments. The additional exclusive and preferential use payments are the actual billed amount during fiscal year 2024-25, which was adjusted up by \$16.6 million during year-end true-up process.

Below is a summary of the total number of regulated leases for fiscal year 2024-25, including which assets are subject to preferential or exclusive use by counterparties:

	<u># of Leases</u>
Lease and Use Agreement	
Preferential and exclusive rental (a)	7
Exclusive rental only	36
Non-space rental, only common use	<u>6</u>
Subtotal	49
Other Regulated (b)	<u>7</u>
Total	<u>56</u>

Notes:

(a) Includes preferential gate holdroom leases

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

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Lease revenues and interest revenues recognized during the fiscal year ended June 30, 2025 for regulated leases are presented below (in thousands):

Expected minimum payments (a)	\$ 29,731
Additional fixed payments (b)	<u>3,727</u>
Total fixed payments	33,458
Additional exclusive use payments (c)	183,825
Additional preferential use payments (d)	75,332
Year-end true-ups	<u>16,609</u>
Total regulated lease payments	<u><u>\$ 309,224</u></u>

Notes:

(a) Excludes rental rates under the Lease and Use Agreement that are recalculated annually. These payments are considered variable payments under GASB Statement No. 87 and are therefore not included in the schedule of minimum lease 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

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

Fiscal Year(s)	Expected Minimum Payments (a)
2026	\$ 16,131
2027	1,644
2028	1,644
2029	1,644
2030	1,644
2031-2035	8,221
2036-2040	8,221
2041-2045	8,221
2046-2047	2,877
Total	\$ 50,247

Note:

(a) Excludes rental rates under the Lease and Use Agreement that are recalculated annually. These payments are considered variable payments under GASB Statement No. 87 and are therefore not included in the schedule of minimum lease payments.

**Airport as Lessee**

As a lessee, the Airport had entered into two lease agreements for real estate. The total lease assets and related accumulated amortization at June 30, 2025 are as follows (in thousands):

Lease Assets	\$ 1,929
Accumulated Amortization	(769)
	\$ 1,160

A summary of change in the related lease liability during the fiscal year ended June 30, 2025, is as follows (in thousands):

	July 1, 2024	Additions	Remeasurements*	Deductions	June 30, 2025	Amount Due Within One Year
Lease Liability	\$ 125	488	770	(206)	1,177	196

\*The remeasurement is due to the extension of an existing lease.



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The future principal and interest payments as of June 30, 2025, are as follows (in thousands):

Fiscal Year(s)		Principal	Interest	Total
2026	\$	196	39	235
2027		208	32	240
2028		222	24	246
2029		238	16	254
2030		224	7	231
2031-2032		89	2	91
Total	\$	<u>1,177</u>	<u>120</u>	<u>1,297</u>

**(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, 2025, the outstanding balance was \$78.3 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 financial statements.

A summary of change in deferred inflows related to leases during the fiscal year ending June 30, 2025, is presented below (in thousands):

		<u>July 1, 2024</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2025</u>
Deferred inflows related to leases	\$	97,913	-	(4,352)	93,561

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**(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, 2025, are as follows (in thousands):

Subscription Assets	\$	3,672
Accumulated Amortization		(1,294)
	\$	<u>2,378</u>

A summary of change in the related subscription liability during the fiscal year ended June 30, 2025, is as follows (in thousands):

	July 1, 2024	Additions	Remeasurements	Deductions	June 30, 2025	Amount Due Within One Year
Subscription Liability	\$ 950	2,043	-	(1,266)	1,727	1,028

The future principal and interest payments as of June 30, 2025, are as follows (in thousands):

Fiscal Year(s)	Principal	Interest	Total
2026	\$ 1,028	61	1,089
2027	699	25	724
	<u>\$ 1,727</u>	<u>86</u>	<u>1,813</u>

**(12) Employee Benefit Plan**

**(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.

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***Replacement Benefits Plan***

The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. 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)	July 1, 2023 updated to June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

***SFERS Plan***

The City is an employer of the plan with a proportionate share of 94.70% as of June 30, 2024 (measurement date), 0.15% 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 2023-24. 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 5.98% 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 headcount for fiscal year 2023-24. 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 2.59% 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

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website or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5<sup>th</sup> 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 Basic 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

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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 11.0% and 7.5% to 11.5%, as a percentage of gross covered salary in fiscal years 2024-25 and 2023-24, 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, 2023 actuarial report, the required employer contribution rate for fiscal year 2024-25 ranged from 14.91% to 16.91%. 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%.

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, 2024 (measurement year) was \$637.0 million. The Airport's allocation of employer contributions was \$37.7 million for fiscal year 2023-24, and \$39.6 million for fiscal year 2022-23.

***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 \$3.1 million replacement benefits in the fiscal year ended June 30, 2025, and Airport's allocation portion for fiscal year 2024-25 was \$81.5 thousand.

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

As of June 30, 2025, the City reported net pension liability (NPL) for its proportionate share of the net pension liability of the SFERS Plan and net pension liability of RBP of \$3.91 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, 2024 (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 July 1, 2023 rolled forward to June 30, 2024 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, 2025 was \$225.9 million. The Airport's allocation of the total pension liability for the RBP as of June 30, 2025 was \$3.6 million.

As of June 30, 2025, the Airport's proportionate share and net pension liability for each plan were as follows (in thousands):

	June 30, 2024 (Measurement Date)	
	Airport Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	5.98%	\$ 225,934
Replacement Benefits Plan	2.59%	3,570
Total		<u>\$ 229,504</u>

For the fiscal year ended June 30, 2025, the City's recognized pension expense/(benefit) was \$734.4 million including amortization of deferred outflows/inflows related pension items. Pension expense/(benefit) increased from the prior fiscal year, largely due to the amortization of deferrals. The Airport's allocation of pension expense/(benefit) including amortization of deferred outflows/inflows related pension items was as follows (in thousands):

	Pension Expenses/ (Benefits)
SFERS Plan	\$ 48,689
Replacement Benefits Plan	(1,284)
Total	<u>\$ 47,405</u>

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At June 30, 2025, 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 2024-25 (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	\$ 38,989	-	-	-
Differences between expected and actual experience	35,616	-	309	622
Changes in assumptions	17,819	5,434	38	607
Net difference between projected and actual earnings on pension plan investments	41,744	-	-	-
Change in employer's proportion	6,594	980	292	855
Total	<u>\$ 140,762</u>	<u>6,414</u>	<u>639</u>	<u>2,084</u>

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
2026	\$ (5,172)	(821)
2027	82,002	(552)
2028	15,260	(157)
2029	3,269	85
Total	<u>\$ 95,359</u>	<u>(1,445)</u>

At June 30, 2025, the Airport reported \$39.0 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, 2026.

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**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, 2024 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2023 actuarial valuation. Refer to the July 1, 2023 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, 2023 updated to June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost
Expected Rate of Return	7.20% net of investment expenses
Municipal Bond Yield	3.93% as of June 30, 2024 3.65% as of June 30, 2023 Bond Buyer 20-Bond GO Index, June 29, 2023 and June 27, 2024
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, 2024 7.20% as of June 30, 2023
Administrative Expenses	0.60% of payroll as of June 30, 2024 0.60% of payroll as of June 30, 2023

	<b>Old Miscellaneous and all New Plans</b>	<b>Old Police &amp; Fire Pre 7/1/75</b>	<b>Old Police &amp; Fire Charters A8.595 and A8.596</b>	<b>Old Police &amp; Fire Charters A8.559 and A8.585</b>
Basic COLA:				
June 30, 2023	2.00%	1.90%	2.50%	3.60%
June 30, 2024	2.00%	1.90%	2.50%	3.60%



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Changes of Assumptions SFERS Plan – There were no changes in the discount rate for the measurement period ended June 30, 2024. The municipal bond yield increased from 3.65% to 3.93%.

**Key Actuarial Assumptions:**

	<b>Replacement Benefits Plan</b>
Valuation Date	July 1, 2023 updated to June 30, 2024
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost
Municipal Bond Yield	3.93% as of June 30, 2024
	Bond Buyer 20-Bond GO Index, June 29, 2023 and June 27, 2024
Inflation	2.50%
Projected Salary Increases	3.25% plus merit component based employee classification and years of service
Discount Rate	3.93% as of June 30, 2024
Administrative Expenses	0.60% of payroll as of June 30, 2024

	<b>Old Miscellaneous and all New Plans</b>	<b>Old Police &amp; Fire Pre 7/1/75</b>	<b>Old Police &amp; Fire Charters A8.595 and A8.596</b>	<b>Old Police &amp; Fire Charters A8.559 and A8.585</b>
Basic COLA:				
June 30, 2023	2.00%	1.90%	2.50%	3.60%
June 30, 2024	2.00%	1.90%	2.50%	3.60%

Changes of Assumptions RBP – Both discount rate for the measurement period ended June 30, 2024 and the municipal bond yield increased from 3.65% to 3.93%.

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, 2024 measurement date were based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and a review of economic assumptions as of July 1, 2023.

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**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, 2024 (measurement date) and 7.20% June 30, 2023 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2024 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, 2023 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 was 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. 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.

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A 0.50% Supplemental COLA is expected to be payable as of July 1, 2024 for most non-Prop C members due to favorable investment returns for fiscal year ended 2023-24. 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**

<b>FYE</b>	<b>96 - Prop C</b>	<b>Before 11/6/96 or After Prop C</b>
2026+	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 future benefit payments for current members through 2106. 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 3.93% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2024 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 best-estimate of expected future nominal rates of return for each major asset class over 10 and 30-year horizons. These estimates were combined to produce the long-term expected rate of return by weighting the expected future nominal rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric long-term expected real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

<b>Asset Class</b>	<b>Target Allocation from January 2021 – June 2024</b>	<b>Target Allocation effective as of July 2024</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	37.0%	32.0%	4.2%
Treasuries	8.0%	8.0%	1.8%
Liquid Credit	5.0%	12.0%	3.9%
Private Credit	10.0%	10.0%	5.9%
Private Equity	23.0%	20.0%	7.2%
Real Assets	10.0%	10.0%	5.5%
Absolute Return	10.0%	10.0%	4.4%
Cash	0.0%	1.0%	1.2%
Leverage	-3.0%	-3.0%	1.6%
	<b>100.0%</b>	<b>100.0%</b>	

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***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 3.93% as of June 30, 2024. 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 29, 2023 and June 27, 2024. These are the rates used to determine the total pension liability as of June 30, 2024.

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 \$275 was used for the 2024 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, 2025, the City's membership in the RBP had a total of 284 active members and 154 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):

<b>Employer</b>	<b>1% Decrease Share of NPL/(NPA) @ 6.20%</b>	<b>Share of NPL/(NPA) @ 7.20%</b>	<b>1% Increase Share of NPL/(NPA) @ 8.20%</b>
Airport	\$ 520,093	225,934	(16,449)

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):

<b>Employer</b>	<b>1% Decrease @ 2.93%</b>	<b>Measurement Date @ 3.93%</b>	<b>1% Increase @ 4.93%</b>
Airport	\$ 4,215	3,570	3,060

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**(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.

**San Francisco Health Service System Retiree Plan – Single Employer  
Fiscal Year 2024-25**

Valuation Date (VD)	June 30, 2024
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

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, 2024. The Airport's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense to each department is based on the Airport's allocated percentage. The Airport's proportionate share of the City's OPEB elements was 6.04% 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 <sup>1</sup> Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement <sup>2</sup>		Any age with 10 years of credited service
Terminated Vested		5 years of credited service at separation

<sup>1</sup> 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.

<sup>2</sup> 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.

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Retiree healthcare benefits are administered by the San Francisco Health Service System and include 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, 2025, the City’s funding was based on “pay-as-you-go” plus a contribution of \$52.1 million to the Retiree Healthcare Trust Fund. The “pay-as-you-go” portion paid by the City was \$248.8 million for a total contribution of \$300.9 million for the fiscal year ended June 30, 2025. The Airport’s proportionate share of the City’s contributions for fiscal year 2024-25 was \$18.2 million.

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

As of June 30, 2025, 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, 2025 was \$236.7 million.

For the fiscal year ended June 30, 2025, the City's recognized OPEB expense was \$259.6 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 was \$5.4 million.

As of June 30, 2025, 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	\$	18,162	-
Differences between expected and actual experience		7,137	22,173
Changes in assumptions		10,072	-
Net difference between projected and actual earnings on plan investments		-	2,650
Change in proportion		23,791	4,563
Total	\$	<u>59,162</u>	<u>29,386</u>

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 expense as follows (in thousands):

Year ended June 30:	
2026	\$ 791
2027	179
2028	1,582
2029	5,204
2030	1,929
Thereafter	<u>1,929</u>
Total	<u>\$ 11,614</u>

At June 30, 2025, the Airport reported \$18.2 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, 2026.

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**Actuarial Assumptions**

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2024 (measurement date) is provided below:

Key actuarial assumptions:

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
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 6.87% trending down to ultimate rate of 3.94% in 2075 Medicare trend starts at 6.87% trending down to ultimate rate of 3.93% 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.



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<b>Non-Annuityants:</b>		Adjustment Factor	
	Published Table	Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

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

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

<b>Beneficiaries:</b>		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, 2024, the healthcare cost trend rates change as follows:

Healthcare Cost Trend	June 30, 2024 (MD)	June 30, 2023 (MD)
Pre-Medicare	starts at 6.87% trending down to ultimate rate of 3.94% in 2075	starts at 7.24% trending down to ultimate rate of 3.94% in 2075
Medicare	starts at 6.87% trending down to ultimate rate of 3.93% in 2075	starts at 7.24% trending down to ultimate rate of 3.94% in 2075
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 2075

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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):

<u>1% Decrease</u>	<u>Healthcare Trend</u>	<u>1% Increase</u>
\$ 199,475	236,686	282,817

**Discount Rate**

The discount rate used to measure the Total OPEB Liability as of June 30, 2024 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.

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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
<b>Equities</b>		
U.S. Large Cap	25.0%	5.5%
U.S. Small Cap	2.0%	6.4%
Developed Market Equity (non-U.S.)	13.0%	5.9%
Emerging Market Equity	10.0%	5.9%
<b>Credit</b>		
Bank Loans	3.0%	3.7%
High Yield Bonds	3.0%	3.9%
<b>Rate Securities</b>		
Investment Grade Corporate Bonds	7.0%	1.9%
Short-term Treasury Inflation-Protected Securities (TIPS)	5.0%	0.9%
<b>Private Markets</b>		
Private Equity	10.0%	6.9%
Private Debt	5.0%	6.2%
Core Private Real Estate	5.0%	5.2%
Infrastructure (Core Private)	2.0%	6.0%
<b>Risk Mitigating Strategies</b>		
Global Macro	10.0%	1.6%
Total	100.0%	

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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):

<u>1.0% Decrease 6.0%</u>	<u>Discount Rate 7.0%</u>	<u>1.0% Increase 8.0%</u>
\$ 279,006	236,686	201,950

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) Interfund Receivables, Payables and Transfers**

The Lease and Use Agreement with the airlines provides for continuing annual service payment 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 payment to the City was \$58.2 million in fiscal year 2024-25. The annual service payment is reported as transfers in the statement of revenues, expenses, and changes in net position.

A total of \$0.3 million of cash donation was transferred to the General Fund due to unspent allocations originally designated for the opening costs of the Harvey Milk terminal and the Airport Hotel projects.

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**(14) Passenger Facility Charges**

In fiscal year 2001-02, the Airport received authorization from the FAA to commence collection and use of a Passenger Facility Charge (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, 2025, 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, 2025, \$350.3 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
<b>PFC #5</b>	<ul style="list-style-type: none"> <li>Terminal 2 and Boarding Area D Renovations - Design and Construction</li> </ul>	October 2013 November 2014 (Amended)	\$741,744,636	<b>Active</b>	<b>1/1/2017</b>	<b>10/1/2024</b>
	<b>Total PFC #5 Amount</b>		<b>\$741,744,636</b>			
<b>PFC #8</b>	<ul style="list-style-type: none"> <li>Runway Safety Area Program (9 projects)</li> <li>Passenger Boarding Bridges</li> <li>AirTrain Extension and Improvement</li> </ul>	October 2018	\$193,422,735	<b>Active</b>	<b>10/1/2024</b>	<b>3/1/2029</b>
	<b>Total PFC #8 Amount</b>		<b>\$536,799,536</b>			
<b>PFC #9</b>	<ul style="list-style-type: none"> <li>Interim Boarding Area B - Design and Construction</li> </ul>	January 2021	\$208,629,612	<b>Active</b>	<b>3/1/2029</b>	<b>12/1/2030</b>
	<b>Total PFC #9 Amount</b>		<b>\$208,629,612</b>			
<b>Total Active Applications</b>			<b>\$1,487,173,784</b>			

PFC collections and related interest earned (loss) for the fiscal year ended June 30, 2025, are as follows (in thousands):

	<u>June 30, 2025</u>
Amount collected	\$ 104,320
Interest earned (loss)	<u>38,317</u>
Total	<u>\$ 142,637</u>

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

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A summary of changes in amount collected and interest earned (loss) during the fiscal year ending June 30, 2025, is presented below (in thousands):

	July 1, 2024	Increases	Decreases	June 30, 2025
Amount collected	\$ 1,764,345	104,320	-	1,868,665
Interest earned (loss)	71,823	38,317	-	110,140
Total	<u>\$ 1,836,168</u>	<u>142,637</u>	<u>-</u>	<u>1,978,805</u>

**(15) Customer Facility Charges**

A Customer Facility Charge (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, 2025, are as follows (in thousands):

	June 30, 2025
Amount collected	\$ 13,748
Interest earned (loss)	<u>1,545</u>
Total	<u>\$ 15,293</u>

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

A summary of changes in amount collected and interest earned (loss) during the fiscal year ending June 30, 2025, is presented below (in thousands):

	July 1, 2024	Increases	Decreases	June 30, 2025
Amount collected	\$ 24,456	13,748	-	38,204
Interest earned (loss)	288	1,545	-	1,833
Total	<u>\$ 24,744</u>	<u>15,293</u>	<u>-</u>	<u>40,037</u>

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**(16) Commitments, Litigation, and Contingencies**

**(a) Commitments**

Purchase commitments for construction, material, and services as of June 30, 2025, are as follows (in thousands):

Construction	\$ 278,645
Operating	54,105
Total	<u>\$ 332,750</u>

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 2024-25, the Airport disbursed approximately \$7.2 million in the new phase of the program (\$3.7 million in federal grants and \$3.5 million in Airport funds). As of June 30, 2025, the cumulative commitment of Airport funds under this program were approximately \$136.0 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.

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**(d) Risk Management**

Under the Trust Indenture, 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.



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As of June 30, 2025, the City estimated its liability for pending and threatened lawsuits based on the Office of the City Attorney's assessment of probable claims and historical trends for incurred but not reported losses. The recorded liability represents management's best estimate of the City's potential exposure based on currently available information.

During fiscal year 2024-25, the City changed its methodology for estimating claims liability. The City's claims liability had historically been actuarially determined. The revised measurement methodology aligns more closely with the Office of City Attorney's judgement of the City's potential exposure based on currently available information. This prospective change in accounting estimate is intended to enhance the understandability, relevance, and timeliness of the financial information.

Affected financial statement items include current and noncurrent estimated claims payables in the Airport's statement of net position, and general and administrative expenses in the Airport's statement of revenues, expenses, and changes in net position.

The changes in estimated claims payable for the fiscal year ended June 30, 2025 are as follows (in thousands):

Balances as of June 30, 2024	\$ 5,827
Claims payments	(66)
Claims and changes in estimates	<u>2,489</u>
Balances as of June 30, 2025	<u>\$ 8,250</u>

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, 2024	\$ 14,100
Claims payments	(4,656)
Claims and changes in estimates	<u>6,888</u>
Balances as of June 30, 2025	<u>\$ 16,332</u>

**(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

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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, 2025.

**(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, 2025, revenues realized from the following source exceeded 5.0% of the Airport's total operating revenues:

United Airlines	25.5%
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**(h) Per- and Polyfluoroalkyl Substances (PFAS)**

Prior to February 2025, the Airport used Aqueous Film Forming Foam (AFFF) that contained Per- and Polyfluoroalkyl Substances (PFAS) for its aircraft rescue and firefighting vehicles and fire suppression operating systems, as there was no alternative AFFF available that did not contain PFAS and was approved by the FAA. PFAS are a group of synthetic chemicals that have been in use since the 1940s. 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, if any, will be required for PFAS found in soil, sediment, and groundwater exceeding the levels they specify.

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On May 8, 2024, the EPA published a final rule in the Federal Register designating perfluorooctanoic acid (PFOA) and perfluorooctanesulfonate (PFOS) (and their salts and structural isomers) as hazardous substances 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 additional PFAS chemicals, revising the anticipated rulemaking timeline to do so from April 2025 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, 2025, 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**

In the normal course of its business, the Airport issued CP notes to finance certain projects in the Capital Improvement Plan on two occasions. On August 11, 2025, the Airport issued \$237.0 million of AMT and Non-AMT CP notes. On August 18, 2025, it issued \$200.0 million of AMT 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, 2025, and the related notes to the financial statements, which collectively comprise the Airport's financial statements, and have issued our report thereon dated October 27, 2025. Our report includes an emphasis of matter noting that 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. In addition, during the year ended June 30, 2025, the Airport adopted new accounting guidance, GASB Statement No. 101, Compensated Absences, which resulted in a restatement of the July 1, 2024 net position in the amount of \$34,718,000. Our opinion was not modified with respect to these matters.

### 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is stylized, with the "C" being large and the "LLP" being more compact.

Crowe LLP

Costa Mesa, California  
October 27, 2025

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, 2025.

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, 2025.

**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, 2025, and the related notes to the financial statements, which collectively comprise the Airport's financial statements. We issued our report thereon dated October 27, 2025, 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

Costa Mesa, California  
October 27, 2025



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

Schedule of Passenger Facility Charge Revenues and Expenditures

Year ended June 30, 2025

(In thousands)

	<b>Passenger Facility Charge revenues</b>	<b>Interest earned</b>	<b>Total revenues</b>	<b>Expenditures on approved projects</b>	<b>Revenues over (under) expenditures on approved project</b>
Program to date as of June 30, 2024 (Unaudited)	\$ 1,764,345	71,823	1,836,168	(1,123,240)	\$ 712,928
Fiscal year 2024-25 transactions (Audited):					
Reversal passenger facility charges accrual	(15,940)	-	(15,940)	-	(15,940)
Quarter ended September 30, 2024	25,630	6,625	32,255	-	32,255
Quarter ended December 31, 2024	25,427	6,776	32,203	-	32,203
Quarter ended March 31, 2025	24,350	7,071	31,421	-	31,421
Quarter ended June 30, 2025	35,192	7,676	42,868	(80,000)	(37,132)
Unrealized gain on investments	-	10,169	10,169	-	10,169
Passenger facility charges accrual	9,661	-	9,661	-	9,661
Total fiscal year 2024-25 transactions	104,320	38,317	142,637	(80,000)	62,637
Program to date as of June 30, 2025 (Unaudited)	\$ 1,868,665	110,140	1,978,805	(1,203,240)	\$ 775,565

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, 2025

(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:

<u>Application number</u>	<u>Level of PFCs authorized</u>	<u>Charge effective date for collection</u>	<u>Amounts approved for collection (in thousands)</u>
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			\$ <u>2,320,316</u>

**(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.

SAN FRANCISCO INTERNATIONAL AIRPORT  
SCHEDULE OF PASSENGER FACILITY CHARGES FINDINGS AND QUESTIONED COSTS  
Year ended June 30, 2025

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**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