# Official Statement

Airport Commission of the City and County of San Francisco
San Francisco International Airport

Second Series Revenue Bonds
Series 2022A/B/C

SFO San Francisco International Airport

Long-Term Parking Garages
Rental Car Facility
Highway 101
Terminal 3
BART Station
Terminal 2
AirTrain System
Terminal 1
Hotel
International Terminal
N
Scale: 1 " = 360 '
Flown: July 2018

**NEW ISSUE—BOOK-ENTRY ONLY**

**RATINGS:**
**Moody's: "A1"**
**Fitch: "A+"**
**(See "Ratings")**

*In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel to the Commission ("Special Tax Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2022A Bonds and Series 2022B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 the "Code"), except that no opinion is expressed as to the status of interest on any Series 2022A Bond for any period that such Series 2022A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2022A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Special Tax Counsel, interest on the Series 2022B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel observes that interest on the Series 2022A Bonds is a specific preference item for purposes of the federal alternative minimum tax. In the further opinion of Special Tax Counsel, interest on the Series 2022A-C Bonds is exempt from State of California personal income taxes. Special Tax Counsel observes that interest on the Series 2022C Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2022A-C Bonds. See "TAX MATTERS" herein.*

# $732,820,000
# AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO SAN FRANCISCO INTERNATIONAL AIRPORT

| $301,530,000 | $236,475,000 | $194,815,000 |
|---|---|---|
| Second Series Revenue Bonds | Second Series Revenue Bonds | Second Series Revenue Bonds |
| Series 2022A | Series 2022B | Series 2022C |
| (AMT) | (Non-AMT/Governmental Purpose) | (Federally Taxable) |

**Dated: Date of Delivery** **Due: As shown on the inside cover**

The Airport Commission (the "Commission") of the City and County of San Francisco (the "City") will issue (i) $301,530,000 principal amount of its San Francisco International Airport Second Series Revenue Bonds, Series 2022A (the "Series 2022A Bonds"), (ii) $236,475,000 principal amount of its San Francisco International Airport Second Series Revenue Bonds, Series 2022B (the "Series 2022B Bonds") and (iii) $194,815,000 principal amount of its San Francisco International Airport Second Series Revenue Bonds, Series 2022C (the "Series 2022C Bonds," and, together with the Series 2022A Bonds and the Series 2022B Bonds, the "Series 2022A-C Bonds"), pursuant to the terms of the 1991 Master Resolution.

The San Francisco International Airport (the "Airport") is an enterprise department of the City. The Bank of New York Mellon Trust Company, N.A. has been appointed by the Commission to act as Trustee for its Bonds, including the Series 2022A-C Bonds.

The Commission will use the proceeds of the Series 2022A-C Bonds, together with other available moneys, to repay the Commission's outstanding Commercial Paper Notes, to refund certain outstanding Bonds of the Commission, to pay capitalized interest on a portion of the Series 2022A-C Bonds, and to pay costs of issuance of the Series 2022A-C Bonds.

The Series 2022A-C Bonds will mature on the dates and bear interest at the rates shown on the inside cover of this Official Statement. Interest on the Series 2022A-C Bonds will be payable each May 1 and November 1, commencing May 1, 2022.

**The Series 2022A-C Bonds are subject to redemption prior to their stated maturity dates, as described herein**.

The Series 2022A-C Bonds will be issued only as fully registered bonds, registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"). So long as Cede & Co. is the registered owner of the Series 2022A-C Bonds, payment of the principal of and interest on the Series 2022A-C Bonds will be made to Cede & Co. as nominee of DTC, which is required in turn to remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners.

The distribution of this Official Statement and the offering, sale and delivery of the Series 2022A-C Bonds in certain jurisdictions outside the United States is restricted by law. Persons in such jurisdictions into whose possession this Official Statement comes are required by the Commission to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Series 2022A-C Bonds and on distribution of this Official Statement and other offering material relating to the Series 2022A-C Bonds in such jurisdictions, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

**The Series 2022A-C Bonds are special, limited obligations of the Commission, payable as to principal and interest solely out of, and secured by a pledge of and lien on, the Net Revenues of the Airport and the funds and accounts provided for in the 1991 Master Resolution. Neither the credit nor taxing power of the City is pledged to the payment of the principal of or interest on the Series 2022A-C Bonds. No holder of a Series 2022A-C Bond shall have the right to compel the exercise of the taxing power of the City to pay the principal of or the interest on the Series 2022A-C Bonds. The Commission has no taxing power whatsoever.**

**Purchasers of the Series 2022A-C Bonds will be deemed to have consented to certain amendments to the 1991 Master Resolution. See "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" and APPENDIX H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION."**

*The Series 2022A-C Bonds are offered when, as and if issued by the Commission and received by the Underwriters, subject to approval of validity by Squire Patton Boggs US) LLP and The Law Office of Monica M. Baranovsky, Co-Bond Counsel to the Commission, and certain other conditions. Certain legal matters will be passed upon for the Commission by Nixon Peabody LLP, Disclosure Counsel, by Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel, and by the City Attorney. Certain legal matters will be passed upon for the Underwriters by their counsel, Hawkins Delafield Wood LLP. The Commission expects to deliver the Series 2022A-C Bonds through the facilities of DTC for the accounts of its participants on or about February 8, 2022, against payment therefor.*

**Citigroup** **Goldman Sachs & Co. LLC**

**Ramirez & Co., Inc.** **Siebert Williams Shank & Co. LLC**

**UBS** **Wells Fargo Securities**

Dated: January 25, 2022

**$732,820,000**
**AIRPORT COMMISSION OF THE**
**CITY AND COUNTY OF SAN FRANCISCO**
**SAN FRANCISCO INTERNATIONAL AIRPORT**

| **$301,530,000** | **$236,475,000** | **$194,815,000** |
|---|---|---|
| **Second Series Revenue Bonds** | **Second Series Revenue Bonds** | **Second Series Revenue Bonds** |
| **Series 2022A** | **Series 2022B** | **Series 2022C** |
| **(AMT)** | **(Non-AMT/Governmental Purpose)** | **(Federally Taxable)** |

**MATURITY SCHEDULE**

**$301,530,000 Series 2022A Bonds**

| Maturity Date (May 1) | Principal | Interest Rate | Yield | Price | CUSIP† No. |
|---|---|---|---|---|---|
| 2024 | $2,825,000 | 5.000% | 0.910% | 109.009 | 79766DTX7 |
| 2025 | 8,245,000 | 5.000 | 1.110 | 112.308 | 79766DTY5 |
| 2026 | 36,950,000 | 5.000 | 1.280 | 115.269 | 79766DTZ2 |
| 2027 | 36,320,000 | 5.000 | 1.420 | 117.983 | 79766DUA5 |
| 2028 | 25,000,000 | 5.000 | 1.570 | 120.280 | 79766DUB3 |
| 2029 | 20,390,000 | 5.000 | 1.720 | 122.208 | 79766DUC1 |
| 2030 | 25,665,000 | 5.000 | 1.840 | 124.029 | 79766DUD9 |
| 2031 | 14,885,000 | 5.000 | 1.900 | 126.129 | 79766DUE7 |
| 2052 | 78,750,000 | 5.000 | 2.540 | 122.036[C] | 79766DUF4 |
| 2052 | 52,500,000 | 4.000 | 2.720 | 111.360[C] | 79766DUG2 |

[C] Priced to call at par on May 1, 2032.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (CGS), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. This information is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers have been assigned by an independent company not affiliated with the Commission or the Underwriters and are included solely for the convenience of the registered owners of the applicable Series 2022A-C Bonds. Neither the Commission nor the Underwriters are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable Series 2022A-C Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2022A-C Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2022A-C Bonds.

**$236,475,000 Series 2022B Bonds**

| Maturity Date (May 1) | Principal | Interest Rate | Yield | Price | CUSIP† No. |
|---|---|---|---|---|---|
| 2026 | $25,155,000 | 5.000% | 1.060% | 116.256 | 79766DUH0 |
| 2027 | 21,920,000 | 5.000 | 1.180 | 119.319 | 79766DUJ6 |
| 2028 | 22,000,000 | 5.000 | 1.290 | 122.140 | 79766DUK3 |
| 2029 | 14,705,000 | 5.000 | 1.400 | 124.671 | 79766DUL1 |
| 2030 | 3,495,000 | 5.000 | 1.500 | 127.002 | 79766DUM9 |
| 2052 | 89,515,000 | 5.000 | 2.270 | 124.795[C] | 79766DUN7 |
| 2052 | 59,685,000 | 4.000 | 2.470 | 113.754[C] | 79766DUP2 |

**$194,815,000 Series 2022C Bonds**

| Maturity Date (May 1) | Principal | Interest Rate | Yield | Price | CUSIP† No. |
|---|---|---|---|---|---|
| 2030 | $49,005,000 | 2.583% | 2.583% | 100.000 | 79766DUQ0 |
| 2031 | 30,995,000 | 2.683 | 2.683 | 100.000 | 79766DUR8 |
| 2032 | 27,240,000 | 2.733 | 2.733 | 100.000 | 79766DUS6 |
| 2034 | 22,945,000 | 3.053 | 3.053 | 100.000 | 79766DUT4 |
| 2035 | 23,645,000 | 3.183 | 3.183 | 100.000 | 79766DUU1 |
| 2036 | 24,400,000 | 3.283 | 3.283 | 100.000 | 79766DUV9 |
| 2037 | 16,585,000 | 3.333 | 3.333 | 100.000 | 79766DUW7 |

[C] Priced to call at par on May 1, 2032.

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**CITY AND COUNTY OF SAN FRANCISCO**

London Breed, *Mayor*
David Chiu, *City Attorney*
Benjamin Rosenfield, *Controller*
José Cisneros, *Treasurer*

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* On January 26, 2022, Commission President Larry Mazzola announced his retirement from the Commission, which will become effective on February 10, 2022.

**Information Provided by the Commission and by Third Parties**. This Official Statement presents information with respect to the Commission and the Airport. The information contained herein has been obtained from officers, employees and records of the Commission and from other sources believed to be reliable. The order and placement of information in this Official Statement, including the appendices, are not an indication of relative importance, and this Official Statement, including the appendices, must be read in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision in this Official Statement.

**Limitations Regarding Offering**. No broker, dealer, salesperson or any other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Series 2022A-C Bonds, and if given or made, such information or representations must not be relied upon as having been authorized by the Commission. This Official Statement does not constitute an offer to sell, or the solicitation from any person of an offer to buy, nor shall there be any sale of the Series 2022A-C Bonds by any person in any jurisdiction where such offer, solicitation or sale would be unlawful. The information set forth herein is subject to change without notice. The delivery of this Official Statement at any time does not imply that information herein is correct or complete as of any time subsequent to its date.

The Series 2022A-C Bonds have not been recommended by any federal, state, or foreign securities commission or regulatory authority, and the forgoing authorities have neither reviewed nor confirmed the accuracy of the Official Statement.

No action has been taken by the Commission that would permit a public offering of the Series 2022A-C Bonds or possession or distribution of the Official Statement or any other offering material in any foreign jurisdiction where action for that purpose is required. Accordingly, each of the Underwriters has agreed that any Series 2022A-C Bonds offered or sold outside of the United States of America by the Underwriters will be offered and sold in compliance with the applicable laws, rules and regulations of the jurisdiction in which they are offered and sold and the Underwriters will obtain any consent, approval or permission required for the offer or sale by them of the Series 2022A-C Bonds under the laws and regulations in force in any foreign jurisdiction to which it is subject or in which it makes such offers or sales, and the Commission shall have no responsibility therefor.

**Forward-Looking Statements**. This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, financial conditions of individual air carriers and the airline industry, technological change, changes in the tourism industry, changes at other San Francisco Bay Area airports, seismic events, international agreements or regulations governing air travel, the COVID-19 pandemic and future worldwide health concerns, and various other events, conditions and circumstances, many of which are beyond the control of the Commission. These forward-looking statements speak only as of the date of this Official Statement. The Commission disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Commission’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

**Underwriters’ Disclaimer**. The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

**No Securities Registration**. The Series 2022A-C Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The Series 2022A-C Bonds have not been registered or qualified under the securities laws of any state.

**Ratings of Other Parties**. This Official Statement contains information concerning the ratings assigned by Moody's Investors Service, Inc., S&P Global Ratings and Fitch Ratings, Inc. for the Credit Providers, the Swap Counterparty and the guarantor of the Swap Counterparty, if any (each as defined herein). Such ratings reflect only the view of the agency giving such rating and are provided for convenience of reference only. Such rating information has been obtained from sources believed to be reliable but has not been confirmed or re-verified by such rating agencies. Neither the Commission, nor any of the Underwriters takes any responsibility for the accuracy of such ratings, gives any assurance that such ratings will apply for any given period of time, or that such ratings will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant.

**Websites Not Incorporated.** References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement. The Commission maintains an investor relations page on its website at https://www.flysfo.com/about-sfo/investor-relations on which it periodically provides information for investors. The Commission and the City each maintain a website and various social media accounts. The information presented on the investor relations page, those websites and those social media accounts is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2022A-C Bonds.

## INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES UNDER THIS HEADING TO THE "ISSUER" MEAN THE COMMISSION AND REFERENCES TO "BONDS" OR "SECURITIES" MEAN THE SERIES 2022A-C BONDS OFFERED HEREBY. **THE COMMISSION ASSUMES NO RESPONSIBILITY FOR THIS SECTION.**

## MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT).

## NOTICE TO PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA ("EEA")

THE BONDS ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA. FOR THESE PURPOSES, A "RETAIL INVESTOR" MEANS A PERSON WHO IS ONE (OR MORE) OF: (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, "MIFID II"); (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE (EU) 2016/97 (THE "INSURANCE DISTRIBUTION DIRECTIVE"), WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR (III) NOT A QUALIFIED INVESTOR AS DEFINED IN REGULATION (EU) 2017/1129 (THE "PROSPECTUS REGULATION"). CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO. 1286/2014 (AS AMENDED, THE "PRIIPS REGULATION") FOR OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EEA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE BONDS OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EEA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

THIS OFFICIAL STATEMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS TO ANY PERSON THAT IS LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 1(4) OF THE PROSPECTUS REGULATION FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR OFFERS OF THE BONDS. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE ANY OFFER IN THE EEA OF THE BONDS SHOULD ONLY DO SO IN CIRCUMSTANCES IN WHICH NO OBLIGATION ARISES FOR THE ISSUER OR ANY OF THE UNDERWRITERS TO PROVIDE A PROSPECTUS FOR SUCH OFFER. NEITHER THE ISSUER NOR THE UNDERWRITERS HAVE AUTHORIZED, NOR DO THEY AUTHORIZE, THE MAKING OF ANY OFFER OF BONDS THROUGH ANY FINANCIAL INTERMEDIARY, OTHER THAN OFFERS MADE BY THE UNDERWRITERS, WHICH CONSTITUTE THE FINAL PLACEMENT OF THE BONDS CONTEMPLATED IN THIS OFFICIAL STATEMENT.

THE OFFER OF ANY BONDS WHICH IS THE SUBJECT OF THE OFFERING CONTEMPLATED BY THIS OFFICIAL STATEMENT IS NOT BEING MADE AND WILL NOT BE MADE TO THE PUBLIC IN THE EEA, OTHER THAN: (A) TO ANY LEGAL ENTITY WHICH IS A "QUALIFIED INVESTOR" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION; (B) TO FEWER THAN 150 NATURAL OR LEGAL PERSONS (OTHER THAN "QUALIFIED INVESTORS" AS SUCH TERM IS DEFINED IN THE PROSPECTUS REGULATION), SUBJECT TO OBTAINING THE PRIOR CONSENT OF THE RELEVANT UNDERWRITER OR THE ISSUER FOR ANY SUCH OFFER; OR (C) IN ANY OTHER CIRCUMSTANCES FALLING WITHIN ARTICLE 1(4) OF THE PROSPECTUS REGULATION; PROVIDED THAT NO SUCH OFFER OF THE BONDS SHALL REQUIRE THE ISSUER OR ANY UNDERWRITER TO PUBLISH A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS REGULATION OR A SUPPLEMENT TO A PROSPECTUS PURSUANT TO ARTICLE 23 OF THE PROSPECTUS REGULATION.

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO THE BONDS IN ANY MEMBER STATE OF THE EEA MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE

TERMS OF THE OFFER AND THE BONDS TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE THE BONDS OR SUBSCRIBE FOR THE BONDS.

EACH SUBSCRIBER FOR OR PURCHASER OF THE BONDS IN THE OFFERING LOCATED WITHIN A MEMBER STATE OF THE EEA WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A "QUALIFIED INVESTOR" AS DEFINED IN THE PROSPECTUS REGULATION. THE ISSUER AND EACH UNDERWRITER AND OTHERS WILL RELY ON THE TRUTH AND ACCURACY OF THE FOREGOING REPRESENTATION, ACKNOWLEDGEMENT AND AGREEMENT.

**NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM**

THIS OFFICIAL STATEMENT HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. THIS OFFICIAL STATEMENT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFICIAL STATEMENT IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFICIAL STATEMENT RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFICIAL STATEMENT OR ANY OF ITS CONTENTS.

**NOTICE TO PROSPECTIVE INVESTORS IN HONG KONG**

THE CONTENTS OF THIS OFFICIAL STATEMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER OF THE BONDS. IF YOU ARE IN ANY DOUBT ABOUT ANY OF THE CONTENTS OF THIS OFFICIAL STATEMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE.

THE BONDS (EXCEPT FOR BONDS WHICH ARE A "STRUCTURED PRODUCT" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE (CAP. 571 OF THE LAWS OF HONG KONG) ("SECURITIES AND FUTURES ORDINANCE")) MAY NOT BE OFFERED OR SOLD IN HONG KONG BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE (CAP. 32 OF THE LAWS OF HONG KONG) ("COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE") OR (II) TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" AS DEFINED IN THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE, AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE BONDS MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC OF HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE SECURITIES LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO BONDS WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" AS DEFINED IN THE SECURITIES AND FUTURES ORDINANCE AND ANY RULES MADE THEREUNDER.

## NOTICE TO INVESTORS IN SWITZERLAND

THIS OFFICIAL STATEMENT IS NOT INTENDED TO CONSTITUTE AN OFFER OR A SOLICITATION TO PURCHASE OR INVEST IN THE BONDS.

THE BONDS MAY NOT BE PUBLICLY OFFERED IN SWITZERLAND AND WILL NOT BE LISTED ON THE SIX SWISS EXCHANGE (“SIX”) OR ON ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. THIS OFFICIAL STATEMENT HAS BEEN PREPARED WITHOUT REGARD TO THE DISCLOSURE STANDARDS FOR ISSUANCE PROSPECTUSES UNDER ART. 652A OR ART. 1156 OF THE SWISS CODE OF OBLIGATIONS OR THE DISCLOSURE STANDARDS FOR LISTING PROSPECTUSES UNDER ART. 27 FF. OF THE SIX LISTING RULES OR THE LISTING RULES OF ANY OTHER STOCK EXCHANGE OR REGULATED TRADING FACILITY IN SWITZERLAND. NEITHER THIS OFFICIAL STATEMENT NOR ANY OTHER OFFERING OR MARKETING MATERIAL RELATING TO THE BONDS OR THE OFFERING MAY BE PUBLICLY DISTRIBUTED OR OTHERWISE MADE PUBLICLY AVAILABLE IN SWITZERLAND.

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(OFFERS OF INVESTMENTS) (SECURITIES AND SECURITIES-BASED DERIVATIVE CONTRACTS) REGULATIONS 2018 OF SINGAPORE.

**Notification under Section 309B(1)(C) of the SFA**

IN CONNECTION WITH SECTION 309B OF THE SFA AND THE SECURITIES AND FUTURES (CAPITAL MARKETS PRODUCTS) REGULATIONS 2018 OF SINGAPORE (THE "CMP REGULATIONS 2018"), THE ISSUER HAS DETERMINED, AND HEREBY NOTIFIES ALL RELEVANT PERSONS (AS DEFINED IN SECTION 309A(1) OF THE SFA), THAT THE BONDS ARE 'PRESCRIBED CAPITAL MARKETS PRODUCTS' (AS DEFINED IN THE CMP REGULATIONS 2018) AND ARE EXCLUDED INVESTMENT PRODUCTS (AS DEFINED IN MAS NOTICE SFA 04-N12: NOTICE ON THE SALE OF INVESTMENT PRODUCTS AND MAS NOTICE FAA-N16: NOTICE ON RECOMMENDATIONS ON INVESTMENT PRODUCTS).

## NOTICE TO PROSPECTIVE INVESTORS IN TAIWAN

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## NOTICE TO PROSPECTIVE INVESTORS IN JAPAN

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THE PRIMARY OFFERING OF THE BONDS AND THE SOLICITATION OF AN OFFER FOR ACQUISITION THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER PARAGRAPH 1, ARTICLE 4 OF THE FIEA. AS IT IS A PRIMARY OFFERING, IN JAPAN, THE BONDS MAY ONLY BE OFFERED, SOLD, RESOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY TO, OR FOR THE BENEFIT OF CERTAIN QUALIFIED INSTITUTIONAL INVESTORS AS DEFINED IN THE FIEA ("QIIS") IN RELIANCE ON THE QIIS-ONLY PRIVATE PLACEMENT EXEMPTION AS SET FORTH IN ITEM 2(I), PARAGRAPH 3, ARTICLE 2 OF THE FIEA. A QII WHO PURCHASED OR OTHERWISE OBTAINED THE BONDS CANNOT RESELL OR OTHERWISE TRANSFER THE BONDS IN JAPAN TO ANY PERSON EXCEPT ANOTHER QII.

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## OFFICIAL STATEMENT

**$732,820,000**
**AIRPORT COMMISSION OF THE**
**CITY AND COUNTY OF SAN FRANCISCO**
**SAN FRANCISCO INTERNATIONAL AIRPORT**

| $301,530,000 | $236,475,000 | $194,815,000 |
|---|---|---|
| **Second Series Revenue Bonds** | **Second Series Revenue Bonds** | **Second Series Revenue Bonds** |
| **Series 2022A** | **Series 2022B** | **Series 2022C** |
| **(AMT)** | **(Non-AMT/Governmental Purpose)** | **(Federally Taxable)** |

## INTRODUCTION

The Airport Commission (the "Commission") of the City and County of San Francisco (the "City") will issue (i) $301,530,000 principal amount of its San Francisco International Airport Second Series Revenue Bonds, Series 2022A (the "Series 2022A Bonds"), (ii) $236,475,000 principal amount of its San Francisco International Airport Second Series Revenue Bonds, Series 2022B (the "Series 2022B Bonds") and (iii) $194,815,000 principal amount of its San Francisco International Airport Second Series Revenue Bonds, Series 2022C (the "Series 2022C Bonds," and together with the Series 2022A Bonds and the Series 2022B Bonds, the "Series 2022A-C Bonds"), pursuant to the terms of the 1991 Master Resolution (defined below).

The Commission authorized the issuance and sale of the Series 2022A-C Bonds under Resolution No. 91-0210, which the Commission adopted on December 3, 1991, as supplemented and amended (the "1991 Master Resolution"). The Series 2022A-C Bonds, together with all bonds that the Commission has issued and will issue in the future pursuant to the 1991 Master Resolution, are referred to as the "Bonds." For a summary of the Commission's Outstanding Bonds, see "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Currently Outstanding Bonds." Capitalized terms used and not defined in this Official Statement have the meanings given those terms in the 1991 Master Resolution. The Commission has appointed The Bank of New York Mellon Trust Company, N.A. to act as trustee (the "Trustee") for the Bonds, including the Series 2022A-C Bonds. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Certain Definitions."

The Commission will use the proceeds of the Series 2022A-C Bonds, together with other available moneys, to repay approximately $361.3 million of the Commission's outstanding Commercial Paper Notes that were issued to finance capital projects and to pay a portion of the interest on the Commission's Bonds in Fiscal Year 2021-22; to refund certain outstanding Bonds of the Commission; to pay capitalized interest on a portion of the Series 2022A-C Bonds; and to pay costs of issuance of the Series 2022A-C Bonds. See "PLAN OF FINANCE AND REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Series 2022A-C Bonds will mature on the dates, in the amounts and bear interest at the rates shown on the pages immediately following the front cover of this Official Statement.

The Commission will secure the Series 2022A-C Bonds with a pledge of, lien on and security interest in Net Revenues of the San Francisco International Airport (the "Airport") on parity with the Commission's other Outstanding Bonds, which, as of January 1, 2022, were outstanding in the amount of approximately $7.9 billion, and any additional Bonds. See "SECURITY FOR THE SERIES 2022A-C BONDS" and "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Currently Outstanding Bonds." The Commission expects to issue Additional Bonds in the future. The Series 2022A-C Bonds will be additionally secured by the Original Reserve Account. See "SECURITY FOR THE SERIES 2022A-C BONDS–Reserve Fund; Reserve Accounts; Credit Facilities–*Original Reserve Account.*"

This Official Statement contains brief descriptions or summaries of, among other things, the Series 2022A-C Bonds, the 1991 Master Resolution, the Lease and Use Agreements, the Reserve Account Credit Facilities, the Swap Agreement and the Continuing Disclosure Certificate of the Commission. Any description or summary in this Official Statement of any such document is qualified in its entirety by reference to each such document.

On October 3, 2017, the Commission adopted a resolution (the "Twenty-First Supplemental Resolution"), which sets forth a number of amendments to the 1991 Master Resolution (the "Proposed Amendments"). The Proposed Amendments will become effective in the manner described under "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" and in APPENDIX H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION." **By their purchase of the Series 2022A-C Bonds, the purchasers of the Series 2022A-C Bonds consent to the Proposed Amendments and authorize the Trustee to take all actions necessary to evidence or effect such consent.**

**Continuing Effects of the COVID-19 Pandemic**

The COVID-19 pandemic has caused significant reductions in domestic and international passenger air travel and has had significant negative effects on the economies of the San Francisco Bay Area, the State of California (the "State"), the nation, and the world.

The United States, state and local governments (including the City) and governments of other countries have taken actions to prevent the spread of COVID-19, including variants that have emerged since the initial outbreak, such as closing borders to non-essential travel, requiring vaccination or negative COVID-19 test results, and issuing other travel restrictions and warnings, requiring or recommending that people stay home as much as possible, prohibiting public gatherings, and mandating closure of businesses. Some of these types of requirements remain in effect, and requirements change from time to time.

This section describes some of the impacts that the COVID-19 pandemic has had on the Airport's passenger traffic, finances and operations, and some of the actions that the Commission has taken or is taking in response. Additional information about the impacts of, and the Commission's responses to, the COVID-19 pandemic appears elsewhere in this Official Statement.

*Passenger Traffic*

Passenger traffic at the Airport declined substantially beginning in March 2020 compared to corresponding months in the prior Fiscal Year. At the lowest point, enplanements and deplanements were down 97% in April 2020 relative to April 2019. Since then, passenger levels have recovered to some extent. The following table provides passenger traffic data by month for calendar years 2019 and 2020 and the first eleven months of 2021, based on data submitted by the airlines.

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**MONTHLY ENPLANEMENTS AND DEPLANEMENTS**
**Calendar Years 2019 and 2020 and First Eleven Months of Calendar Year 2021**

| Month | 2019 | 2020 | 2020 as % of 2019 | 2021 | 2021 as % of 2019 |
|---|---|---|---|---|---|
| January | 4,151,715 | 4,237,162 | 102.1% | 769,908 | 18.5% |
| February | 3,749,553 | 3,739,287 | 99.7 | 736,203 | 19.6 |
| March | 4,595,505 | 1,884,223(1) | 41.0 | 1,159,844 | 25.2 |
| April | 4,688,092 | 138,817 | 3.0 | 1,455,912 | 31.1 |
| May | 5,002,917 | 286,570 | 5.7 | 1,739,021 | 34.8 |
| June | 5,459,585 | 555,119 | 10.2 | 2,245,395 | 41.1 |
| July | 5,604,464 | 765,274 | 13.7 | 2,731,674 | 48.7 |
| August | 5,734,116 | 852,398 | 14.9 | 2,648,891 | 46.2 |
| September | 4,464,816 | 905,992 | 20.3 | 2,419,817 | 54.2 |
| October | 4,818,111 | 1,073,882 | 22.3 | 2,711,480 | 56.3 |
| November | 4,364,780 | 1,052,239 | 24.1 | 2,797,518 | 64.1 |
| December | 4,715,471 | 918,662 | 19.5 | | |

(1) Includes estimates for one airline (which ceased operations from the Airport in March 2020) that comprised less than 0.1% of enplanements and deplanements in the first six months of Fiscal Year 2019-20.
Source: Commission

The impact of the COVID-19 pandemic on international traffic at the Airport has been particularly significant. In November 2021, domestic enplanements and deplanements were approximately 73.8% of the November 2019 level, while international enplanements and deplanements were approximately 36.5% of the November 2019 level. For further discussion of the disparate impacts of the pandemic on domestic and international passenger traffic, see "APPENDIX A—"REPORT OF AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Historical Airline Service and Traffic." Additional information about passenger traffic, particularly in earlier Fiscal Years, is provided under the heading "SAN FRANCISCO INTERNATIONAL AIRPORT–Passenger Traffic." Revenue landed weight and cargo volumes also generally have declined as a result of the COVID-19 pandemic. In November 2021, cargo and U.S. mail combined exceeded November 2019 levels, but landed weight remained at approximately 69.4% of November 2019 levels. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Cargo Traffic and Landed Weight" for additional information about cargo volumes and landed weight at the Airport, including in earlier Fiscal Years.

*Financial Condition and Liquidity*

General

Much of the Airport's revenue depends on the level of aviation activity and passenger traffic at the Airport. The Commission is experiencing and expects to continue to experience significant decreases in aviation and non-aviation revenues as a result of the reduced passenger traffic resulting from the COVID-19 pandemic. Revenues from airlines, concessionaires, ground transportation and rental car activity and parking, and receipts from Passenger Facility Charges ("PFCs"), are all reduced compared to pre-pandemic levels. The decline in revenues has been and in the future may be partially offset by federal relief funding. See APPENDIX A—"REPORT OF AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Key Factors Affecting Future Airline Traffic" for additional detail about some of the factors that could impact air traffic and the aviation industry. Further information about airlines serving the Airport can be obtained as described under "AIRLINE INFORMATION." See "AIRPORT'S FINANCIAL AND RELATED INFORMATION" for further discussion.

Fiscal Year 2020-21

Due to the impacts of the COVID-19 pandemic on air travel demand and Airport operating revenues, on June 12, 2020, the Airport resubmitted the Fiscal Year 2020-21 operating budget, which totaled $1.24 billion, reflecting a 5%, or a $64.8 million reduction, from the Fiscal Year 2019-20 operating budget. See "AIRPORT'S FINANCIAL AND

RELATED INFORMATION–Budget Process and Budget" for further discussion of the Airport's budget and the budget process. The Commission's financial results for Fiscal Year 2020-21 are described under "AIRPORT'S FINANCIAL AND RELATED INFORMATION" and in APPENDIX B—"FINANCIAL STATEMENTS WITH SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITORS' REPORT THEREON)."

Fiscal Year 2021-22

The Commission approved an operating budget of $1.21 billion for the Airport for Fiscal Year 2021-22 in February 2021, slightly lower than the $1.24 billion budget for Fiscal Year 2020-21. The Fiscal Year 2021-22 budget assumed 11.4 million enplaned passengers in Fiscal Year 2021-22. In the first quarter of Fiscal Year 2021-22, enplanements were higher than was assumed for budget purposes, with 3.9 million enplanements in the first three months of the Fiscal Year as compared to 2.9 million enplanements as estimated in the budget. The same enplanement assumptions were used for setting rates and charges as were used in the budget. The Commission's budget process and the Fiscal Year 2021-22 budget are discussed in greater detail under "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Budget Process and Budget."

Available Financial Resources

The following table and accompanying footnotes describe some of the financial resources available to the Commission. All figures are as of December 31, 2021, based on data accessed on January 10, 2022.

| | |
|---|---|
| Contingency Account:(1) | $167.2 million(2) |
| Unrestricted Cash:(3) | $603.0 million(2) |
| PFC Fund balance:(4) | $445.9 million(2) |
| Available Commercial Paper: | $238.7 million(5) |

(1) See "SECURITY FOR THE SERIES 2022A-C BONDS–Contingency Account" for a description of the Contingency Account.

(2) Does not include accounting adjustments or accrued interest income.

(3) Unrestricted cash and investments are held by the City's Treasurer. The amount of unrestricted cash changes frequently, sometimes substantially. Federal grants are one source of unrestricted cash. See "—Federal Aid" and "CAPITAL PROJECTS AND PLANNING–Federal Grants" for further discussion of federal grants.

(4) Amounts in the PFC Fund may be designated by the Commission as Revenues to offset debt service on Bonds. See "SECURITY FOR THE SERIES 2022A-C BONDS–Pledge of Net Revenues; Source of Payment." The PFC Fund balance has been reduced to reflect credits that airlines are reporting due to passenger refunds (approximately $0.55 million as of January 5, 2022). $21 million was deposited to the PFC Fund in Fiscal Year 2020-21. No funds were transferred from the PFC Fund to the Operating Fund as Revenues for Fiscal Year 2020-21. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Passenger Facility Charge" for further discussion of PFCs.

(5) The Commission is authorized to have up to $600 million in Commercial Paper Notes outstanding at any one time under its commercial paper program. Approximately $361.3 million in Commercial Paper Notes is currently outstanding. See "SECURITY FOR THE SERIES 2022A-C BONDS–Other Indebtedness–*Subordinate Bonds.*" All outstanding Commercial Paper Notes are expected to be repaid from proceeds of the Series 2022A-C Bonds within 90 days of the date of delivery of the Series 2022A-C Bonds. See "PLAN OF FINANCE AND REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Federal Aid

The U.S. government provided federal assistance to airports as a result of the COVID-19 pandemic, including under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Coronavirus Response and Relief Supplemental Appropriations Act (the "CRRSAA"), and the American Rescue Plan Act (the "ARPA"). The Commission was awarded a total of approximately $495.0 million in grants for the Airport under these three acts (exclusive of amounts resulting from the increased federal share of Airport Improvement Program grants as described under "CAPITAL PROJECTS AND PLANNING–Federal Grants"). As of November 4, 2021, the Commission has applied approximately $0.2 million, $295.9 million, and $0.1 million of such federal funds to offset Operation and Maintenance Expenses in Fiscal Years 2019-20, 2020-21, and 2021-22, respectively. The Commission expects to receive an additional approximately $198.7 million in Fiscal Year 2021-22 and possibly subsequent fiscal years. These grants are discussed in greater detail under "CAPITAL PROJECTS AND PLANNING–Federal Grants."

Operations and Assistance to Concessionaires

Some concession operations at the Airport have been closed at times since March 2020. Currently, the main DFS Galleria stores and selected boutique locations have reopened along with approximately 80% of all food and beverage and retail locations. The remaining 20% that are closed are mostly located in the International Terminal Complex ("ITC"). The Commission has provided some relief to concessionaires. On October 6, 2020, the Commission approved a program to forgive certain deferred rent for March, April and May 2020, as well as various tenant fees payable from March through December 2020, for eligible concessionaires, subject to certain payroll expenditure and rehiring program requirements. The Airport estimates that the total amount of foregone revenue under its 2020 concessionaire rent relief program is approximately $21.8 million. Additional detail is provided under "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Ground Transportation Revenues" and "–Concessions Revenues." In addition, the Airport expects to extend $29.7 million of additional rent relief to eligible concessionaires as required in connection with the two most recent federal coronavirus relief grant programs. For discussion of reimbursement from the U.S. government to the Commission for this relief, see "CAPITAL PROJECTS AND PLANNING–Federal Grants."

The Airport's concession agreements with tenants generally provide that the minimum annual guarantee ("MAG") is temporarily suspended, and that the tenant is required to pay only a percentage of revenues as rent, if monthly enplanements in the relevant boarding area of the Airport are less than 80% of the enplanements of the same month in the calendar year immediately prior to the year in which the concession is awarded (the "reference month"), and this shortfall continues for three consecutive months. The MAG is reinstated once monthly enplanements equal or exceed 80% of the enplanements of the reference month for two consecutive months. MAGs were suspended under most such agreements beginning in June 2020, so starting in June 2020, most concessionaires are only required to pay a percentage of revenues as rent.

Suspension of Certain Capital Projects

The Airport has reviewed its $7.8 billion Capital Improvement Plan ("CIP") and has suspended some CIP projects and accelerated others in response to the COVID-19 pandemic. The CIP, including the Ascent Program – Phase 1 discussed in this paragraph, is described under the heading "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan." As of October 2021, the Commission had on deposit approximately $306 million in unspent construction funds for the Ascent Program – Phase I. In response to the COVID-19 pandemic, the Airport has temporarily suspended a total of $1.6 billion in capital projects from Ascent Program – Phase I and the Infrastructure Projects Plan and suspended any further use of the Ascent Program Reserve balance of approximately $0.3 billion from its CIP. The Airport may defer or accelerate other capital projects where necessary or appropriate, and may change the scale of ongoing and future projects and resume suspended projects in response to the rate of recovery of the air travel industry.

Debt Restructuring and Refunding

The Commission has restructured some of its Bonds to reduce debt service in Fiscal Years 2020-21, 2021-22 and 2022-23. In August 2020, the Commission issued refunding Bonds, which resulted in debt service reductions of $64.9 million in Fiscal Year 2020-21, $68.6 million in Fiscal Year 2021-22, and $58.7 million in Fiscal Year 2022-23. In April 2021, the Commission issued refunding Bonds which resulted in debt service reductions of $178.6 million in Fiscal Year 2020-21, and $129.5 million in Fiscal Year 2021-22. A portion of the proceeds of the Series 2022A-C Bonds are expected to be used to restructure other Bonds and result in debt service reductions of $29.0 million in Fiscal Year 2021-22, and $136.7 million in Fiscal Year 2022-23. In addition, a total of approximately $3.9 million of taxable Commercial Paper Note proceeds was used to prepay the monthly required deposits of Net Revenues for December 2021 through February 2022 toward interest on Series 2012A and Series 2012B Bonds, which are expected to be refunded with the proceeds of the Series 2022A-C Bonds. These Commercial Paper Notes will be repaid with the proceeds of the Series 2022A-C Bonds. See "PLAN OF FINANCE AND REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" for further detail about the uses of the proceeds of the Series 2022A-C Bonds. Debt restructuring, along with refunding callable Bonds, are measures the Airport has utilized and may in the future utilize to reduce expenses and to keep rates and charges for airlines operating at the Airport competitive compared to other airports.

*Internal Planning and Liquidity Management*

The level of uncertainty regarding the recovery of air passenger traffic at the Airport to its pre-pandemic levels remains high, and such recovery is dependent upon numerous variables. Airport management continues to review and adjust its operating budget and financial strategies to respond to the impacts of the COVID-19 pandemic. In general, Airport management has followed a consistent approach that seeks to keep rates and charges for airlines operating at the Airport competitive relative to other airports. Accordingly, the Airport continues to consider a variety of strategies that over time may include reducing or limiting increases in operation and maintenance expenses; refunding debt, including approximately $2.1 billion of Bonds that will become callable over the next four fiscal years (not including the Bonds expected to be refunded with the proceeds of the Series 2022A-C Bonds), or restructuring debt to reduce near-term debt service; using additional PFCs designated as Revenues to pay Bond debt service; utilizing grant funds to offset Airport financial requirements; adjusting non-airline fees and charges; and issuing taxable debt to increase spending flexibility. In addition, the Airport will adjust airline rates and charges should it become necessary to do so. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements–*Lease and Use Agreements*" and APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS" for discussion of the Airport's ability to adjust airline rates and charges, including mid-year. In general, the Airport seeks to avoid shortfalls in operating revenues that would become deferred aviation revenue. Such shortfalls would result in higher rates and charges in future fiscal years for the airlines operating at the Airport. Airport management continues to actively evaluate all of its financial and operating options and may change its approach as circumstances warrant. The *Interim Strategic Plan: COVID-19 Recovery to Resilience Framework (updated) (2020-2023)* (the "Strategic Plan") was released by the Airport in July 2021 as an update to the *COVID-19 Recovery to Resilience Framework 2020-2023*, which was issued in July 2020. The Strategic Plan includes goals that are dedicated to, among other things, enhancing the financial resilience, stability, and vitality of the Airport and its business partners. The Commission expects to accomplish this, in part, by integrating sustainability efforts with business and finance operations, by aligning capital projects with strategic goals and passenger demand, and by developing the Airport's technological capabilities, proficiencies and resources.

The novel coronavirus, including newly identified variants, continues to spread. The dynamic nature of the COVID-19 pandemic leads to many uncertainties, including but not limited to (i) the spread of new and existing strains of the virus; (ii) the severity of the disease that may be caused by viral infection; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain the outbreak or mitigate its effects; (v) the level of adoption and effectiveness of mitigation measures taken by governmental authorities, by the Airport or by others; (vi) the distribution, public acceptance, effectiveness and further development of medical therapeutics or vaccines; (vii) travel restrictions in various countries and parts of the U.S. and the short and longer-term demand for air travel, including at the Airport; (viii) the impact of the outbreak on the local, national or global economy or on the airlines and concessionaires serving the Airport, or on the airline or travel industry generally and on the Airport specifically; (ix) whether and to what extent the Commission may provide deferrals, forbearances, adjustment or other changes to the Commission's arrangements with airlines, concessionaires and other tenants; and (x) the impact of the outbreak, government requirements imposed on the Airport or airlines as a result of the outbreak, and actions taken by the Airport in response to the outbreak on the Commission's operations, revenues, expenses and financial condition.

## PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION

The Commission has adopted a resolution setting forth Proposed Amendments to the 1991 Master Resolution as described under "INTRODUCTION." The Proposed Amendments include, among other amendments, changes to how Revenues, Annual Debt Service and Maximum Annual Debt Service are calculated, the required ratings on certain Permitted Investments, what investments are included in Permitted Investments, the required ratings of certain obligations of a financial institution providing a Credit Facility that may be deposited to the Original Reserve Account in the future, and how amendments to the 1991 Master Resolution become effective. See APPENDIX H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" for a more detailed description of the Proposed Amendments and definitions of certain terms used herein.

The Proposed Amendments will become effective only upon the satisfaction of certain conditions, including (i) receipt by the Commission of the consent of the Holders of a majority in aggregate principal amount of all Outstanding Bonds, and/or in certain cases, Holders of a majority in aggregate principal amount of all Outstanding Bonds secured by the Original Reserve Account, and (ii) delivery of a certificate from the Airport Director

(A) declaring that all other consents required for such amendments have been obtained (i.e., the applicable consents of the applicable Credit Providers), and (B) electing that such amendments shall be effective. The Bondholder consent requirements with respect to the General Proposed Amendments and the Original Reserve Proposed Amendments (both as defined in APPENDIX H) have been satisfied. The Commission has not yet obtained all of the other consents required for the General Proposed Amendments or the Original Reserve Proposed Amendments to become effective, and it cannot predict whether or when certain Credit Provider consent rights, which expire in 2026, regarding the General Proposed Amendments and the Original Reserve Proposed Amendments will be obtained. Neither the General Proposed Amendments nor the Original Reserve Proposed Amendments will be effective until other applicable required consents are received and other conditions are met, as described above**.** The Proposed Amendments may become effective on different dates and not all amendments may become effective.

**By their purchase of the Series 2022A-C Bonds, the purchasers of the Series 2022A-C Bonds consent to the General Proposed Amendments and the Original Reserve Proposed Amendments and authorize the Trustee to take all actions necessary to evidence or effect such consent.**

## PLAN OF FINANCE AND REFUNDING

The Commission will use the proceeds of the Series 2022A-C Bonds, together with other available moneys, to repay approximately $361.3 million of the Commission's outstanding Commercial Paper Notes; to refund certain outstanding Bonds of the Commission; to pay capitalized interest on a portion of the Series 2022A-C Bonds; and to pay costs of issuance of the Series 2022A-C Bonds.

### Repayment of Commercial Paper

The Commercial Paper Notes expected to be repaid with a portion of the proceeds of the Series 2022A-C Bonds were issued to finance approximately $357.4 of capital projects and to prefund monthly required deposits of approximately $3.9 million of interest on the Commission's outstanding Series 2012A and Series 2012B Bonds in Fiscal Year 2021-22. Approximately $204.7 million of the Commercial Paper Notes issued to finance capital projects has been expended as of January 3, 2022 and the balance is expected to be spent on redevelopment of projects including the Harvey Milk Terminal 1, rehabilitation of Runway 10L-28R, net zero energy improvements, ITC renovations and the Courtyard 3 Connector. See "CAPITAL PROJECTS AND PLANNING" for further description of these capital projects. The use of proceeds of Commercial Paper Notes to make deposits with respect to interest on Bonds reduces the debt service on Bonds payable from Net Revenues in Fiscal Year 2021-22. See "INTRODUCTION– Continuing Effects of the COVID-19 Pandemic– *Financial Condition and Liquidity*." The Commercial Paper Notes being repaid with the proceeds of the Series 2022A-C Bonds will be repaid within 90 days of the date of delivery of the Series 2022A-C Bonds.

### Refunding Plan

A portion of the proceeds of the Series 2022A-C Bonds, along with certain other available moneys, will be used to refund and defease the Outstanding Bonds listed and identified as the Refunded Bonds in APPENDIX I –"LIST OF REFUNDED BONDS" (collectively, the "Refunded Bonds"). One of the objectives of refunding the Refunded Bonds is a reduction of the debt service on Bonds payable from Net Revenues in Fiscal Year 2022-23. See "INTRODUCTION– Continuing Effects of the COVID-19 Pandemic–*Financial Condition and Liquidity*–Debt Restructuring and Refunding." The Refunded Bonds will be paid or redeemed on the respective dates set forth in APPENDIX I.

A portion of the proceeds of the Series 2022A-C Bonds, together with certain other available moneys, including certain amounts held pursuant to the 1991 Master Resolution, will be deposited with The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement") to be executed and delivered by the Commission and the Escrow Agent. The amounts deposited with the Escrow Agent under the Escrow Agreement will be sufficient, together with investment earnings thereon, to pay the principal of and accrued interest on the Refunded Bonds to the applicable redemption dates or through the applicable maturity dates and, for those Refunded Bonds being redeemed, to pay the redemption price of the Refunded Bonds (as set forth in APPENDIX I) and accrued interest on such Refunded Bonds on the applicable redemption dates. See also "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

## ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds for the Series 2022A-C Bonds.

### Series 2022A-C Bonds Estimated Sources and Uses of Funds

| | Series 2022A Bonds | Series 2022B Bonds | Series 2022C Bonds | Total |
|---|---|---|---|---|
| **SOURCES OF FUNDS:** | | | | |
| Principal Amount | $301,530,000.00 | $236,475,000.00 | $194,815,000.00 | $732,820,000.00 |
| *Plus:* Original Issue Premium | 56,414,525.65 | 48,170,631.20 | - | 104,585,156.85 |
| Other Funds of the Airport[1] | 12,937,484.02 | 6,671,120.42 | 6,865,557.09 | 26,474,161.53 |
| TOTAL | $370,882,009.67 | $291,316,751.62 | $201,680,557.09 | $863,879,318.38 |
| **USES OF FUNDS:** | | | | |
| Commercial Paper Repayment | $149,825,250.00 | $180,195,812.50 | $31,303,937.49 | $361,325,000.00 |
| Deposit to Refunded Bonds Redemption Account | 213,159,555.13 | 110,095,012.61 | 168,182,697.07 | 491,437,264.81 |
| Capitalized Interest[2] | 6,923,192.86 | 260,663.78 | 1,614,932.76 | 8,798,789.40 |
| Underwriters' Discount | 507,319.85 | 398,469.55 | 322,170.33 | 1,227,959.73 |
| Costs of Issuance[3] | 466,691.83 | 366,793.17 | 256,819.44 | 1,090,304.44 |
| TOTAL | $370,882,009.67 | $291,316,751.62 | $201,680,557.09 | $863,879,318.38 |

(1) Includes funds from various funds and accounts related to the Refunded Bonds under the 1991 Master Resolution, including amounts from the Original Reserve Account and interest accounts established with respect to the Refunded Bonds.
(2) Represents capitalized interest on a portion of the Series 2022A-C Bonds.
(3) Includes fees and expenses of Co-Bond Counsel, Special Tax Counsel, Disclosure Counsel, the Co-Municipal Advisors, the Verification Agent, the Trustee, the Escrow Agent and the Airport Consultant, printing costs, rating agency fees, and other miscellaneous costs associated with the issuance of the Series 2022A-C Bonds.

## DESCRIPTION OF THE SERIES 2022A-C BONDS

### General

The Series 2022A-C Bonds will be dated their date of issuance. The Series 2022A-C Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the pages immediately following the front cover of this Official Statement. Interest on the Series 2022A-C Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2022 (each an "Interest Payment Date"). Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

The Series 2022A-C Bonds will be issued as fully registered securities, without coupons, and will be registered in the name of Cede & Co. as registered owner and nominee of The Depository Trust Company ("DTC"). Beneficial ownership interests in the Series 2022A-C Bonds will be available in book-entry form only, in Authorized Denominations of $5,000 and any integral multiple thereof. For information on minimum unit sales for purchasers outside the United States, see "INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES."

Purchasers of beneficial ownership interests in the Series 2022A-C Bonds ("Beneficial Owners") will not receive certificates representing their interests in the Series 2022A-C Bonds purchased. While held in book-entry form, all payments of principal of and interest on the Series 2022A-C Bonds will be made by wire transfer to DTC or its nominee as the sole registered owner of the Series 2022A-C Bonds. Payments to Beneficial Owners are the sole responsibility of DTC and its Participants. See APPENDIX C–"INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM." Beneficial interests in the Series 2022A-C Bonds may be held through DTC, Clearstream Banking, S.A ("Clearstream Banking") or Euroclear Bank S.A./N.V. ("Euroclear") as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system. See APPENDIX J–"GLOBAL CLEARANCE PROCEDURES."

**Redemption Provisions**

*Optional Redemption of the Series 2022A-C Bonds (Par Call)*

The Series 2022A Bonds maturing before May 1, 2032 are not subject to optional redemption. The Series 2022A Bonds maturing on or after May 1, 2033 are subject to redemption prior to their respective stated maturity dates, at the option of the Commission, from any source of available funds, as a whole or in part, in Authorized Denominations, on any date on or after May 1, 2032, at a redemption price equal to 100% of the principal amount of the Series 2022A Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

The Series 2022B Bonds maturing before May 1, 2032 are not subject to optional redemption. The Series 2022B Bonds maturing on or after May 1, 2033 are subject to redemption prior to their respective stated maturity dates, at the option of the Commission, from any source of available funds, as a whole or in part, in Authorized Denominations, on any date on or after May 1, 2032, at a redemption price equal to 100% of the principal amount of the Series 2022B Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

The Series 2022C Bonds maturing on or after May 1, 2034 are subject to redemption prior to their respective stated maturity dates, at the option of the Commission, from any source of available funds, as a whole or in part, in Authorized Denominations, on any date on or after May 1, 2032 (the "Series 2022C Par Call Date"), at a redemption price equal to 100% of the principal amount of the Series 2022C Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Any notice of optional redemption for the Series 2022A-C Bonds may be conditional and may be cancelled and annulled by the Commission for any reason on or prior to the date fixed for redemption. Such cancellation does not constitute an Event of Default under the 1991 Master Resolution.

*Optional Redemption of the Series 2022C Bonds Prior to Series 2022C Par Call Date (Make-Whole Redemption)*

Prior to the Series 2022C Par Call Date, the Series 2022C Bonds are subject to redemption prior to their respective stated maturity dates, at the option of the Commission, from any source of available funds, as a whole or in part, in Authorized Denominations, on any Business Day. The redemption price for such Series 2022C Bonds called for redemption shall be equal to the greater of (i) 100% of principal amount of the Series 2022C Bonds called for redemption, together with accrued interest to the date fixed for redemption, and (ii) 100% of the principal amount of the Series 2022C Bonds called for redemption, plus the Make-Whole Premium (as defined below), if any, together with accrued interest to the date fixed for redemption. Any notice of optional redemption for the Series 2022C Bonds may be conditional and may be cancelled and annulled by the Commission for any reason on or prior to the date fixed for redemption. Such cancellation does not constitute an Event of Default under the 1991 Master Resolution.

For purposes of the foregoing paragraph, the following terms are defined as follows:

"Make-Whole Premium" means, with respect to any Series 2022C Bond to be redeemed, an amount calculated by an Independent Banking Institution (as defined below) equal to the positive difference, if any, between:

(1) The sum of the present values, calculated as of the date fixed for redemption of:

(a) Each interest payment that, but for the redemption, would have been payable on the Series 2022C Bond or portion thereof being redeemed on each regularly scheduled Interest Payment Date occurring after the date fixed for redemption through the maturity date of such Series 2022C Bond (excluding any accrued interest for the period prior to the date fixed for redemption); plus

(b) The principal amount that, but for such redemption, would have been payable on the maturity date of the Series 2022C Bond or portion thereof being redeemed; minus

(2) The principal amount of the Series 2022C Bond or portion thereof being redeemed.

The present values of the interest and principal payments referred to in (1) above will be determined by discounting the amount of each such interest and principal payment from the date that each such payment would have been payable but for the redemption to the date fixed for redemption on a semiannual basis (assuming a 360-day year consisting of twelve (12) 30-day months) at a discount rate equal to the Comparable Treasury Yield plus: (i) fifteen (15) basis points for the Series 2022C Bonds maturing in years 2030-2032, and (ii) twenty-five (25) basis points for the Series 2022C Bonds maturing in years 2034-2037.

"Comparable Treasury Yield" means the yield which represents the weekly average yield to maturity for the preceding week appearing in the most recently published statistical release designated "H.15(519) Selected Interest Rates" under the heading "Treasury Constant Maturities," or any successor publication selected by the Independent Banking Institution that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity, for the maturity corresponding to the remaining term to maturity of the Series 2022C Bonds being redeemed. The Comparable Treasury Yield will be determined as of the 10th Business Day immediately preceding the applicable date fixed for redemption. If the H.15(519) statistical release sets forth a weekly average yield for United States Treasury securities that have a constant maturity that is the same as the remaining term to maturity of the Series 2022C Bonds being redeemed, then the Comparable Treasury Yield will be equal to such weekly average yield. In all other cases, the Comparable Treasury Yield will be calculated by interpolation on a straight-line basis, between the weekly average yields on the United States Treasury securities that have a constant maturity (a) closest to and greater than the remaining term to maturity of the Series 2022C Bonds being redeemed; and (b) closest to and less than the remaining term to maturity of the Series 2022C Bonds being redeemed. Any weekly average yields calculated by interpolation will be rounded to the nearest 1/100th of 1%, with any figure of 1/200th of 1% or above being rounded upward.

If, and only if, weekly average yields for United States Treasury securities for the preceding week are not available in the H.15(519) statistical release or any successor publication, then the Comparable Treasury Yield will be the rate of interest per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price (each as defined herein) as of the date fixed for redemption.

"Comparable Treasury Issue" means the United States Treasury security selected by the Independent Banking Institution as having a maturity comparable to the remaining term to maturity of the Series 2022C Bonds being redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term to maturity of the Series 2022C Bonds being redeemed.

"Independent Banking Institution" means an investment banking institution of national standing which is a primary United States government securities dealer in the City of New York designated by the Commission (which may be one of the Underwriters). If the Commission fails to appoint an Independent Banking Institution at least 30 days prior to the date fixed for redemption, or if the Independent Banking Institution appointed by the Commission is unwilling or unable to determine the Comparable Treasury Yield, the Comparable Treasury Yield will be determined by an Independent Banking Institution designated by the Trustee in consultation with the Commission.

"Comparable Treasury Price" means, with respect to any date on which a Series 2022C Bond or portion thereof is being redeemed, either (a) the average of five Reference Treasury Dealer quotations for the date fixed for redemption, after excluding the highest and lowest such quotations, and (b) if the Independent Banking Institution is unable to obtain five such quotations, the average of the quotations that are obtained. The quotations will be the average, as determined by the Independent Banking Institution, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of principal amount) quoted in writing to the Independent Banking Institution, at 5:00 p.m. New York City time on the 10th Business Day preceding the date fixed for redemption.

"Reference Treasury Dealer" means a primary United States Government securities dealer in the United States appointed by the Commission and reasonably acceptable to the Independent Banking Institution (which may be one of the Underwriters). If the Commission fails to select the Reference Treasury Dealers within a reasonable period of time, the Trustee will select the Reference Treasury Dealers in consultation with the Commission.

*Selection of Series 2022A-C Bonds for Redemption*

Series 2022A Bonds and Series 2022B Bonds. The Commission shall select the maturities of the Series 2022A Bonds and the Series 2022B Bonds to be optionally redeemed.

Except as otherwise described in APPENDIX C–"INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM," if less than all of a maturity of the Series 2022A Bonds and Series 2022B Bonds is to be redeemed, the Series 2022A Bonds or the Series 2022B Bonds, as applicable, to be redeemed shall be selected by lot in such manner as the Trustee shall determine.

Series 2022C Bonds. The Commission shall select the maturities of the Series 2022C Bonds to be optionally redeemed.

If less than all of the Series 2022C Bonds of a maturity are redeemed prior to their respective stated maturity dates, the particular Series 2022C Bonds to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with the rules and procedures of DTC. It is the Commission's intent that redemption allocations made by DTC, the DTC participants or such other intermediaries that may exist between the Commission and the beneficial owners of the Series 2022C Bonds shall be made on a pro-rata pass-through distribution of principal basis. However, so long as the Series 2022C Bonds are in book-entry only form, the selection for redemption of such Series 2021C Bonds shall be made in accordance with the operational arrangements of DTC then in effect. Neither the Commission nor the Trustee shall provide any assurance or shall have any responsibility or obligation to ensure that DTC, the DTC participants or any other intermediaries allocate redemptions of the Series 2022C Bonds among beneficial owners on a pro-rata pass-through distribution of principal basis. If the DTC operational arrangements do not allow for the redemption of the Series 2022C Bonds on a pro-rata pass-through distribution of principal basis, the Series 2022C Bonds shall be selected for redemption, in accordance with DTC procedures, by lot. See APPENDIX C–"INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM." The portion of any Series 2022C Bond of a denomination of more than $5,000 to be redeemed will be in the principal amount of $5,000 or any integral multiple thereof.

*Notice of Redemption*

The Trustee is required to give notice of redemption by first-class mail or electronic means, at least 30 days but not more than 60 days prior to the redemption date, to the registered owners of the Series 2022A-C Bonds to be redeemed, all organizations registered with the Securities and Exchange Commission (the "SEC") as securities depositories, and at least two information services of national recognition which disseminate redemption information with respect to municipal securities.

So long as the Series 2022A-C Bonds are in book-entry only form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the applicable Series 2022A-C Bonds, and not directly to the Beneficial Owners. See APPENDIX C–"INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Any notice of optional redemption may be cancelled and annulled by the Commission for any reason on or prior to the date fixed for redemption. Such cancellation would not constitute an Event of Default under the 1991 Master Resolution.

### Transfer and Exchange

The Series 2022A-C Bonds will be issued only as fully registered securities, with the privilege of transfer or exchange in Authorized Denominations for Series 2022A-C Bonds of an equal aggregate principal amount, of the same series, bearing the same interest rate and having the same maturity date, as set forth in the 1991 Master Resolution. All such transfers and exchanges shall be without charge to the owner, with the exception of any taxes, fees or other governmental charges that are required to be paid to the Trustee as a condition to transfer or exchange. While the Series 2022A-C Bonds are in book-entry only form, beneficial ownership interests in the Series 2022A-C Bonds may only be transferred through Direct Participants and Indirect Participants as described in APPENDIX C–"INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM."

### Defeasance

Upon deposit by the Commission with the Trustee, at or before maturity, of money or noncallable Government Obligations, Government Certificates or certain pre-funded municipal obligations described in the definition of Permitted Investments which, together with the earnings thereon, are sufficient to pay the principal amount or redemption price of any particular Series 2022A-C Bonds, or portions thereof, becoming due, together with all interest accruing thereon to the due date or redemption date, and if the Commission provides for any required notice of redemption prior to maturity, such Series 2022A-C Bonds (or portions thereof) will be deemed not to be Outstanding under the 1991 Master Resolution. This is referred to in this Official Statement as a "Defeasance." Upon a Defeasance of Series 2022A-C Bonds (or portions thereof), the Owner or Owners of such Series 2022A-C Bonds (or portions thereof) will be restricted exclusively to the money or securities so deposited, together with any earnings thereon, for payment of such Series 2022A-C Bonds. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Defeasance." See also "CERTAIN RISK FACTORS–Income Taxation Risk Upon Defeasance of the Series 2022C Bonds."

## SECURITY FOR THE SERIES 2022A-C BONDS

### Authority for Issuance

The Series 2022A-C Bonds will be issued under the authority of, and in compliance with, the Charter of the City and County of San Francisco (the "Charter"), the 1991 Master Resolution, and the statutes of the State as made applicable to the City pursuant to the Charter.

### Pledge of Net Revenues; Source of Payment

*Pledge of Net Revenues*

The Series 2022A-C Bonds, together with all Bonds issued and to be issued pursuant to the 1991 Master Resolution, are referred to herein as the "Bonds." The 1991 Master Resolution constitutes a contract between the Commission and the registered owners of the Bonds under which the Commission has irrevocably pledged the Net Revenues of the Airport to the payment of the principal of and interest on the Bonds. The payment of the principal and interest on the Series 2022A-C Bonds will be secured by a pledge of, lien on and security interest in the Net Revenues on a parity with the pledge, lien and security interest securing all previously issued Bonds and any additional Bonds issued in the future under the 1991 Master Resolution. The Bonds have a lien on Net Revenues senior to any other outstanding debt, and the Commission has covenanted in the 1991 Master Resolution that it will not create any pledge of, lien on, or security interest in or encumbrance on Revenues or Net Revenues except for a pledge, lien, security interest or encumbrance subordinate to the pledge, lien and security interest granted in the 1991 Master Resolution for the benefit of the Bonds.

Net Revenues are defined in the 1991 Master Resolution as "Revenues" less "Operation and Maintenance Expenses." "Revenues," in turn, are defined in the 1991 Master Resolution to include all revenues earned by the Commission with respect to the Airport, as determined in accordance with generally accepted accounting principles ("GAAP"). Revenues do not include: (a) investment income from moneys 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; (c) Special Facility Revenues and any income realized from the investment thereof unless designated as Revenues by the Commission; (d) any passenger facility or similar charge levied by or on behalf of the Commission unless designated as Revenues by the Commission; (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; and (i) any money received by or for the account of the Commission from the levy or collection of taxes upon any property of the City. The Proposed Amendments would modify the definition of "Revenues." See "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" and APPENDIX H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION."

"Operation and Maintenance Expenses" are defined in the 1991 Master Resolution to include all expenses of the Commission 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 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 Commission will be paid or reimbursed from or through any source that is not included or includable as Revenues; (d) any extraordinary items arising from the early extinguishment of debt; (e) Annual Service Payments; (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. Operating and Maintenance Expenses include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Commission may establish or the Board of Supervisors may require with respect to Commission employees.

Pursuant to Section 5450 *et seq.* of the California Government Code, the pledge of, lien on and security interest in Net Revenues and certain other funds granted by the 1991 Master Resolution is valid and binding in accordance with the terms thereof from the time of issuance of the Series 2022A-C Bonds; the Net Revenues and such other funds were immediately subject to such pledge; and such pledge constitutes a lien and security interest which immediately attaches to such Net Revenues and other funds and is effective, binding and enforceable against the Commission, its successors, creditors, and all others asserting rights therein to the extent set forth and in accordance with the terms of the 1991 Master Resolution irrespective of whether those parties have notice of such pledge and without the need for any physical delivery, recordation, filing or other further act. Such pledge, lien and security interest are not subject to the provisions of Article 9 of the California Uniform Commercial Code. Also see "CERTAIN RISK FACTORS–Potential Effect of a City Bankruptcy."

For a description of the Airport's revenues and expenses, see "AIRPORT'S FINANCIAL AND RELATED INFORMATION."

*Certain Adjustments to "Revenues" and "Operation and Maintenance Expenses"*

<u>PFCs as Revenues</u>. The term "Revenues" as defined in the 1991 Master Resolution does not include any passenger facility charge ("PFC") or similar charge levied by or on behalf of the Commission against passengers, unless all or a portion thereof are designated as such by the Commission by resolution. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Passenger Facility Charge."

The amounts of PFCs designated as "Revenues" under the 1991 Master Resolution and applied to pay debt service on the Bonds since Fiscal Year 2011-12 are described under "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Passenger Facility Charge." The Commission expects to continue to designate a substantial portion of PFCs as Revenues in each Fiscal Year during which such PFCs are authorized to be applied to pay debt service on the Bonds. In the absence of such PFCs or such designation, the Airport would have to increase its rates and fees, including landing fees and terminal rental rates, and/or reduce operating expenses in the aggregate by a corresponding amount. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Passenger Facility Charge."

<u>Offsets Against Operating Expenses</u>. The term "Operation and Maintenance Expenses" is defined in the 1991 Master Resolution to exclude, among other things, "any expense for which, or to the extent to which, the Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenues." For example, if the Commission pays operating expenses from proceeds of borrowed money or from grant moneys rather

than from current revenues, it can reduce "Operation and Maintenance Expenses" and thereby increase "Net Revenues" for purposes of satisfaction of the rate covenant and additional bonds tests under the 1991 Master Resolution. Historically, the Commission has done this only in extraordinary circumstances. As a result of the COVID-19 pandemic, as of November 4, 2021, the Commission has applied approximately $0.2 million, $295.9 million, and $0.1 million of federal funds to offset Operation and Maintenance Expenses in Fiscal Years 2019-20, 2020-21, and 2021-22, respectively, and expects to apply additional amounts in Fiscal Year 2021-22 and possibly in subsequent fiscal years. See "CAPITAL PROJECTS AND PLANNING–Federal Grants."

Unearned Aviation Revenues/Aviation Revenues Due. Because Revenues are determined on an accrual basis in accordance with GAAP, actual year-to-year cash receipts from terminal rentals and landing fees may differ materially from the amounts reported as "Revenues." Terminal rental rates and landing fees are established in advance for the upcoming Fiscal Year based on estimated revenues and expenses. Actual receipts in any given Fiscal Year are either more or less than estimated revenues, as are actual costs relative to estimated costs. Due to the residual nature of the Lease and Use Agreements, to the extent there is an over-collection in any year (that is, receipts from the airlines exceed net costs), that excess is not included in "Revenues." This is due to the fact that those revenues have not yet been earned. The Commission is obligated to reduce future rates and charges by a corresponding amount. However, the cash-on-hand resulting from any such over-collection is available in the interim to pay operating expenses, debt service on Bonds or other amounts in the event that Revenues are unexpectedly low or expenses are unexpectedly high in the course of a given Fiscal Year.

Conversely, if there is an under-collection in any year, that shortfall will nonetheless be recognized as "Revenues," as the Airport's right to receive them has been earned (or "accrued"). The airlines are obligated under the Lease and Use Agreements to pay such deficiency through future terminal rentals and landing fees. An under-collection signifies a corresponding reduction in liquidity available to the Airport for operating and other expenses. The Commission may also increase terminal rental rates and/or landing fees at any time during a Fiscal Year if the actual expenses (including debt service) in one or more applicable cost centers are projected to exceed by 10% or more the actual revenues from such cost center. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements."

The Commission had unearned aviation revenues (previously referred to as deferred aviation revenues) for more than ten years through Fiscal Year 2016-17. In Fiscal Year 2016-17, the Airport's cumulative unearned aviation revenues were $54.9 million. In Fiscal Year 2017-18, the Commission had $37.8 million in net aviation revenue due (undercollected), primarily as a result of the effect of the adoption of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions ("GASB 75"), which revised existing and established new actuarial and financial reporting requirements for governments that provide their employees with post-employment benefits other than pensions, on the Airport's beginning net position for Fiscal Year 2017-18. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Summary of Financial Statements – *Summary of Statements of Net Position.*" This aviation revenue due was offset by unearned aviation revenues in Fiscal Year 2018-19, resulting in $3.4 million of cumulative unearned aviation revenues at the end of Fiscal Year 2018-19. As a result of the COVID-19 pandemic, the Commission had $23.8 million in net aviation revenue due (undercollected) in Fiscal Year 2019-20. As a result of the federal CARES Act funding received by the Commission, the Commission had $160.2 million in unearned aviation revenue at the end of Fiscal Year 2020-21 after offsetting the $23.8 million net aviation revenue due from Fiscal Year 2019-20. See "CAPITAL PROJECTS AND PLANNING–Federal Grants."

*Special, Limited Obligations*

The Series 2022A-C Bonds are special, limited obligations of the Commission, payable as to principal and interest solely out of, and secured by a pledge of and lien on, the Net Revenues of the Airport and certain funds and accounts provided for in the 1991 Master Resolution. Neither the credit nor taxing power of the City is pledged to the payment of the principal of or interest on the Series 2022A-C Bonds. No holder of a Series 2022A-C Bond shall have the right to compel the exercise of the taxing power of the City to pay the principal of the Series 2022A-C Bonds or the interest thereon. The Commission has no taxing power whatsoever.

**Rate Covenant**

The Commission has covenanted in the 1991 Master Resolution that it will establish and at all times maintain rates, rentals, charges and fees for the use of the Airport and for services rendered by the Commission so that:

(a) Net Revenues 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 as described under "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City–*Annual Service Payment*"; and

(b) Net Revenues, together with any Transfer from the Contingency Account to the Revenues Account, in each Fiscal Year will be at least equal to 125% of aggregate Annual Debt Service with respect to the Bonds for such Fiscal Year. See "–Contingency Account."

In the event that Net Revenues for any Fiscal Year are less than the amount specified in clause (b) above, but the Commission has promptly taken all lawful measures to revise its schedule of rentals, rates, fees and charges as necessary to increase Net Revenues, together with any Transfer, to the amount specified, such deficiency will not constitute an Event of Default under the 1991 Master Resolution. Nevertheless, if, after taking such measures, Net Revenues in the next succeeding Fiscal Year are less than the amount specified in clause (b) above, such deficiency in Net Revenues will constitute an Event of Default under the 1991 Master Resolution. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Certain Covenants–*Rate Covenant*."

The Proposed Amendments would modify the definitions of Revenues and Annual Debt Service. See "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" and APPENDIX H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION."

**Contingency Account**

The 1991 Master Resolution created a Contingency Account within the Airport Revenue Fund held by the Treasurer of the City. Moneys in the Contingency Account may be applied upon the direction of the Commission to the payment of principal, interest, purchase price or premium payments on the Bonds, payment of Operation and Maintenance Expenses, and payment of costs related to any additions, improvements, repairs, renewals or replacements to the Airport, in each case only if and to the extent that moneys otherwise available to make such payments are insufficient therefor. The Commission is not obligated to maintain a particular balance in the Contingency Account or to replenish the Contingency Account in the event any amounts are withdrawn.

As of June 30, 2021, the Contingency Account contained approximately $167.2 million (excluding interest earnings and without accounting adjustments).

The Commission has never drawn on the Contingency Account to stabilize its finances, but it has used the balance in the Contingency Account to satisfy the coverage requirements of the rate covenant described under "–Rate Covenant" above.

If the Commission withdraws funds from the Contingency Account for any purpose during any Fiscal Year and does not replenish the amounts withdrawn, this reduction in the amount on deposit in the Contingency Account may have an adverse effect on debt service coverage for such Fiscal Year and subsequent Fiscal Years. The Commission is not obligated to replenish the Contingency Account in the event amounts are withdrawn therefrom.

**Flow of Funds**

The application of Revenues is governed by relevant provisions of the Charter and of the 1991 Master Resolution. Under the Charter, the gross revenue of the Commission is to be deposited in a special fund in the City

Treasury designated as the "Airport Revenue Fund." These moneys are required to be held separate and apart from all other funds of the City and are required to be applied as follows:

*First*, to pay Airport Operation and Maintenance Expenses;

*Second*, to make required payments of pension charges and to compensation, insurance and outside reserve funds therefor;

*Third*, to pay the principal of, interest on, and other required payments to secure revenue bonds (including the Series 2022A-C Bonds);

*Fourth*, to pay principal of and interest on general obligation bonds of the City issued for Airport purposes (there are no general obligation bonds outstanding for Airport purposes, nor have there been for more than 30 years);

*Fifth*, to pay for necessary reconstruction and replacement of Airport facilities;

*Sixth*, to acquire real property for the construction or improvement of Airport facilities;

*Seventh*, to repay to the City's General Fund any sums paid from tax moneys for principal of and interest on any general obligation bonds previously issued by the City for Airport purposes; and

*Eighth*, for any other lawful purpose of the Commission, including without limitation transfer to the City's General Fund on an annual basis of up to 25% of the non-airline revenues as a return upon the City's investment in the Airport. However, the Lease and Use Agreements further limit payments from the Airport Revenue Fund into the General Fund of the City to the greater of (i) 15% of "Concessions Revenues" (as defined in the Lease and Use Agreements) or (ii) $5 million per year. The Annual Service Payment to the City includes the total transfer to the City's General Fund contemplated by the applicable Charter provision. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City."

The 1991 Master Resolution establishes the following accounts within the Airport Revenue Fund: the Revenues Account, the Operation and Maintenance Account, the Revenue Bond Account, the General Obligation Bond Account, the General Purpose Account, and the Contingency Account. Under the 1991 Master Resolution, all Revenues are required to be set aside and deposited by the Treasurer in the Revenues Account as received. Each month, moneys in the Revenues Account are set aside and applied as follows:

*First*, to the Operation and Maintenance Account, the amount required to pay Airport Operation and Maintenance Expenses;

*Second*, to the Revenue Bond Account, the amount required to make all payments and deposits required in that month for the Bonds and any Subordinate Bonds, including amounts necessary to make any parity Swap Payments to a Swap Counterparty (see "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Interest Rate Swaps");

*Third*, to the General Obligation Bond Account, the amount required to pay the principal of and interest on general obligation bonds of the City issued for Airport purposes (there are no general obligation bonds outstanding for Airport purposes, nor have there been for more than 30 years);

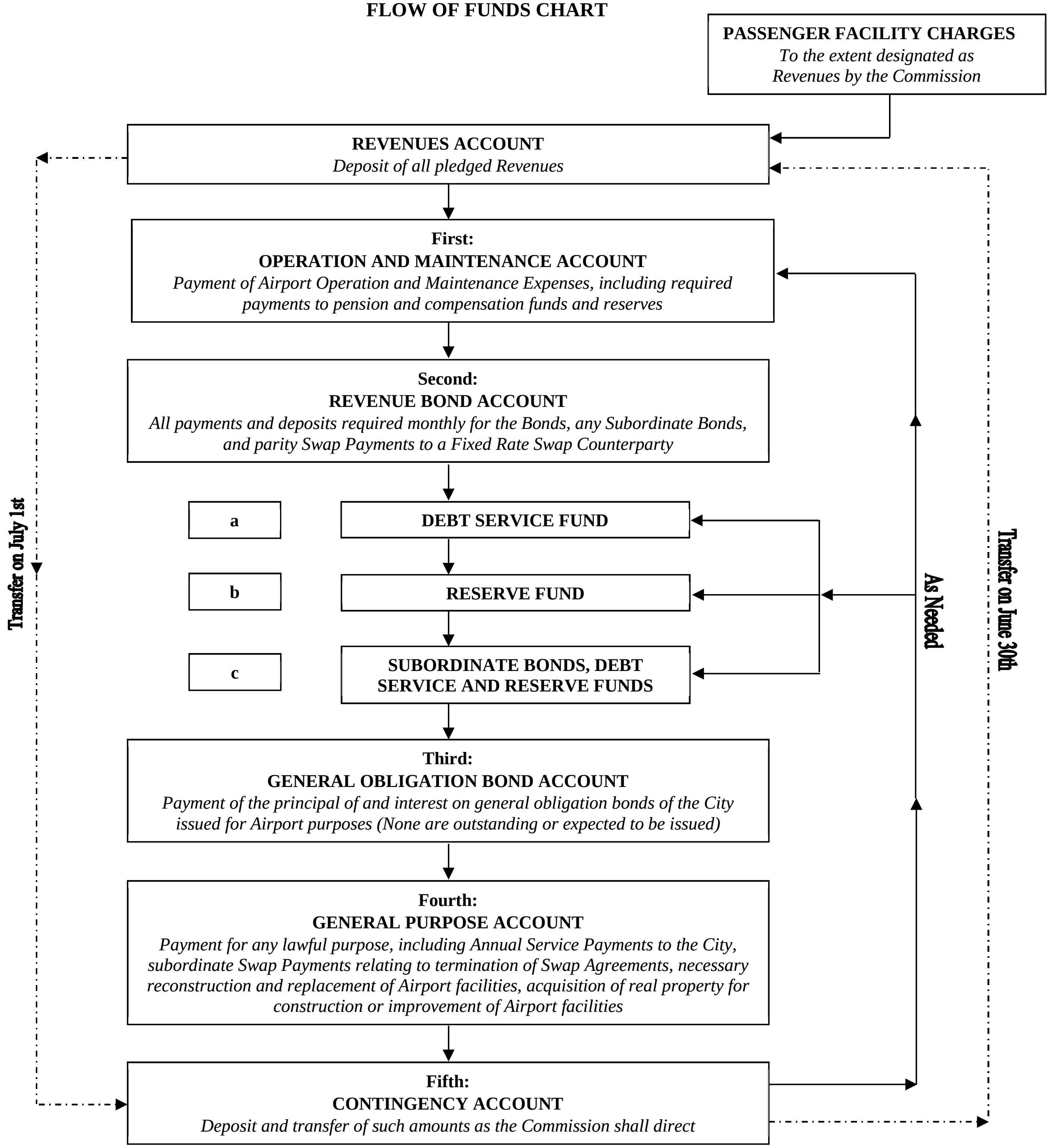
*Fourth*, to the General Purpose Account, the amount estimated to be needed to pay for any lawful purpose, including any subordinate Swap Payments payable in connection with the termination of the Swap Agreements (see "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Interest Rate Swaps"); and

*Fifth*, to the Contingency Account, such amount, if any, as the Commission shall direct.

**Flow of Funds Chart**

The Flow of Funds Chart below sets forth a simplified graphic presentation of the allocation of amounts on deposit in the Airport Revenue Fund each month as provided in both the Charter and the 1991 Master Resolution. The Commission is providing it solely for the convenience of the reader, and the Commission qualifies it in its entirety by reference to the statements under the caption "–Flow of Funds," above.

**FLOW OF FUNDS CHART**



For a detailed description of the transfers and deposits of Revenues, see APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Revenue Fund; Allocation of Net Revenues."

**Additional Bonds**

*General Requirements*

Additional Bonds that have a parity lien on Net Revenues with the Series 2022A-C Bonds and all previously issued Bonds may be issued by the Commission pursuant to the 1991 Master Resolution. The Commission has retained substantial flexibility as to the terms of any such additional Bonds. Such additional Bonds (which may include, without limitation, bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein and Repayment Obligations to Credit Providers or Liquidity Providers) may mature on any date or dates over any period of time; bear interest at a fixed or variable rate; be payable in any currency or currencies; be in any denominations; be subject to additional events of default; have any interest and principal payment dates; be in any form (including registered, book-entry or coupon); include or exclude redemption provisions; be sold at a certain price or prices; be further secured by any separate and additional security; be subject to optional tender for purchase; and otherwise include such additional terms and provisions as the Commission may determine, subject to the then-applicable requirements and limitations imposed by the Charter.

Under the Charter, the issuance of Bonds authorized by the Commission must be approved by the Board of Supervisors.

The Commission may not issue any additional Bonds (other than refunding Bonds) under the 1991 Master Resolution unless the Trustee has been provided with either:

(a) a certificate of an Airport Consultant stating that:

(i) for the period, if any, from and including the first full Fiscal Year following the issuance of such additional Bonds through and including the last Fiscal Year during any part of which interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenues, together with any Transfer from the Contingency Account, in each such Fiscal Year will be at least equal to 1.25 times Annual Debt Service; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such Bonds during which no interest on such Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Bonds, or (B) the third full Fiscal Year during which no interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenues together with any Transfer from the Contingency Account, if applicable, in each such Fiscal Year will be at least sufficient to satisfy the rate covenants in the 1991 Master Resolution (see "–Rate Covenant" above); or

(b) a certificate of an Independent Auditor stating that Net Revenues, together with any Transfer from the Contingency Account, in the most recently completed Fiscal Year were at least equal to 125% of the sum of (i) Annual Debt Service on the Bonds in such Fiscal Year, plus (ii) Maximum Annual Debt Service on the Bonds proposed to be issued.

Any Transfer from the Contingency Account taken into account for purposes of clause (a) or (b) above shall not exceed 25% of Maximum Annual Debt Service in such Fiscal Year. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Issuance of Additional Series of Bonds." The Commission anticipates that the certificate described in (a) above will be delivered by the Airport Consultant in connection with the issuance of the Series 2022A-C Bonds.

Proceeds of additional Bonds are expected to be a significant source of funding for the CIP as projects are resumed. See "CERTAIN RISK FACTORS– Risks Related to the Commission's Capital Projects" and "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan."

The Commission may issue Bonds for the purpose of refunding any Bonds or Subordinate Bonds upon compliance with the requirements summarized above or upon delivery to the Trustee of evidence that aggregate Annual Debt Service in each Fiscal Year with respect to all Bonds to be Outstanding after the issuance of the refunding Bonds will be less than aggregate Annual Debt Service in each such Fiscal Year in which Bonds are Outstanding prior to the issuance of such refunding Bonds, and that Maximum Annual Debt Service with respect to all Bonds to be Outstanding after the issuance of the refunding Bonds will not exceed Maximum Annual Debt Service with respect to all Bonds Outstanding immediately prior to such issuance. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Refunding Bonds."

The Proposed Amendments include modifications that affect the tests for issuance of additional Bonds, including refunding Bonds. See "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" and APPENDIX H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION."

*Repayment Obligations*

Under certain circumstances, Repayment Obligations may be accorded the status of Bonds. Repayment Obligations are defined under the 1991 Master Resolution to mean an obligation under a written agreement between the Commission and a Credit Provider or Liquidity Provider to reimburse the Credit Provider or Liquidity Provider for amounts paid under or pursuant to a "Credit Facility" (which is defined in the 1991 Master Resolution to include letters of credit, lines of credit, standby bond purchase agreements, municipal bond insurance policies, surety bonds or other financial instruments) or a "Liquidity Facility" (which is defined in the 1991 Master Resolution to include lines of credit, standby bond purchase agreements or other financial instruments that obligate a third party to pay or provide funds for the payment of the purchase price of any variable rate Bonds) for the payment of the principal or purchase price of and/or interest on any Bonds. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Credit Facilities." See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Repayment Obligations."

**Reserve Fund; Reserve Accounts; Credit Facilities**

The 1991 Master Resolution established the pooled "Issue 1 Reserve Account" (the "Original Reserve Account") in the Reserve Fund as security for each series of Bonds (each, an "Original Reserve Series") that is designated as being secured by the Original Reserve Account. All of the Bonds currently Outstanding under the 1991 Master Resolution have been designated as Original Reserve Series except for the Series 2010A, 2017D, 2018A, 2018B, 2018C, 2019B and 2019D Bonds. **The Series 2022A-C Bonds will be designated as Original Reserve Series and will be secured by the Original Reserve Account.**

The 1991 Master Resolution also established the pooled "2017 Reserve Account" (the "2017 Reserve Account") in the Reserve Fund as security for each series of Bonds (the "2017 Reserve Account Series Bonds") that is designated as being secured by the 2017 Reserve Account. The Series 2017D Bonds, Series 2018A Bonds, Series 2019B Bonds and Series 2019D Bonds are designated as 2017 Reserve Account Series Bonds.

As permitted under the 1991 Master Resolution, the Commission does not maintain a reserve account for the Series 2010A, 2018B or 2018C Bonds, all of which are secured by direct-pay letters of credit. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Credit Facilities."

Future series of Bonds may be secured by the Original Reserve Account, the 2017 Reserve Account or a separate reserve account established by the Commission, or may not be secured by any debt service reserve account, as the Commission shall determine. A deficiency in any reserve account may require the Commission to apply Net Revenues to cure such deficiency and thereby reduce Net Revenues available to pay debt service on the Commission's Bonds, including the Series 2022A-C Bonds.

*Original Reserve Account*

***The Series 2022A-C Bonds will be designated as Original Reserve Series and will be secured by the Original Reserve Account.***

Amounts on deposit in the Original Reserve Account may be used solely for the purposes of (i) paying interest, principal or mandatory sinking fund payments on the Original Reserve Series Bonds whenever any moneys then credited to the debt service accounts with respect to such Original Reserve Series Bonds are insufficient for such purposes, and (ii) reimbursing the providers of any reserve policies or other credit facilities credited to the Original Reserve Account for any payments thereunder.

The reserve requirement for the Original Reserve Account (the "Original Reserve Requirement") is an amount equal to Aggregate Maximum Annual Debt Service on the Outstanding Original Reserve Series Bonds. Aggregate Maximum Annual Debt Service means the maximum amount of Annual Debt Service on all Outstanding Original Reserve Series Bonds in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of such Bonds. The Original Reserve Requirement can be funded with cash, Permitted Investments and/or Credit Facilities.

The 1991 Master Resolution authorizes the Commission to obtain Credit Facilities, including surety bonds and insurance policies ("reserve policies"), in place of funding the Original Reserve Account with cash and Permitted Investments. The 1991 Master Resolution requires that the substitution of a Credit Facility for amounts on deposit in the Original Reserve Account will not cause the then-current ratings on the Bonds to which such accounts are pledged to be downgraded or withdrawn. The 1991 Master Resolution requires that a reserve policy deposited in the Original Reserve Account must be from a credit provider rated in the highest rating category by at least two rating agencies at the time it is deposited. However, the 1991 Master Resolution does not require that those ratings be maintained after the date of deposit of such reserve policy to the Original Reserve Account. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Debt Service and Reserve Funds–*Application and Valuation of Issue 1 Reserve Account and 2017 Reserve Account.*" The Commission does not have any current plans to obtain additional Credit Facilities for the Original Reserve Account.

As of December 31, 2021, the Original Reserve Requirement was approximately $522.1 million. The balance in the Original Reserve Account is set forth in the table below.

Original Reserve Account Balance
As of December 31, 2021

| | |
|---|---|
| Cash and Permitted Investments | $555.3 million |
| National Reserve Policies[(1)] | 41.8 million[(2)] |
| TOTAL | $597.1 million |

(1) National Public Finance Guarantee Corporation ("National") is the reinsurer of reserve policies in the Original Reserve Account. As of July 1, 2020, Moody's Investors Service, Inc. ("Moody's") rated the claims-paying ability and financial strength of National "Baa2" (stable). Information concerning National is available in reports and statements filed by National with the SEC. This information is available on the SEC's website at http://www.sec.gov.

(2) These policies expire in mid-2026.

Following the issuance of the Series 2022A-C Bonds, the Original Reserve Requirement will be approximately $535.0 million. Immediately following the issuance of the Series 2022A-C Bonds, cash and Permitted Investments in the Original Reserve Account are expected to equal approximately $535.0 million, or 100% of the Original Reserve Requirement.

In the event that the balance in the Original Reserve Account is diminished below the Original Reserve Requirement, the Trustee is required to immediately notify the Commission of such deficiency and the Commission is required under the 1991 Master Resolution to replenish the Original Reserve Account by transfers of available Net Revenues over a period not to exceed 12 months from the date on which the Commission is notified of such deficiency.

See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Debt Service and Reserve Funds–*Application and Valuation of Issue 1 Reserve Account and 2017 Reserve Account*." Any amounts on deposit in the Original Reserve Account in excess of the Original Reserve Requirement may be withdrawn by the Commission.

The Proposed Amendments would modify the provisions relating to Credit Facilities in the Original Reserve Account and the definition of Permitted Investments. See "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" and Appendix H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION."

*2017 Reserve Account*

***The Series 2022A-C Bonds are NOT secured by the 2017 Reserve Account.***

Amounts on deposit in the 2017 Reserve Account may be used solely for the purposes of (i) paying interest, principal or mandatory sinking fund payments on any 2017 Reserve Account Series Bonds whenever any moneys then credited to the debt service accounts with respect to such 2017 Reserve Account Series Bonds are insufficient for such purposes, and (ii) reimbursing the providers of any reserve policies or other credit facilities credited to the 2017 Reserve Account for any payments thereunder.

The reserve requirement for the 2017 Reserve Account (the "2017 Reserve Requirement") is equal to the lesser of: (i) 2017 Reserve Account Maximum Annual Debt Service (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 Account Series Bonds), (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Account Series Bonds (provided that the issue price of a Series of 2017 Reserve Account Series Bonds will be used in this calculation if such Series of Bonds was sold with an original issue discount that exceeded 2% of the principal of such Series of Bonds on its original date of sale), and (iii) 125% of the average aggregate Annual Debt Service for all 2017 Reserve Account Series Bonds. The 2017 Reserve Requirement can be funded with cash, Permitted Investments and/or Credit Facilities.

In the event of a deficiency in the 2017 Reserve Account, the Commission is required under the 1991 Master Resolution to replenish the 2017 Reserve Account from Net Revenues. Any amounts on deposit in the 2017 Reserve Account in excess of the 2017 Reserve Requirement may be withdrawn by the Commission. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Debt Service and Reserve Funds–*Application and Valuation of Issue 1 Reserve Account and 2017 Reserve Account*."

The 1991 Master Resolution authorizes the Commission to obtain credit facilities, including reserve policies, in place of funding the 2017 Reserve Account with cash and permitted investments. The 1991 Master Resolution requires that a reserve policy deposited in the 2017 Reserve Account must be from a credit provider rated in the highest rating category by at least two rating agencies at the time it is deposited. The 1991 Master Resolution, however, does not require that those ratings be maintained after the date of deposit. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Debt Service and Reserve Funds– *Application and Valuation of Issue 1 Reserve Account and 2017 Reserve Account*."

As of December 31, 2021, the 2017 Reserve Requirement was approximately $47.8 million and approximately $56.8 million of cash and Permitted Investments was held in the 2017 Reserve Account.

**Contingent Payment Obligations**

The Commission has entered into, and may in the future enter into, contracts and agreements in the course of its business that include an obligation on the part of the Commission to make payments contingent upon the occurrence or non-occurrence of certain future events, including events that are beyond the direct control of the Commission. These agreements include interest rate swaps and other similar agreements, investment agreements, including for the future delivery of specified securities, letter of credit and line of credit agreements for advances of funds to the Commission in connection with its Bonds and other obligations, and other agreements. See "–Other Indebtedness–*Subordinate Bonds*" and "AIRPORT'S FINANCIAL AND RELATED INFORMATION– Credit Facilities" for information about the Commission's existing letters of credit. For summaries of the Interest Rate Swap Policy and the swap agreement to which the Commission is currently a party, see "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Interest Rate Swaps."

Such contracts and agreements may provide for contingent payments that may be conditioned upon the credit ratings of the Airport and/or of the other parties to the contract or agreement, maintenance by the Commission of specified financial ratios, the inability of the Commission to obtain long-term refinancing for short-term obligations or liquidity arrangements, and other factors. Such payments may be payable on a parity with debt service on the Bonds, including any "Swap Payments" to a Swap Counterparty as such term is defined in the 1991 Master Resolution.

The amount of any such contingent payment may be substantial. To the extent that the Commission does not have sufficient funds on hand to make any such payment, it is likely that the Commission would seek to borrow such amounts through the issuance of additional Bonds or Subordinate Bonds (including Commercial Paper Notes).

**No Acceleration**

The Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation upon the occurrence and continuance of an Event of Default under the 1991 Master Resolution. Moreover, the Bonds will not be subject to mandatory redemption or mandatory purchase or tender for purchase upon the occurrence and continuance of an Event of Default under the 1991 Master Resolution to the extent the redemption or purchase price is payable from Net Revenues. Bonds, however, may be subject to mandatory redemption or mandatory purchase or tender for purchase if the redemption or purchase price is payable from a source other than Net Revenues such as payments under a credit facility or liquidity facility. Amounts payable to reimburse a credit provider or liquidity provider pursuant to a credit facility or liquidity facility for amounts drawn thereunder to pay principal, interest or purchase price of Bonds, which reimbursement obligations are accorded the status of Repayment Obligations, can be subject to acceleration, but any such accelerated payments (other than certain amounts assumed to be amortized in that year under the 1991 Master Resolution) would be made from Net Revenues on a basis subordinate to the Bonds. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Repayment Obligations."

Upon the occurrence and continuance of an Event of Default under the 1991 Master Resolution, the Commission would be liable only for principal and interest payments on the Bonds as they became due. *The inability to accelerate the Bonds limits the remedies available to the Trustee and the Owners upon an Event of Default and could give rise to conflicting interests among Owners of earlier-maturing and later-maturing Bonds.* In the event of successive defaults in payment of the principal of or interest on the Bonds, the Trustee likely would be required to seek a separate judgment for each such payment not made. Also see "CERTAIN RISK FACTORS– Limitation of Remedies" and "–Potential Effect of a City Bankruptcy."

**Other Indebtedness**

*General*

In addition to the Series 2022A-C Bonds and the other Bonds that it may have Outstanding from time to time, the Commission has reserved the right under the 1991 Master Resolution to issue indebtedness (i) secured in whole or in part by a pledge of and lien on Net Revenues subordinate to the pledge and lien securing the Bonds ("Subordinate Bonds"), or (ii) secured by revenues from a Special Facility (defined herein) ("Special Facility Bonds"). Provisions of the 1991 Master Resolution governing the issuance of and security for Subordinate Bonds and Special Facility Bonds are described below under "*–Subordinate Bonds*" and "*–Special Facility Bonds*" and in APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Subordinate Bonds" and "–Special Facility Bonds."

*Subordinate Bonds*

The Commission has authorized, and the Board of Supervisors has approved, the issuance by the Commission of up to $600,000,000 principal amount outstanding at any one time of commercial paper notes (the "Commercial Paper Notes"), which constitute Subordinate Bonds. The amount authorized and approved was increased from

$500,000,000 to $600,000,000 in early 2021. The Commercial Paper Notes are authorized pursuant to Resolution No. 97-0146 adopted by the Commission on May 20, 1997, as amended and supplemented (the "Subordinate Resolution"). The terms and provisions of the Subordinate Resolution are substantially similar to those of the 1991 Master Resolution, with the exception that the Subordinate Resolution provides that payment of the Commercial Paper Notes, and repayment of amounts drawn on the letters of credit with respect thereto, are secured by a lien on Net Revenues subordinate to the lien of the 1991 Master Resolution securing the Bonds. See "–Contingent Payment Obligations" and APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Subordinate Bonds."

The Commission presently has six irrevocable direct-pay letters of credit totaling $600 million in available principal amount to support the Commercial Paper Notes. The current letters of credit are described in the following table.

**LETTERS OF CREDIT SUPPORTING COMMERCIAL PAPER NOTES**
**(as of January 1, 2022)**

| Series | Principal Amount | Letter of Credit Provider | Expiration Date | Credit Provider Ratings (short term; long term)[6] |
|---|---|---|---|---|
| Series A-1 Notes<br>Series B-1 Notes<br>Series C-1 Notes | $100,000,000 | State Street[1] | May 2, 2024 | P-1/A-1+/F1+; Aa3/AA-/AA |
| Series A-2 Notes<br>Series B-2 Notes<br>Series C-2 Notes | $100,000,000 | Sumitomo Mitsui Banking[2] | June 21, 2022 | P-1/A-1/F1; A1/A/A |
| Series A-3 Notes<br>Series B-3 Notes<br>Series C-3 Notes | $100,000,000 | Barclays Bank[3] | May 24, 2024 | P-1/A-1/F1; A1/A/A+ |
| Series A-4 Notes<br>Series B-4 Notes<br>Series C-4 Notes | $100,000,000 | U.S. Bank[4] | November 15, 2023 | P-1/A-1+/F1+; A1/AA-/AA- |
| Series A-5 Notes<br>Series B-5 Notes<br>Series C-5 Notes | $125,000,000 | Barclays Bank[3] | April 28, 2023 | P-1/A-1/F1; A1/A/A+ |
| Series A-6 Notes<br>Series B-6 Notes<br>Series C-6 Notes | $75,000,000 | Bank of America[5] | May 26, 2023 | P-1/A-1/F1+; Aa2/A+/AA |

(1) State Street Bank and Trust Company.
(2) Sumitomo Mitsui Banking Corporation, acting through its New York Branch.
(3) Barclays Bank PLC.
(4) U.S. Bank National Association.
(5) Bank of America, N.A.
(6) As of January 1, 2022. Ratings are provided for convenience of reference only. Such rating information has been obtained from sources believed to be reliable but has not been confirmed or re-verified by the rating agencies. The Commission does not take any responsibility for the accuracy of such ratings, nor does it give any assurance that such ratings will apply for any given period of time or that such ratings will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant. The rating information reflects the ratings of the credit provider's obligations, not the rating on the related Commercial Paper Notes; ratings on related Commercial Paper Notes may be different. Ratings for the Credit Providers' obligations are displayed as Moody's/S&P/Fitch. The Long-Term ratings provided are Moody's Issuer Rating, S&P's Long-Term Local Issuer Credit Rating and Fitch's Long-Term Issuer Default Rating. The Short-Term ratings provided are Moody's Short Term Rating, S&P's Short-Term Local Issuer Credit Rating and Fitch's Short-Term Issuer Default Rating. None of the above-referenced credit providers has provided any information for inclusion in this Official Statement or independently verified or reviewed, made any representation regarding, or accepted any responsibility for the accuracy or completeness of this Official Statement.

Source: Commission.

As of January 1, 2022, there were approximately $361.3 million of Commercial Paper Notes outstanding, all of which are expected to be repaid with proceeds of the Series 2022A-C Bonds. The Commission expects to continue issuing and repaying Commercial Paper Notes from time to time in the future, and it may issue additional Commercial Paper Notes prior to the issuance of the Series 2022A-C Bonds.

*Special Facility Bonds*

The Commission may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is at the Airport or part of any facility or structure at the Airport as a Special Facility, (b) provide that revenues earned by the Commission from or with respect to such Special Facility shall constitute "Special Facility Revenues" and shall not be included as Revenues, and (c) issue Special Facility Bonds for the purpose of acquiring, constructing, renovating, or improving such Special Facility. The designation of an existing facility as a Special Facility therefore could result in a reduction in Revenues. Principal, purchase price, if any, redemption premium, if any, and interest with respect to Special Facility Bonds shall be payable from and secured by the Special Facility Revenues, and not from or by Net Revenues.

No Special Facility Bonds may be issued by the Commission unless an Airport Consultant has certified: (i) that the estimated Special Facility Revenues with respect to the proposed Special Facility will be at least sufficient to pay the principal, purchase price, interest, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds when due, and to pay all costs of operating and maintaining the Special Facility not paid by a party other than the Commission; (ii) that estimated Net Revenues calculated without including the Special Facility Revenues and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses will be sufficient so that the Commission will be in compliance with its rate covenant during each of the five Fiscal Years immediately following the issuance of the Special Facility Bonds; and (iii) that no Event of Default under the 1991 Master Resolution exists.

*SFO Fuel Bonds*

The Commission issued $125,000,000 of Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC) Series 2019A and Series 2019B (the "SFO Fuel Bonds"), which are Special Facility Bonds, in February 2019. $105,320,000 aggregate principal amount of these Special Facility Bonds remains outstanding as of January 1, 2022. The SFO Fuel Bonds were issued to finance and refinance (including through the refunding of Special Facility Bonds issued in 1997 and 2000) construction of jet fuel storage, distribution and related facilities at the Airport for the benefit of the airlines. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Current Airport Facilities–*Jet Fuel Distribution System.*" The SFO Fuel Bonds are payable from and secured by payments made by SFO FUEL COMPANY LLC, a special purpose limited liability company ("SFO Fuel"), pursuant to a lease agreement between the Commission and SFO Fuel with respect to the jet fuel storage and distribution facilities. SFO Fuel was formed by certain airlines operating at the Airport. The lease payments, and therefore the SFO Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers for into-plane fueling at the Airport, and are not payable from or secured by Net Revenues.

*Airport Hotel Special Facility Revenue Bonds*

In June 2018, the Commission issued $260,000,000 of San Francisco International Airport Hotel Special Facility Revenue Bonds (the "Hotel Special Facility Bonds") to finance and refinance (through the repayment of Commercial Paper Notes) the development and construction of a new Commission-owned hotel at the Airport (the "On-Airport Hotel"), to fund capitalized interest on the Hotel Special Facility Bonds and to pay related costs. The On-Airport Hotel was designated as a Special Facility, and the Hotel Special Facility Bonds are Special Facility Bonds. The Hotel Special Facility Bonds are payable from On-Airport Hotel revenues. There are $260,000,000 of the Hotel Special Facility Bonds outstanding as of January 1, 2022. The final maturity date of the Hotel Special Facility Bonds is April 1, 2058. The Hotel Special Facility Bonds were purchased and are held by the Commission with the proceeds of its Second Series Revenue Bonds, Series 2018B and Series 2018C.

The On-Airport Hotel opened in October 2019. The financial performance of the On-Airport Hotel has been adversely affected by the COVID-19 pandemic since March 2020 due to reduced guest reservations and event facility bookings that have significantly reduced On-Airport Hotel revenues. As a result, in September 2020, the Commission, as beneficiary of the trust that owns the Hotel Special Facility Bonds, instructed that the October 1, 2020 interest payment with respect to the Hotel Special Facility Bonds not be made until the Commission directed the payment to occur. On February 26, 2021, the Commission entered into an Amended and Restated Trust Agreement that restructured the Hotel Special Facility Bonds by delaying principal repayment until April 1, 2025 instead of April 1, 2022 and temporarily reduced the interest rate on the Hotel Special Facility Bonds from 3.00% to 0.086% through September 30, 2023. The interest rate then increases incrementally until it is restored to 3.00% beginning on April 1, 2029. In addition, the Amended and Restated Trust Agreement provides that October 1, 2020 is no longer an interest payment date, and there is no requirement to pay interest on the Hotel Special Facility Bonds until October 1, 2023. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Current Airport Facilities–*On-Airport Hotel*."

**Rights of Bond Insurers and Surety Providers**

The Commission has purchased municipal bond insurance policies with respect to some of its Bonds, but none of the Bonds that are currently Outstanding are insured under any such policy. The 1991 Master Resolution provides Bond insurers with various affirmative rights in connection with the Bonds they insure. For a description of such rights, see APPENDIX D—"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Certain Rights of Bond Insurers." As of the date of this official statement, certain reserve fund surety policies provided by bond insurance companies remain on deposit in the Original Reserve Account. Such surety policies expire in 2025 and 2026. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022A-C BONDS–Reserve Fund; Reserve Accounts; Credit Facilities–*Original Reserve Account.*" The related agreements with the surety policy providers state that the surety policy providers' consent is required, in addition to that of the Bondholders, whenever a Bondholder consent is required, such as with respect to certain of the proposed amendments to the 1991 Master Resolution.

## CERTAIN RISK FACTORS

*This section provides a general overview of certain risk factors which should be considered, in addition to the other matters set forth in this Official Statement, in evaluating an investment in the Series 2022A-C Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2022A-C Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. Potential investors in the Series 2022A-C Bonds are advised to consider the following factors, among others, and to review this entire Official Statement, including all of the Appendices hereto, to obtain information essential to the making of an informed investment decision. Any one or more of the risk factors discussed below, among others, could adversely affect the financial condition of the Airport or its ability to make scheduled payments on the Series 2022A-C Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.*

*See* "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic–*Internal Planning and Liquidity Management" for additional risks associated with the Series 2022A-C Bonds resulting from the COVID-19 pandemic.*

**Local Economy**

The economy of the San Francisco Bay Area is a major factor affecting long-term airline traffic at the Airport. Generally, regions such as the San Francisco Bay Area with large populations, high levels of employment, and high average per capita incomes will generate a high demand for airline travel. In Fiscal Year 2020-21, an estimated 79.3% of the passenger traffic at the Airport was "origin and destination" traffic, which means that the passenger traffic represents either the origin or ultimate destination of a passenger's air travel; the remaining 20.7% were connecting passengers. The demographics and economy of a region—as measured by changes in population, employment, and per capita income—as well as airline service and airfares—are typically the most important factors affecting origin and destination passenger demand. The strength of the origin and destination traffic at the Airport primarily depends on the strength of the San Francisco Bay Area economy and the economic linkages between and among the regional, national, and global economies. In particular, the growth of passenger traffic at the Airport over the ten years preceding the COVID-19 pandemic was significantly supported by its growing population, well-educated work force, high per capita income, diverse local economy, popularity as a domestic and international tourist destination, and its strong competitive position in industries such as information technology and software, social and digital media, life sciences and biotechnology, environmental and clean technology, professional services, and international business. If the San Francisco Bay Area experiences slower economic growth, a recession or a depression, the demand for passenger traffic at the Airport and Airport Revenues may be substantially reduced. The economy of the San Francisco Bay Area, as well as the State, national and global economies, have been profoundly affected by the COVID-19 pandemic. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS."

While the Airport has seen passenger traffic return after or grow through economic downturns from 2000 through 2019, the COVID-19 pandemic is an unprecedented event and its near-term and long-term effects on the local economy and demand for air travel cannot be predicted with any certainty. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT–AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Historical Airline Service and Traffic" and " – Key Factors Affecting Future Airline Traffic" for discussion of some of the impacts of and risks associated with the COVID-19 pandemic and other factors that could affect future airline traffic.

**Uncertainties of the Aviation Industry**

*Demand for Air Travel*

The Airport's Revenues depend significantly on the level of aviation activity and passenger traffic at the Airport. The principal determinants of passenger demand at the Airport include the population and economy of the Airport service region; national and international economic conditions, including imposition of tariffs; political conditions, including wars, other hostilities and acts of terrorism; airfares and competition from surrounding airports; airline service and route networks; the capacity of the national air transportation system and the Airport; accidents involving commercial passenger aircraft; visa requirements and other limitations on the ability of foreign citizens to enter the United States; currency exchange rates; the occurrence of pandemics, such as the COVID-19 pandemic; and the occurrence of natural and man-made disasters. Airfares and airline service are, in turn, affected by the financial condition of the airlines and regulatory requirements imposed on airlines, among other factors. See "–Bankruptcy of Airlines Operating at the Airport and Other Airport Tenants" and "–Competition" and "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements–*Potential Effects of an Airline Bankruptcy*."

Furthermore, in addition to its role as a large origin and destination airport, the Airport serves as a connecting hub. Approximately twenty percent of passengers were connecting passengers in Fiscal Years 2019-20 and 2020-21. A decision by an airline to change its hubbing practices at the Airport could significantly affect the level of traffic at the Airport.

The COVID-19 pandemic has had a significant negative impact on the demand for air travel, including travel through the Airport. See "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Historical Airline Service and Traffic" and "–Key Factors Affecting Future Airline Traffic–COVID-19 Pandemic and Public Health Concerns."

*Financial Condition of the Airlines*

The airline industry is cyclical and subject to competition and variable demand. Traffic volumes are responsive to economic circumstances and seasonal patterns. Other factors, such as fuel and regulatory costs, can also have a significant effect on the industry. As a result, airline financial performance can fluctuate dramatically from one reporting period to the next. The ability of the Commission to derive revenues from its operations depends largely upon the financial health of the airlines serving the Airport and the airline industry as a whole. The financial results of the airline industry are subject to substantial volatility and, at times, many carriers have had overlapping, extended periods of unprofitability. See "–Bankruptcy of Airlines Operating at the Airport or Other Airport Tenants" below. The current COVID-19 pandemic and the economic impacts thereof have had a significant and adverse impact on the demand for air travel and the airline industry. The COVID-19 pandemic has resulted in substantial financial challenges for airlines serving the Airport, including substantial financial losses and reductions in airline industry workforce. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT–AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Key Factors Affecting Future Airline Travel–Financial Health of the Airline Industry" and "–Airline Industry Provisions Under the Federal Stimulus Acts" for additional information. While the Airport has seen passenger traffic return after or grow through airline bankruptcies and consolidations and other events affecting the airline industry from 2000 through 2019, the COVID-19 pandemic is an unprecedented event and its near-term and long-term effects on the airline industry cannot be predicted with any certainty.

Fuel is a significant cost component of airline operations and continues to be an important and uncertain determinant of an air carrier's operating economics. Historically, aviation fuel prices have been particularly sensitive to worldwide political instability. Fuel prices are discussed in APPENDIX A under the heading "AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Key Factors Affecting Future Airline Travel–Availability and Price of Aviation Fuel" Continued or new hostilities in petroleum producing regions or affecting key shipping lanes could dramatically increase the price and adversely affect the availability of aviation fuel. Economic expansion in emerging markets also contributes to higher aviation fuel prices. Natural disasters affecting refineries may also result in higher aviation fuel prices. Significant and prolonged increases in the cost of aviation fuel have had and are likely in the future to have an adverse effect on the air transportation industry by increasing airline operating costs and reducing airline profitability.

Information about the financial condition of airlines serving the Airport is available as described under "AIRLINE INFORMATION."

*Worldwide Health Concerns*

The current COVID-19 pandemic has had and likely will continue to have material adverse effects on passenger traffic and Airport operations and financial performance. See "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

Furthermore, other worldwide health concerns and related travel restrictions and public health measures have led to significant past declines in passenger traffic at the Airport. For example, in spring 2003, there was an outbreak of a serious strain of bird influenza or "flu" in Asia and Canada called "Severe Acute Respiratory Syndrome" or SARS. That, together with the outbreak of the war in Iraq and other factors at about the same time, resulted in a temporary but significant decline in passenger activity at the Airport of approximately 14% in the second quarter of Fiscal Year 2002-03, and approximately 7% for that fiscal year as a whole. Future outbreaks or pandemics, alone or in combination with other events or circumstances, may lead to a decrease in air traffic at the Airport, which in turn could cause a decrease in passenger activity at the Airport and a corresponding decline in Airport Revenues.

*Airport Security*

Acts of terrorism or other major breaches of security at the Airport can result in a decline in passenger traffic at the Airport which can materially adversely impact Airport Revenues. The September 11, 2001 terrorist attacks resulted in increased safety and security measures at the Airport mandated by the Aviation and Transportation Security Act passed by the U.S. Congress in November 2001 and by directives of the FAA. In addition, certain safety and security operations at the Airport have been assumed by the Transportation Security Administration. In spite of the increased security measures, additional acts of terrorism resulting in disruption to the North American air traffic system, increased passenger and flight delays, damage to the Airport, reductions in Airport passenger traffic and/or reductions in Airport Revenues, remain possible. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Airport Security." The Airport maintains liability insurance coverage for war perils including but not limited to terrorism and hijacking, with $250 million in coverage. The Airport has also purchased a cyber liability product to protect against cyber related events. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Risk Management and Insurance." It is possible that liability could exceed coverage or otherwise not be covered.

**Limitations on Additional Liquidity**

The Lease and Use Agreements that the Airport has entered into with each of the airlines serving the Airport limit the amount of reserves that the Airport may establish. The current Lease and Use Agreements provide for a residual rate setting methodology at the Airport, which requires the Airport to match revenues and expenditures when it sets its rates and charges. Any excess revenues collected in a given Fiscal Year are used to offset costs in a future Fiscal Year, as discussed above under "SECURITY FOR THE SERIES 2022A-C BONDS–Pledge of Net Revenues; Source of Payment–Certain Adjustments to 'Revenues' and 'Operation and Maintenance Expenses'–Unearned Aviation Revenues/Aviation Revenues Due." The Lease and Use Agreements provide for a mid-year rate adjustment if the

Airport's actual expenses for any year are projected to exceed actual revenues for that year by ten percent, subject to other conditions. However, the Lease and Use Agreements do not permit the Airport to set rates and charges to establish reserves in excess of those required by the 1991 Master Resolution. See APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS."

**Bankruptcy of Airlines Operating at the Airport or Other Airport Tenants**

Airlines operating at the Airport and other Airport tenants have filed for bankruptcy relief in the past and may do so in the future. For example, The Hertz Corporation and Avianca, Aeromexico and several other foreign flag passenger air carriers have filed for bankruptcy in recent years. If a bankruptcy case is filed with respect to an airline or other tenant, any lease to which the debtor airline or other tenant is a party will be treated as an executory contract or unexpired lease pursuant to Section 365 of the United States Bankruptcy Code, as amended (the "Bankruptcy Code"). Under Section 365, a trustee in bankruptcy or the airline or other tenant, as debtor-in-possession, might reject the applicable lease or Lease and Use Agreement, in which case, among other things, the rights of that airline or other tenant to continued possession of the facilities subject to the lease (including, in the case of airlines, gates and boarding areas) would terminate. Such facilities could ultimately be leased by the Commission to other users. In the case of airline facilities, the Commission's ability to lease such facilities to other airlines may depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the airline's bankruptcy, and on the need for such facilities by other airlines. In the case of other facilities, the Commission's ability to lease such facilities to other users may also depend on the state of the airline industry or the travel industry in general, on the nature and extent of the increased capacity at the Airport, if any, resulting from the tenant's bankruptcy, and on the need for such facilities by other users. The rejection of a lease in connection with the bankruptcy of an airline or other tenant may result in the loss of Revenues to the Commission and a resulting increase in the costs, including the cost per enplaned passenger for other airlines at the Airport. In addition, in any bankruptcy, the Commission may be required to repay rentals and fees, including landing fees and terminal rentals, and other amounts paid by the tenant to the Airport during the 90-day period prior to the date of the bankruptcy filing. Such payments are considered "preferential" and are avoidable in a bankruptcy case pursuant to Section 547 of the Bankruptcy Code. The Commission would, however, likely have defenses to claims brought under Section 547 of the Bankruptcy Code, including that the subject payments were made in the ordinary course of business or that the Airport provided subsequent new value to the tenant.

Also, under the Bankruptcy Code, any rejection of a lease could result in the Commission holding a claim for rents and other items that would have accrued in the future, which claim would have the same rank as that of claims held by general unsecured creditors of the airline or other tenant, in addition to pre-bankruptcy amounts owed. For further discussion of the impact of an airline bankruptcy, see "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements–*Potential Effects of an Airline Bankruptcy*."

**Risks Related to the Commission's Capital Projects**

*The Commission's capital projects increase the Commission's overall long-term debt.*

The Commission's current CIP includes spending on capital projects in the coming years which may be financed with the proceeds of additional Bonds. See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan." The Report of the Airport Consultant attached as APPENDIX A assumes the issuance of approximately $2.5 billion of Bonds in Fiscal Years 2023 through 2025 to finance projects in the CIP. The timing and amounts of additional Bonds may change depending on passenger and cargo demand, the availability of other funding sources, the timing of capital expenditures and market conditions. As a result of the COVID-19 pandemic and the resulting economic uncertainty, the Commission has suspended a substantial portion of the projects in the CIP and it is uncertain when, or whether, these projects will be resumed. See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan." It is also possible that the Commission may undertake additional capital projects during the period covered by the CIP that are not presently included in the CIP, and the Commission expects to undertake other major capital projects following the completion of the current CIP. For example, most of the updated Shoreline Protection Program, which has an estimated cost of $587 million, is not currently in the Airport's approved CIP. See "CAPITAL PROJECTS AND PLANNING–Other Anticipated Capital Needs–*Shoreline Protection Program*." Other potential projects are also described under "CAPITAL PROJECTS AND PLANNING–Other Anticipated Capital Needs." Other capital needs that are not presently known may arise, and the costs of now known and future capital needs could increase significantly between the times that they are identified and when they are addressed. The issuance of a significant amount of additional Bonds for capital projects is likely to result in higher debt service costs, which will increase landing fees and terminal rents at the Airport, thereby increasing the costs borne by the airlines serving the Airport, which in turn could make the Airport comparatively less competitive.

*If the Commission is unable to finance and complete major capital projects, the Commission may be unable to provide critical improvements to infrastructure or meet regulatory requirements.*

If, for any reason, the Commission is unable to undertake critical capital projects, then the condition of Airport facilities may decline, which can impact customer experience, airline satisfaction, and operational efficiency and effectiveness. In addition, the Airport may be required to undertake certain capital projects to comply with regulatory requirements or to preserve the overall viability of the Airport.

*The Commission's capital projects may be delayed or over budget.*

Although the Commission uses a variety of strategies to mitigate risk associated with the implementation of its capital projects, project development could be delayed, and the cost of completing projects included in the CIP could be higher than expected due to various factors that are outside of the control of the Commission, including but not limited to economic conditions; pandemics; natural or manmade disasters; events such as the September 11, 2001 terrorist attacks; new or ongoing military hostilities; unexpected issues with integration into existing facilities; the inability to obtain, or delays in obtaining, regulatory approvals; the inability to comply with the conditions of regulatory approvals; changes in laws or regulations; inability to obtain, or delays in obtaining, federal approvals or federal funding; labor, bidding and contracting requirements; delays caused by the airline review process (see "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements–*Lease and Use Agreements*–Airline Review of Capital Improvements"); weather; litigation; tariffs; cost overruns; casualty; strikes; unanticipated engineering, environmental or geological problems; shortages or increased costs of materials or labor; and financial difficulties of contractors. In addition, it is possible that funding sources such as federal grants may not be available as expected. If costs are higher than projected or funds are not available to finance the projects or portions thereof, the Commission may have to delay or cancel projects and/or incur additional debt. Some of the capital projects of the Commission are essential to the Commission's ability to generate Airport revenues. See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan" for discussion of some projects that have been delayed as a result of the COVID-19 pandemic.

**Competition**

Metropolitan Oakland International Airport (the "Oakland Airport") and Norman Y. Mineta San Jose International Airport (the "San Jose Airport") are the other airports in the San Francisco Bay Area that compete with the Airport for passengers and cargo traffic. In addition, the Airport competes with other West Coast airports, primarily Los Angeles International Airport (the "Los Angeles Airport") and Seattle-Tacoma International Airport (the "Seattle Airport"), for international passengers. Competition from these airports may affect passenger and cargo demand at the Airport. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Competition."

The California High-Speed Rail Authority (the "High-Speed Rail Authority") is in the process of planning and constructing a high speed train service linking Southern California, the Sacramento San Joaquin Valley and the San Francisco Bay Area. The Airport could experience reductions in passenger traffic as a result of a high-speed rail system. The Commission is unable to predict when or whether a high-speed rail system will be completed, what areas of the State it will serve, or the effect that any such high-speed rail system would have on passenger traffic at and revenues of the Airport.

**Uncertainties of Projections and Assumptions**

In its Report of the Airport Consultant, the Airport Consultant presents a hypothetical scenario of enplaned passengers showing recovery to Fiscal Year 2018-19 activity levels at the Airport over approximately a six-year period (to and including Fiscal Year 2024-25). The Report also refers to two additional, alternative scenarios showing traffic recovery to Fiscal Year 2018-19 activity levels by Fiscal Year 2023-24 and Fiscal Year 2025-26 (faster and slower recovery scenarios, respectively). The Report provides certain financial projections. However, it does not include a forecast of aviation activity, revenues, expenses, airline cost per enplaned passenger, or debt service coverage. The alternative recovery scenarios presented in the Report are possible paths for traffic recovery. Revenues were extrapolated from the indicative traffic scenarios and calculated as a range of projections.

The level of uncertainty regarding the recovery of passenger traffic to pre-pandemic levels is extremely high. Whether any of the projected passenger traffic recovery scenarios materializes depends on a number of factors outside of the Commission's control, such as the COVID-19 pandemic, economic conditions in the United States and the San Francisco Bay Area, airline financial condition, general costs of air travel, operational decisions made by airlines, and other factors.

The Airport Consultant also assumes that the residual airline rate-making methodology in effect under the current Lease and Use Agreements would remain in effect beyond Fiscal Year 2022-23, under the terms of successor agreements with the airlines, although there is no assurance that the airlines and the Commission will reach agreement on such terms. If this assumption is not realized, actual airline revenues and debt service coverage ratios for Fiscal Year 2023-24 and beyond could differ, perhaps materially, from the Airport Consultant's projections. As noted under "SAN FRANCISCO INTERNATIONAL AIRPORT –Airline Agreements–*Lease and Use Agreements*," under federal law, the Commission cannot impose a residual rate-setting system without the agreement of the airlines.

In addition, the Airport Consultant makes numerous other assumptions as described in its Report. The Report should be read in its entirety for an understanding of the projections and the underlying assumptions. As noted in the Report, projections are subject to uncertainties. The actual rate of passenger traffic recovery cannot be predicted, and the variations from the scenarios in the Report may be material. Also see "REPORT OF THE AIRPORT CONSULTANT" herein and APPENDIX A.

**Technological Innovations**

New technologies and innovative business strategies in established markets are likely to be developed in the future. For example, facial recognition technology and other technologies facilitating a "touchless" passenger experience are seeing increasing adoption and potential expansion in the airport setting. Increased adoption of videoconferencing technologies during the COVID-19 pandemic and increased acceptance of these methods of communicating could reduce the demand for business travel, though the impact of such technologies on the demand for business travel is not known. As another example, transportation network companies ("TNCs"), such as Uber Technologies Inc., Lyft, Inc. and Tickengo, Inc. d/b/a Wingz were increasingly popular in the years prior to the pandemic, resulting in shifts in the relative share of non-airline revenues from various ground transportation activities and operational issues such as increased curbside congestion. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Ground Transportation Revenues." While the Commission makes every effort to anticipate changes resulting from new technologies and innovative business strategies and to minimize negative impacts on revenues, if any, there may be times when the Commission's expectations differ from actual outcomes. In such event, revenues could be lower than expected and additional capital or operating expenses might be incurred.

Recently, wireless carriers determined to begin wireless broadband operations in the 3.7-3.98 GHz frequency band ("5G service") on January 19, 2022. Such services use frequencies in a radio spectrum that can interfere with those used by radar altimeters, which are an important piece of safety equipment in aircraft. On December 7, 2021, the FAA issued an Airworthiness Directive for all transport and commuter category airplanes equipped with a radio altimeter, providing for limitations prohibiting certain aircraft operations requiring radar altimeter data when in the presence of 5G service interference as identified by Notices to Air Missions ("NOTAMs"). On January 13, 2022, the FAA issued multiple NOTAMs to restrict the use of specific radar altimeter-dependent instrument landing procedures at the Airport, among other U.S. airports, under certain low visibility conditions. The Airport expects that these conditions could occur occasionally at the Airport. During such weather conditions, it is possible that significant flight cancellations and/or diversions may occur. Visual approaches, standard Category I instrument approaches, and other instrument procedures, including GPS-based approaches, are unaffected. The FAA and stakeholders are working on a permanent solution that would allow 5G service and radar altimeters to coexist at airports. The Commission does not expect these developments regarding 5G service at the Airport to materially impact the Airport's operations or revenues.

**Seismic and Other Natural Disasters or Emergencies**

The Airport is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding San Francisco Bay Area, including the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, as well as a number of other significant faults in the region. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 50 miles south of the Airport, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. There was no damage to the runways and no material structural damage to the terminal buildings at the Airport, and the Airport was fully operational within twelve hours of the event. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. Neither the City nor the Airport suffered any material damage as a result of this earthquake. The effects of future seismic events may vary from the effects of past seismic events.

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more earthquakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Earthquakes may be very destructive. The U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than $82 billion (in 2016 dollars).

The Commission has made and continues to make upgrades to the seismic stability of some of its facilities. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Current Airport Facilities–*Seismic Design of Airport Facilities.*" Nevertheless, the Airport could sustain extensive damage to its facilities in a major earthquake from ground motion and possible liquefaction of underlying soils and resulting tidal surges. Damage could include pavement displacement (which could, in the worst case, necessitate the closing of one or more runways for extended periods of time), distortions of pavement grades, breaks in utilities, loss of water supply from the City's Hetch Hetchy water system, damage to drainage and sewage lines, displacement or collapse of buildings, rupture of gas and fuel lines (including the common carrier pipelines under the San Francisco Bay that supply jet fuel to the Airport and Pacific Gas & Electric lines under Airport property), and collapse of dikes at the Airport with consequential flooding.

Furthermore, the Airport could sustain damage as a result of other events, such as terrorist attacks, extreme weather events and other natural occurrences, wildfires, fires and explosions, spills of hazardous substances, strikes and lockouts, sabotage, wars, blockades, and riots. Also see "–Uncertainties of the Aviation Industry–*Airport Security*" and "–Risks Associated with Global Climate Change."

While the Commission has attempted to address the risk of loss through the purchase of insurance, certain of these events may not be covered. In particular, the Commission does not maintain insurance or self-insure against any risks due to land movement or seismic activity, and in some instances other events may not be covered. See "–Uncertainties of the Aviation Industry—*Airport Security*" and "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Risk Management and Insurance." Furthermore, even for events that are covered by insurance, the Commission cannot guarantee that coverage will be sufficient or that insurers will pay claims in a timely manner. From time to time, the Commission may change the types of and limits and deductibles on the insurance coverage that it carries.

Furthermore, a major earthquake anywhere in the San Francisco Bay Area may cause significant temporary and possibly long-term harm to the economy of one or more San Francisco Bay Area cities or the entire region, which could in turn have a negative effect on passenger traffic and on Revenues, and such effect could be material.

**Risks Associated with Global Climate Change**

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels are rising and extreme temperatures and weather events are more frequent and more intense, due to increasing atmospheric carbon dioxide levels and global temperatures. The City as a whole, including Airport operations and infrastructure, are vulnerable to the impacts of global climate change, and significant capital and other investments have been and are being made, and more will need to be made, to address these vulnerabilities. Furthermore, the long-term impacts of climate change, combined with the increasing passenger awareness of the carbon footprint associated with traditional aviation, could reduce demand for travel globally or locally (to or from the San Francisco Bay Area), or directly impact infrastructure, including the Airport and access to the Airport, with potential material adverse effects on the Airport's operations and financial condition.

The United Nations' Intergovernmental Panel on Climate Change *Sixth Assessment Report (2021)* ("AR6"), the *Special Report on Global Warming of 1.5 °C (2018)* and the *Fourth National Climate Assessment (2018)* ("NCA4"), published by the U.S. Global Change Research Program, stated that rising temperatures, sea level rise, and more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to increasingly disrupt and damage infrastructure, ecosystems, social systems, property, regional economies and industries, especially those that depend on natural resources and favorable climate conditions.

The AR6 projected for North and Central America (and the Caribbean) climate changes across all regions, with some common changes and others showing distinctive regional patterns that lead to unique combinations of adaptation and risk-management challenges. These shifts in North and Central American climate become more prominent with increasing greenhouse gas emissions and higher global warming levels. Ocean acidification (along coasts) and marine heatwaves (intensity and duration) are projected to increase (virtually certain and high confidence, respectively). The NCA4, which assessed the variability of climate impacts across individual regions of the United States, found that the Airport is vulnerable to impacts from sea level rise, with flooding potentially exacerbated by storm surges, extreme precipitation and high tides. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, underneath the Golden Gate Bridge. Sea levels are anticipated to continue to rise due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting. The upper range for long-range planning used by the San Francisco Planning Commission estimates an additional sea level rise of 12 inches by 2030, 24 inches by 2050 and 66 inches by 2100. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of sea level rise. Coastal areas, including the City, are vulnerable to floods impacting private development and public infrastructure, including the Airport, as well as roads, utilities, and emergency services.

The NCA4 also recognized that mental and physical health may be adversely impacted by decreases in air quality, including due to factors such as ozone depletion, wildfires and aeroallergens. These threats may require changes in Airport infrastructure and/or decrease demand for travel globally or locally, with potential material adverse effects on the Airport's operations and financial condition.

In 2019, the Airport partnered with other departments across the City to prepare a Hazards and Climate Resilience Plan (the "HCR") as a blueprint to better understand and address the potential impacts of both sudden and slower moving disasters on its assets and people to minimize the severity of potential impacts. The HCR identifies the hazards, vulnerabilities, and consequences the City could expect to face without action and proposes over 90 strategies, several directly applicable to the Airport, to mitigate risks and adapt to unavoidable climate impacts. The HCR was approved by FEMA as San Francisco's 2020 Hazard Mitigation Plan update and was adopted by the Board of Supervisors.

In February 2020, the San Francisco Planning Commission released a Sea Level Rise Vulnerability and Consequences Assessment, with coordination from many departments in the City, including the Airport. This assessment describes the vulnerability of public buildings and infrastructure, including the Airport, to sea level rise and coastal flooding and the potential consequences to people, the economy and the environment. The information in this assessment is intended to advise decision makers (including the Airport), City agencies and public stakeholders as they develop, prioritize, design and implement appropriate, additional adaptation strategies to enhance the City's resilience to intermediate and long-term threats of sea level risk by identifying additional measures to implement, protect and enhance public and private assets, including the Airport.

In March 2020, a consortium of State and local agencies, led by the San Francisco Bay Conservation and Development Commission ("BCDC"), released a detailed study entitled "Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study" (the "ART Study") on how sea level rise could alter the San Francisco Bay Area. The ART Study states that a 48-inch increase in the Bay's water level in coming decades could cause more than 100,000 San Francisco Bay Area jobs to be relocated, nearly 30,000 lower-income residents to be displaced, and 68,000 acres of ecologically valuable shoreline habitat to be lost. The ART Study argues that without a far-sighted, nine-county response, the region's economic and transportation systems could be undermined, including potentially significant and persistent flooding on the runways at the Airport and along U.S. Highway 101, preventing access to the Airport, along with significant detrimental impacts to the regional economy and the environment. The ART Study outlines several preceding and concurrent potential assessments, including (i) the Airport's Shoreline Protection Program, to better address potential flooding risks from 100-year storms and sea level rise out to 2085 as further discussed under "–Other Anticipated Capital Needs–*Shoreline Protection Program*," and (ii) an Extreme Precipitation Study by Lawrence Berkeley National Laboratory, with support from the San Francisco Public Utilities Commission, the Port of San Francisco and the Airport, modeling potential changes in precipitation patterns, as further discussed under "–Other Anticipated Capital Needs–*Planning to Respond to Climate Change and Sea Level Rise*."

The Airport is an active member of the Bay Area Corporate Climate Resilience Council, which is working to understand and better prepare for the impacts of acute and chronic physical climate risks on individual and collective assets, operations, employees, and communities in the San Francisco Bay Area. This group is working to develop infrastructure and operational adaptation and resilience design/construction and operational standards responding to the ART Study.

Beyond the direct impacts anticipated from climate change on Airport operations and infrastructure, as discussed above, indirect impacts are also anticipated, such as by disrupting access to or demand for the Airport or operations at other airports that have ripple effects in the air transportation system. Projections of the direct and indirect adverse impacts of global climate change on the City, the Airport and Airport tenants, and on Airport operations and infrastructure are likely to be material, and are complex and dependent on many factors that are outside the Airport's control, including pending and possible regulations aimed at curbing the effects of climate change that may directly or indirectly materially adversely affect the operations and infrastructure or financial condition of the Airport. These include federal and state (including State) regulations and international accords pertaining to greenhouse gas emissions that could require significant upgrades to planes, increase the cost of jet fuel, require actions by the Airport to upgrade or retrofit infrastructure, or a combination, thus increasing the cost of, and potentially reducing passenger demand for, air travel (e.g., electrification and other carbon-reducing projects to meet new regulations). See "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Federal and State Laws and Regulations–*Current and Possible Regulation Related to Climate Change*." The Commission is unable to predict what additional laws and regulations with respect to greenhouse gas ("GHG") emissions or other environmental issues (including but not limited to air, water, hazardous substances, and waste regulations) will be adopted, or what effects such laws and regulations will have on the Airport, airlines operating at the Airport, other Airport tenants, or the local economy. The effects, however, could be material.

The various scientific studies that forecast climate change and its adverse effects, including sea level rise, flooding risk, and decreased air quality, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the Airport is unable to predict with certainty when sea level rise, other adverse effects, or the confluence of these events or effects of climate change (e.g., the occurrence and frequency of extreme precipitation and king tides) will occur. As a result, the Airport cannot predict the precise timing or magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the Airport and the local economy during the term of the Series 2022A-C Bonds. While the effects of climate change are attempted to be mitigated by the Airport's past, current and future investments in mitigation and adaptation strategies and attempts to identify third party contribution and/or grant funding to finance mitigation and adaptation measures, the Airport can give no assurance about the net effects of those strategies, the feasibility of government or third party funding sources, and whether the Airport will be required to take additional adaptive mitigation or adaptation measures. If necessary, such additional measures could require significant capital resources.

For further discussion of some capital spending associated with sea level rise, see "CAPITAL PROJECTS AND PLANNING – Other Anticipated Capital Needs–*FEMA Flood Insurance Rate Map Update*" and "*–Shoreline Protection Program*." Also see the Airport Consultant's discussion of climate change in "APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Key Factors Affecting Future Airline Traffic–Climate Change Concerns."

**Cybersecurity**

A large and complex technology environment is vital to the safe and efficient operation of the Airport, the airlines that serve the Airport and other tenants. Despite security measures, information technology and infrastructure of the Airport, any of the airlines serving the Airport, or other tenants at the Airport may be vulnerable to attack by unauthorized entities or individuals attempting to benefit from access to the Airport's computing systems and networks. Attacks can be the result of hacking, phishing, viruses, malware, malfeasance or human error, and the severity of such attacks can be amplified by vulnerabilities present in the hardware and software used within the Airport's technology environment. Successful cybersecurity breaches could damage the Airport's technology environment, compromise safety and security at the Airport, or cause material disruption to the Airport's finances or operations.

The City has appointed a city-wide Chief Information Security Officer ("CCISO") as directly responsible for understanding the business and related cybersecurity needs of the City's fifty-four departments, including the Airport. The CCISO is responsible for identifying, evaluating, responding to, and reporting on information security risks in a manner that meets compliance and regulatory requirements and aligns with and supports the risk posture of the City.

The City has adopted a City-wide Cyber Security Policy to support, maintain and secure critical infrastructure and data systems. The objectives of the Cyber Security Policy include the protection of critical infrastructure and information, managing risk, improving cybersecurity event detection and remediation, and facilitating cybersecurity awareness across all City departments. The City's Cybersecurity Policy is reviewed periodically. The City's Department of Technology has established a cybersecurity team to work across all departments to implement the Cyber Security Policy.

To further mitigate the risk to operations and/or losses from cybersecurity threats, the Airport invests in multiple forms of cybersecurity and operational safeguards including 24/7 monitoring of the network and internet connectivity and annual cybersecurity assessments. The Airport also contractually transfers some cybersecurity risks to third party providers and contractors who have been granted access to Airport networks and information systems.

While Airport cybersecurity and operational safeguards are in place to protect against these threats, no assurance can be given by the Commission that such measures will fully ensure against cybersecurity threats and attacks. The Airport has been the target of cybersecurity attacks in the past and such incidents are likely to occur in the future.

In Fiscal Year 2019-20, the Airport requested a high-level assessment of the SFO Fuel fuel farm facility against cybersecurity recommendations published by the Center for Internet Security ("CIS"). The CIS-recommended controls are a prioritized set of actions, aligned with industry best practices that mitigate the most common attacks against systems and networks, and address a variety of risks including physical security. The assessment identified a number of areas for improvement to mitigate security risks to the fuel farm facility and the Airport, and remediation efforts have been completed.

Airport websites SFOConnect.com, SFOConstruction.com and flySFO.com were the targets of a cyberattack in March 2020. The attackers inserted malicious computer code on those websites in an attempt to steal the login credentials from individuals visiting these websites. Attackers may have accessed certain encrypted credentials used to log on to non-airport devices. Affected websites were taken offline and the malicious code was removed. As a precaution, the Airport required all Airport-related e-mail and network-level passwords and any system also using the same username and password combination to be changed. An additional breach on a secondary website was also detected in May 2020 and was immediately remediated. All affected websites were not part of the Airport's primary on-campus networks and there were no material adverse effects of these attacks. The Airport coordinated its response to these attacks with federal agencies and local law enforcement. Recently, an Airport vendor ("SITA") that handles many digital services for various airlines experienced a cyber breach in which frequent flyer loyalty program information was stolen. The Airport was not affected.

The airlines serving the Airport, SFO Fuel and other Airport tenants also face cybersecurity threats that could affect their operations and finances.

**Credit Risk of Financial Institutions Providing Credit Enhancement and Other Financial Products Relating to Airport Bonds**

The Commission has obtained credit enhancement agreements from a variety of financial institutions relating to its outstanding variable rate Bonds and Commercial Paper Notes, including letters of credit from commercial banks and municipal bond insurance policies issued by bond insurance companies. Additionally, in connection with various variable rate Bonds, the Commission has entered into interest rate swap agreements with and/or guaranteed by various financial institutions, one of which remains in effect. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Interest Rate Swaps" and "–Credit Facilities" and "SECURITY FOR THE SERIES 2022A-C BONDS–Reserve Fund; Reserve Accounts; Credit Facilities."

During and following the U.S. recession in 2007-2009 each of the Rating Agencies downgraded the claims-paying ability and financial strength ratings of most of the nation's monoline bond insurance companies and many commercial banks and other financial institutions, though many of the institutions have subsequently been upgraded. The Rating Agencies could announce downgrades of these entities in the future. Such adverse ratings developments with respect to credit providers or municipal bond insurers could have an adverse effect on the Commission, including significant increases in its debt service costs.

In addition, rating downgrades of the Commission's swap counterparty could result in termination events or events of default under its swap agreement. Payments required under this agreement in the event of any termination could be substantial and could have an adverse impact on the liquidity position of the Commission. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Interest Rate Swaps."

**LIBOR Considerations**

Under the Swap Agreement (defined under "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Interest Rate Swaps–*Interest Rate Swap Agreements*"), the Commission receives regularly scheduled payments from Goldman Sachs Bank USA based off of a percentage of the U.S. dollar London Inter-Bank Offered Rate with a term of one-month plus a fixed spread. The scheduled termination date for the Swap Agreement is May 1, 2030.

U.S. dollar London Inter-Bank Offered Rates for multiple borrowing periods (collectively referred to as "LIBOR" in this section) are calculated and published by the benchmark's administrator, ICE Benchmark Administration Limited ("IBA"), which is regulated for such purposes by the United Kingdom's Financial Conduct Authority ("FCA"). The FCA has statutory powers to compel panel banks to provide rate quotations for the purpose of calculating LIBOR. Since the Swap Agreement involves the use of LIBOR with a term of one-month, this disclosure is limited to a discussion of relevant announcements impacting LIBOR with a term of one-month and does not address the impact of announcements on all other tenors of LIBOR. The FCA and IBA have made announcements impacting all tenors of LIBOR.

On March 5, 2021, the IBA has announced that it will cease the publication of LIBOR with a term of one-month effective immediately after the publication of LIBOR for such term on June 30, 2023, unless the FCA, pursuant to its proposed new powers, requires the IBA to continue publishing LIBOR with a term of one-month using a changed methodology referred to as on a synthetic basis. On March 5, 2021, the FCA announced that while it will consider the case under its proposed new powers (if such powers are provided to it) for requiring the continuing publication on a synthetic basis of LIBOR with a term of one-month for a further period after June 30, 2023, LIBOR settings published on this synthetic basis will no longer be representative of the underlying market and economic reality that such setting is intended to measure and that representativeness will not be restored.

Since the Swap Agreement has a scheduled termination date that is subsequent to June 30, 2023, the IBA ceasing to publish LIBOR with a term of one-month following June 30, 2023 will impact the calculation of the regularly scheduled payments to be received by the Commission after such date.

It is also possible that the FCA could deem LIBOR with a term of one-month to be no longer representative of its underlying market prior to June 30, 2023 or could determine that LIBOR with a term of one-month will cease to be published prior to June 30, 2023, which may trigger an earlier transition to a replacement rate.

These developments may result in a sudden or prolonged increase or decrease in published LIBOR rates, with LIBOR being more volatile than it has been in the past and potentially fewer financial instruments utilizing LIBOR as an index for scheduled payments.

On October 23, 2020, the International Swaps and Derivatives Association, Inc. ("ISDA") published a multilateral "protocol" through which existing legacy swap contracts may be amended to incorporate provisions addressing the trigger events leading to replacement of LIBOR, as well as the replacement of LIBOR with a rate based on the Secured Overnight Financing Rate ("SOFR") plus a spread adjustment. This protocol became effective on January 25, 2021. However, both the Commission and Goldman Sachs Bank USA, as the Swap Agreement counterparty, would have to adhere to this protocol for its amendments to be effective with respect to the Swap Agreement. In the event that the Commission and/or Goldman Sachs Bank USA do not adhere to this protocol, and the parties otherwise do not amend the Swap Agreement to refer to an alternative rate, the existing fallbacks for LIBOR under the Swap Agreement, which are based on a bank polling process, have significant implementation challenges in the case of a permanent discontinuance of LIBOR and may not result in a fallback rate. Also, in the event that the Commission and Goldman Sachs Bank USA amend, through the protocol or otherwise, the Swap Agreement to refer to adjusted SOFR or another alternative rate, that alternative rate may differ, perhaps significantly, from LIBOR and may differ, perhaps significantly, from the interest rate to be paid by the Commission on the Bonds relating to such Swap Agreement. The Commission has not, as of the date hereof, amended the interest rate provisions relating to LIBOR in the Swap Agreement through use of the protocol or otherwise. The Commission is evaluating its options in connection with the Swap Agreement to address the cessation of the publication of LIBOR.

SOFR is a secured, risk-free rate, whereas LIBOR is an unsecured rate reflecting counterparty risk, SOFR likely will not be equivalent to LIBOR, and likely would need to be adjusted in order to more closely align with LIBOR. On March 5, 2021, the spread adjustments to be added to SOFR-based rates that would replace LIBOR-based rates on swap transactions were established with respect to the application of the ISDA multilateral "protocol" to existing legacy swap contracts. The market appears to have arrived at a general consensus on the required adjustments to be made to SOFR to more closely align it with LIBOR. It is possible that LIBOR and adjusted SOFR, or any other replacement rate applicable to the Swap Agreement, could both be published for a period of time, which may result in market confusion.

In addition, legislation has been enacted in New York State in connection with the discontinuance of LIBOR. The legislation covers contracts that are governed by New York State law. As a result of this legislation, since the Swap Agreement is governed by New York State law, if the Commission and Goldman Sachs Bank USA do not amend the Swap Agreement through the protocol or otherwise to address the discontinuance of LIBOR, fallback provisions relating to determination of LIBOR by means of bank polling could be nullified. In such event, under the legislation, adjusted SOFR could, by operation of law, be the replacement for LIBOR. Federal legislation in the U.S. relating to the discontinuance of LIBOR is also under consideration and, if enacted, would likely preempt the New York State legislation that has been enacted.

**Limitation of Remedies**

Any remedies available to the Owners of the Bonds upon the occurrence of an Event of Default under the 1991 Master Resolution are in many respects dependent upon judicial actions which are in turn often subject to discretion and delay and could be both expensive and time-consuming to obtain. If the Commission fails to comply with its covenants under the 1991 Master Resolution including its covenant to pay principal of or interest on the Bonds, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of the Bonds. The ability of the Commission to comply with its covenants under the 1991 Master Resolution and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the Commission, or may be adversely affected by actions taken (or not taken) by voters or payers of fees and charges, among others. See "–Initiatives, Referendum and Charter Amendments" and "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Federal and State Laws and Regulations–*State Proposition 218*" and "–*State Proposition 26*." Furthermore, the rate covenant included in the 1991 Master Resolution provides that if the requirement that Net Revenues together with any Transfer equal at least 125% of aggregate Annual Debt Service with respect to the Bonds is not met, so long as the Commission is taking specified steps to meet the rate covenant, an Event of Default will not be triggered until after the following Fiscal Year. See "SECURITY FOR THE SERIES 2022A-C BONDS–Rate Covenant." The ability of the Commission to increase its rates, fees and charges and to reduce its expenses will be limited by, among other things, existing contracts and federal law.

The Bonds are not subject to acceleration under any circumstances or for any reason, including without limitation upon the occurrence and continuance of an Event of Default under the 1991 Master Resolution. Moreover, the Bonds will not be subject to mandatory redemption or mandatory purchase or tender for purchase upon the occurrence and continuance of an Event of Default under the 1991 Master Resolution to the extent the redemption or purchase price of such Bonds is payable from Net Revenues. However, Bonds may be subject to mandatory redemption or mandatory purchase or tender for purchase if the redemption or purchase price of such Bonds is payable from a source other than Net Revenues such as a Credit Facility or Liquidity Facility.

In addition to the limitations on remedies contained in the 1991 Master Resolution, the rights and obligations under the 1991 Master Resolution may be subject to the limitations on legal remedies against charter cities and counties in the State, as well as applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and to the application of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or in law. Bankruptcy proceedings, if initiated, could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay or limitation or modification of rights. The various legal opinions to be delivered with respect to the Series 2022A-C Bonds are expected to be qualified by reference to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against charter cities and counties in California. In the event the Commission fails to comply with its covenants under the 1991 Master Resolution, there can be no assurance that available remedies will be adequate to fully protect the interests of the holders of the Series 2022A-C Bonds.

**Potential Effect of a City Bankruptcy**

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the Bankruptcy Code. However, third parties cannot bring involuntary bankruptcy proceedings against the City. The Airport, being a department of the City and not a separate legal entity, cannot itself file for bankruptcy protection.

Should the City become a debtor in a bankruptcy proceeding, the owners of the Series 2022A-C Bonds would continue to have a lien on Net Revenues after the commencement of the bankruptcy case so long as the Net Revenues constitute "special revenues" within the meaning of the Bankruptcy Code. "Special revenues" are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide transportation services. While the Net Revenues appear to be "special revenues," no assurance can be given that a court would not determine otherwise. Bankruptcy courts are courts of equity and as such have broad discretionary powers, and there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of airport revenues collected for the payment of bonds in California. If Net Revenues do not constitute "special revenues," there could be delays or reductions in payments by the Commission with respect to the Series 2022A-C Bonds.

Furthermore, although the automatic stay arising upon the filing of a bankruptcy petition under Chapter 9 has historically been understood not to stay the collection and application of "special revenues" to payment of bonds secured by such special revenues, if the City were to become a debtor in a proceeding under Chapter 9, the bankruptcy court could possibly decide that (i) post-bankruptcy Bond payments by the City are merely optional and not mandatory under the special revenues provisions of the Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions does not apply (including to possible enforcement action by the Trustee) or is limited to amounts then on hand with the Trustee or the City. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceeding might be prohibited from taking any action to collect the Net Revenues, or to enforce any related obligation connected with the Series 2022A-C Bonds, without the bankruptcy court's permission.

Even if the Net Revenues are "special revenues," to enable continued operations of a municipal enterprise like the Airport, the Bankruptcy Code provides that special revenues can be applied first to necessary operating expenses of the project or system from which the special revenues are derived, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, in a bankruptcy case of the City, the Net Revenues could be used to pay necessary operating expenses of the Airport before the remaining Net Revenues are turned over to the Trustee to pay amounts owed to the holders of the Series 2022A-C Bonds. It is not clear precisely which expenses would constitute necessary operating expenses of the Airport. In addition, there may be delays or reductions in payments on the Series 2022A-C Bonds in a Chapter 9 proceeding, especially if the City does not voluntarily pay Net Revenues in its possession to the Trustee.

Regardless of any specific determinations by a U.S. Bankruptcy Court in a City bankruptcy proceeding that may be adverse to the Airport or the Owners, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Series 2022A-C Bonds.

Also see "SECURITY FOR THE SERIES 2022A-C BONDS – Pledge of Net Revenues; Source of Payment – *Pledge of Net Revenues*" for discussion of California Government Code 5450 *et seq.*, which provides, among other things, that the pledge of, lien on and security interest in Net Revenues and certain other funds granted by the 1991 Master Resolution is valid and binding from the time of issuance of the Series 2022A-C Bonds.

Also see "–Limitation of Remedies" above.

**Future Legislation and Regulation**

The Airport is subject to various laws, rules and regulations adopted by the local, State and federal governments and their agencies. The Airport is highly regulated by federal agencies including the FAA, the Transportation Security Administration ("TSA"), Customs and Border Protection ("CBP") and the U.S. Department of Health and Human Services. In the past, actions, rules and policies by these agencies (in particular the FAA, the TSA and CBP) have required the Airport to undertake additional capital and equipment expenditures, have affected passenger traffic, or both. The COVID-19 pandemic may lead to additional rules and regulations. The Commission is unable to predict the adoption or amendment of additional laws, rules or regulations, or their effect on the operations or financial condition of the Airport.

**Initiative, Referendum and Charter Amendments**

The ability of the Commission to comply with its covenants under the 1991 Master Resolution, including to generate revenues sufficient to pay the principal of and interest on the Series 2022A-C Bonds, may be adversely affected by actions taken (or not taken) by voters. Under the State Constitution, the voters of the State have the ability to initiate legislation or amendments to the State Constitution, and require a public vote on legislation passed by the State Legislature, through the powers of initiative and referendum, respectively. For example, see "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Federal and State Laws and Regulations–*State Proposition 218*" and "*–State Proposition 26.*" Further, initiatives arise from time to time that could limit the ability of the Commission and other governmental entities to establish, amend, impose or extend fees and charges. Under the Charter, the voters of the City can restrict or revise the powers of the Commission through the approval of a Charter amendment. The Commission is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the Commission or the Airport.

### Potential Limitation of Tax Exemption of Interest on Series 2022A-C Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2022A Bonds and the Series 2022B Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or could cause interest on the Series 2022A-C Bonds to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended (the "Code"), or court decisions may also cause interest on the Series 2022A Bonds or the Series 2022B Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or may cause interest on the Series 2022A-C Bonds to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Code or court decisions may also affect the market price for, or marketability of, the Series 2022A-C Bonds. Prospective purchasers of the Series 2022A-C Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion. See "TAX MATTERS."

### Risk of Tax Audit

The Internal Revenue Service (the "IRS") includes a subdivision that is specifically devoted to tax-exempt bond compliance. If the IRS undertook an examination of the Series 2022A Bonds or the Series 2022B Bonds, or other Bonds issued by the Commission as tax-exempt bonds, it may have a material adverse effect on the marketability or the market value of the Series 2022A Bonds or the Series 2022B Bonds. The IRS has undertaken limited examinations of three prior issues of the Bonds. All three of those examinations were closed without the IRS taking any action. The Commission is not aware of any other IRS examination or investigation of its tax-exempt bonds. See "TAX MATTERS."

### Income Taxation Risk Upon Defeasance of the Series 2022C Bonds

In the event the Commission were to defease all or a portion of the Series 2022C Bonds, for federal income tax purposes, the Series 2022C Bonds that are the subject of such a defeasance may be deemed to be retired and "reissued" as a result of the defeasance. In such an event, a bondholder who owns such a Series 2022C Bond may recognize a gain or loss on the Series 2022C Bond at the time of defeasance. Holders who own Series 2022C Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the Series 2022C Bonds. See "TAX MATTERS –Series 2022C Bonds."

## SAN FRANCISCO INTERNATIONAL AIRPORT

### Introduction

San Francisco International Airport, which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to data for calendar year 2019 from Airports Council International ("ACI"), the Airport ranked seventh in the United States in terms of passengers and 16th in the United States in terms of air cargo tonnage. In 2020, the Airport ranked 15th in the United States in terms of passengers and 19th in the United States in terms of air cargo tonnage, according to ACI. According to U.S. Department of Transportation ("U.S. DOT") statistics, the Airport is also a major origin and destination point (fifth in the United States for origin and destination traffic in Fiscal Year 2018-19 and seventh in Fiscal Year 2019-20). The Airport is also one of the nation's principal gateways for Pacific traffic and serves as a domestic hub and Pacific gateway for United Airlines. Passenger enplanements and deplanements at the Airport grew from approximately 39.7 million in Fiscal Year 2010-11 to approximately 57.4 million in Fiscal Year 2018-19, before dropping to 40.5 million in Fiscal Year 2019-20 and 13.7 million in Fiscal Year 2020-21. Passenger enplanements and deplanements at the Airport declined substantially beginning in the latter part of Fiscal Year 2019-20 as a result of the COVID-19 pandemic. See "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic."

**Organization and Management**

Under the Charter, the Commission is responsible for the operation and management of the Airport, which is an enterprise department of the City. The Commission consists of five members appointed by the Mayor of the City for four-year overlapping terms. All appointments are subject to rejection by a two-thirds vote of the Board of Supervisors and any member may be removed by a three-fourths vote of the Board of Supervisors but only for official misconduct.

The current members of the Commission and their respective occupations and terms are as follows:

**Current Members of the Commission**

| Member | Occupation | Term Ends August 31 of |
|---|---|---|
| Larry Mazzola*, *President* | Retired Business Manager and Financial Secretary-Treasurer, U.A. Local 38 (United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada) | 2022 |
| Eleanor Johns, *Vice President* | Executive Director of the Willie L. Brown, Jr. Institute on Politics and Public Service | 2023 |
| Everett A. Hewlett, Jr. | Neutral with Alternative Disputes Resolution Services, Inc. | 2024 |
| Jane Natoli | Financial Crimes Investigator, Stripe | 2025 |
| Malcolm Yeung | Executive Director, Chinatown Community Development Center | 2022 |

Under the Charter, the Commission is responsible for the "construction, management, supervision, maintenance, extension, operation, use and control of all property, as well as the real, personal and financial assets which are under the Commission's jurisdiction." The Commission has the exclusive authority to plan and issue revenue bonds for airport-related purposes, subject to the approval, amendment or rejection by the Board of Supervisors.

Under the City Administrative Code, the Commission also has exclusive power to fix and adjust Airport rates, fees and charges for services and facilities provided by the Airport.

The Commission's budget and certain Commission contracts and leases (generally, those for a term of more than ten years or involving revenue to the City of more than $1,000,000 or expenditures of more than $10,000,000), and modifications thereto, require approval of the Board of Supervisors. In addition, if any project is estimated to cost more than $25 million, and more than $1 million in predevelopment, planning or construction costs will be paid with City funds, then the Board of Supervisors is required to make a determination of fiscal feasibility prior to the commencement of environmental review, if any, on such project. Certain actions of the Board of Supervisors are also subject to approval by the Mayor.

Other City departments provide various services to the Commission, including the Police Department, the Fire Department, the Water Department, the Hetch Hetchy Power Division, the Department of Public Works, the City Controller, the Purchasing Department, the Department of Technology and the City Attorney. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City–*Payments for Direct Services*."

* On January 26, 2022, Commission President Larry Mazzola announced his retirement from the Commission, which will become effective on February 10, 2022.

**Airport Senior Management and Legal Counsel**

Senior management is led by the Airport Director (the "Director"), who has the authority to administer the affairs of the Commission as the chief executive officer thereof. Under the Charter, the Director is appointed by the Mayor from candidates submitted by the Commission. Once appointed by the Mayor, the Director serves at the pleasure of the Commission. The City Attorney serves as the legal advisor to the Commission and the Airport.

The Airport also has a Chief Operating Officer, a Chief Commercial Officer, a Chief Financial Officer, a Chief Development Officer, a Chief External Affairs Officer, and a Chief Information Officer, all of whom report directly to the Director. The Divisions of Airport Services, Safety, Security & Airside Services, Customer Care, Facilities, People, Performance & Development, Strategy & Social Impact, Diversity, Equity & Inclusion, and Museum report to the Chief Operating Officer. The Divisions of Architectural Services, Engineering & Construction Services, Infrastructure Information Management, Project Management, and Planning & Environmental Affairs report to the Chief Development Officer. The Divisions of Aviation Marketing & Development, Aviation & Parking Management, Revenue Development & Management, and Hotel Development & Special Projects and the SFO Medical Clinic report to the Chief Commercial Officer. The Accounting, Finance and Risk Management Divisions report to the Chief Financial Officer. The Divisions of Information Technology & Telecommunications and Contracts Administration report to the Chief Information Officer. The Divisions of Marketing & Communications, Government Affairs, International Trade & Commerce, International Marketing & Aviation Development, Protocol/Economic Liaison, the Public Information Officer, and Reprographics report to the Chief External Affairs Officer. In addition to reporting to the Chief Operating Officer, the Division of Strategy and Social Impact also reports directly to the Director.

Because the Commission believes that the financial and operational performance of the Airport depends in part on the strategies and principles that have been followed by senior management in recent years, it has adopted several policies with the objective of maintaining continuity and continuing to follow such strategies and principles. These policies include, among others, policies on shared use of systems, infrastructure, and services by multiple airline tenants, concessionaries and others; maintenance of ownership by the Airport of its data and digital assets; maintaining a level playing field for all air carriers; controlling, developing and financing the Airport's assets without use of public-private partnerships; and integrating collaborative, structured partnering into the Airport's development projects.

Brief biographies of the principal members of the senior management and legal counsel at the Airport are set forth below:

*Ivar C. Satero* was appointed as Director effective July 21, 2016. Prior to this, he served as Chief Operating Officer from April 2014 until his appointment as Director. Prior to that, he served as Deputy Airport Director-Design and Construction Division from December 2003. From February 2002 through November 2003, he served as the Administrator of the Bureau of Design and Construction and then as the Administrator of Airport Development. From February 1994 to February 2002, Mr. Satero was the Program Manager of transit projects for the Airport's Master Plan Program, including the AirTrain System and the BART extension to the Airport. Prior to joining the Airport in February 1994, Mr. Satero worked for the Public Utilities Commission of the City as Project Engineer/Project Manager for various municipal railway and Hetch Hetchy water system capital improvement projects.

*Jan Mazyck* was appointed Chief Financial Officer in October 2021. In this capacity Ms. Mazyck leads as the chief strategist in the financial development and management of the Airport's operating budget, financial and fiscal programs, and on-going management of the Airport's revenue. Ms. Mazyck joined the Airport with over 20 years of varied experience in governmental leadership, financial management and strategy. Prior to joining the Airport, Ms. Mazyck was Chief Financial Officer for the City of Santa Rosa and has held leadership roles as finance director and treasurer during her expansive career helping California governments and quasi-governmental entities on a broad range of financial and management solutions and financing infrastructure in the public interest.

*Jeff Littlefield* was appointed Chief Operating Officer in July 2016. Prior to this, he served as the Deputy Airport Director-Operations and Security from 2011 until taking on his new role, and as Deputy Airport Manager from 2008 to 2011. Prior to joining the Airport, Mr. Littlefield was employed by United Airlines for 21 years in a variety of operational capacities, including nine years as General Manager at Oakland Airport.

*Geoffrey W. Neumayr* was appointed Chief Development Officer in July 2016. In that capacity he oversees both the Design and Construction and Planning divisions. Prior to this, he served as Deputy Director of Design and Construction beginning in 2014. Mr. Neumayr joined the Airport staff as Associate Deputy Airport Director of Design and Construction in August 2011. Prior to that, he was Vice President of Operations of the Allen Group, LLC for 15 years. With the Allen Group, LLC, Mr. Neumayr served as the Project Manager for many of the Airport's construction projects. Prior to joining the Allen Group in 1995, Mr. Neumayr was an Associate with the architectural and engineering firm of the Watry Design Group where he served as a project manager. Mr. Neumayr is a licensed civil and structural engineer with over 30 years of experience in design and construction.

*Cathy Widener* was appointed Acting Chief External Affairs Officer in June 2021. As Chief External Affairs Officer, Ms. Widener oversees Government Affairs, Communications, Marketing, Reprographics, Protocol and International Trade and Commerce. In this capacity, Ms. Widener focuses on ensuring governmental actions benefit the Airport, leads the team that concentrates on ensuring internal and external stakeholders are well informed and helps drive the promotion of the Airport as a premier gateway to California and the United States. Prior to joining Airport staff, Ms. Widener served as the Bay Area Field Representative for U.S. Senator Dianne Feinstein and in public policy positions at EMILY's List and the San Francisco Chamber of Commerce. Ms. Widener has worked in government and politics for more than 20 years.

*Kevin Bumen* was appointed Chief Commercial Officer in October 2020. In this capacity, Mr. Bumen oversees the Airport's revenue generating departments, including Aviation Management, Hotel and Special Projects, Parking Management, and Revenue Development and Management. Prior to joining Airport staff, Mr. Bumen served as the Director of Airports for San Luis Obispo County as well as Director of Aviation and Business Services for Truckee Tahoe Airport District. Mr. Bumen is Past President of the California Airports Council and is currently serving on the Board of Directors of the American Association of Airport Executives and Airports Council International – North America.

*Ian Law* was appointed Chief Information Officer at the Airport in December 2013. He oversees the Information Technology & Telecommunications team, which has responsibility for the Airport's technology strategy and delivery plan and the Contract Administration Unit. He plays leadership roles on airport industry representative committees and working groups and is a member of Airports Council International's World Information Technology Standing Committee. He holds Computer Science (BSc) and MBA degrees. He has worked in various information technology and business change, transaction and operations roles both in the public and private sector.

*Julie Veit* was appointed Airport General Counsel in September 2021. Ms. Veit manages the on-site Airport Legal Division for the San Francisco City Attorney. The division provides a full range of in-house legal services to the Commission (leases and permits, environmental/land use regulations, construction, operations (security/safety), contracts, labor, municipal finance, litigation, and general government). Ms. Veit joined the Office of the San Francisco City Attorney in 2014 as a Deputy City Attorney and advised San Francisco public agencies on public work projects, professional services contracts, permit programs, and ground transportation, and drafted legislation. Prior to joining the Office of the City Attorney, Ms. Veit was in private practice for over ten years litigating cases on behalf of public agencies.

**Current Airport Facilities**

*Airfield*

The Airport's runway and taxiway system occupies approximately 1,700 acres and includes four intersecting runways, three of which are equipped with instrument landing systems (an "ILS") for arrivals. The east-west runways are 11,870 and 11,381 feet long, respectively. The north-south runways are 8,650 and 7,650 feet long, respectively. The current runway system can accommodate the arrival and departure at maximum loads of all commercial aircraft currently in service, including the Airbus A380. The runways are built on bay tidelands that were filled during and after World War II. As a result, the runways continue to settle at various rates and require periodic repair and maintenance work. See "*–Settlement and Subsidence*."

*Terminals*

International Terminal. The International Terminal Complex, or ITC, which was completed in 2000, is a 2.5 million square foot facility located directly above an entry roadway network and houses ticketing, Federal Inspection Service (Customs and Border Protection) ("FIS") facilities, baggage facilities, concessions, and airline offices. The approximately 1.7 million square foot terminal connects to two boarding areas, which have a combined space of approximately 872,000 square feet and 25 gates. The ITC includes an approximately 229,000 square foot FIS facility capable of processing 5,000 passengers per hour. The Airport owns and the airlines maintain the common-use baggage system that supports all airlines in the ITC.

Other Airport Terminals. In addition to the ITC, the Airport has three other terminal buildings (together with the ITC, the "Terminal Complex") consisting of a total of approximately 3.2 million square feet of space.

Harvey Milk Terminal 1 ("Terminal 1"), Terminal 2 and Terminal 3 handle primarily domestic flights and flights to and from Canada and Mexico. Terminal 1 improvements are currently in various stages of design and construction. The first portion of the improvements, consisting of nine gates, opened in July 2019. The second phase, consisting of an additional nine gates, opened in April 2020. Additional boarding area improvements for a total of 22 gates opened in May 2021. The final phase, consisting of the northern half of the terminal area, including the final two new gates, was suspended as described under "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan." Approximately eight months after the project was suspended, the Airport incrementally re-instated construction activities, including demolition, foundation piles, and structural steel. Airport management expects to decide whether to complete construction of the project in spring 2022, based on updated daily enplanements and revenue projections. In April 2011, the Airport unveiled the renovated Terminal 2. Terminal 2 was the first airport terminal in the United States to achieve Gold Certification under the U.S. Green Building Council's Leadership in Energy and Environmental Designs (LEED™) program. In 2014 and 2016, parts of Terminal 3 were renovated to the same customer experience and environmental standards as Terminal 2. Additional planned Terminal 3 renovations have been placed on hold as part of management's response to the COVID-19 pandemic. See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan–*Major Ascent Program–Phase I Capital Project–Terminals.*"

*AirTrain System*

The AirTrain System provides elevated light rail transit service over a "terminal loop" to serve the Terminal Complex and over a "north corridor loop" to serve the rental car facility and other locations situated north of the Terminal Complex. The AirTrain stations are located at the north and south sides of the ITC, Terminals 1, 2 and 3, at the two short-term ITC parking garages, at the On-Airport Hotel, on McDonnell Road to serve the West Field area, on Lot "D" to serve the rental car facility, and at the newly constructed Lot "DD" between the long-term parking garages. The AirTrain runs 24 hours per day, seven days per week. See "– *Public Parking and Rental Car Facilities*."

*Gates*

The Airport has 105 operational gates, 46 of which can accommodate wide-body aircraft and nine of which can accommodate new large aircraft (such as the Airbus A380), as of November 5, 2021. Of the 105 gates, 25 gates are located in the ITC, 22 in Terminal 1, 24 in Terminal 2, and 34 in Terminal 3. The ITC has one bus gate, where passengers are transported by bus between the terminal gate and a remote aircraft parking position located on the airfield. Bus gates count as operational gates. All 25 gates in the ITC and four of the gates in Terminal 1 are connected to the Federal Inspection Station (FIS) and are capable of accepting international arrivals.

Generally, existing major airport facilities in the United States are designed for aircraft having a maximum wingspan of 213 feet. New Large Aircraft (such as the Airbus A380) ("NLAs") have a wingspan of between 225 and 262 feet. The Airport currently has five operational gates in the ITC and four gates in Terminal 1 with sufficient clearance to accept NLAs.

From time to time, gates are taken out of service during periods of construction and renovation. The Commission expects to maintain at least 90 operational gates during ongoing terminal renovation projects.

Gates in the domestic terminals are used by airlines on a preferential or common-use basis, and gates in the ITC are used on a common or joint-use basis. Gates assigned to an airline for preferential use are allocated on an annual basis in accordance with a formula taking into account each airline's scheduled seats. Gates can thus be recaptured by the Airport annually from airlines with decreasing traffic and allocated to other airlines with increasing traffic. Any preferential-use gate can also be used by any airline when it is not actively being used by the airline to which it is allocated. See "–Airline Agreements–*Lease and Use Agreements*" and APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS."

*Air Traffic Control Tower*

Construction of a new 221-foot tall Air Traffic Control Tower was completed in August 2015. The FAA activated and commissioned the new Air Traffic Control Tower in October 2016. The Air Traffic Control Tower also includes an integrated building in the base of the tower, providing public space, public restrooms, and a secure connector linking Terminal 1 Boarding Area C with Terminal 2.

*Jet Fuel Distribution System*

The Airport leases its on-Airport jet fuel receiving, storage, distribution and other related facilities (collectively, the "Fuel System") to SFO Fuel. Airlines providing substantially all of the regularly-scheduled service to the Airport are members of SFO Fuel. Pursuant to an interline agreement governing the business relationship between SFO Fuel and its members, the members of SFO Fuel are jointly responsible, on a step-up basis, for all costs, liabilities and expenses of SFO Fuel. SFO Fuel is responsible for the management and operation of the Fuel System. Operation and management of the Fuel System is performed by Aircraft Services International, Inc., a wholly owned subsidiary of Menzies Aviation Inc., pursuant to an operation and management agreement with SFO Fuel.

The Fuel System currently includes a pipeline distribution system consisting of two 24" main distribution pipelines traveling from the SFO Fuel tank farm facility through a series of valves to the individual boarding areas. These pipelines provide redundancy in the event of a pipeline break. The Fuel System includes a fuel supply terminal loop around the Terminal Complex, and various hydrant systems from the pipeline loop to the gates, all of which are leased to SFO Fuel by the Airport; total above-ground storage tanks (owned by the Airport and leased to SFO Fuel and others owned by SFO Fuel) representing a total nominal storage capacity of just over 531,000 barrels, which represents a more than ten days of operations based on consumption in 2021 and more than five days of operations based on consumption in 2019. All storage tanks are located on land leased by SFO Fuel from the Airport; and other related facilities.

SFO Fuel has an arrangement with Kinder Morgan's Brisbane Terminal for an additional approximately 150,000 barrels of storage capacity (representing approximately four days of operations based upon 2021 consumption or two days of operations based on 2019 consumption) of off-Airport jet fuel storage capacity.

Airlines and fuel suppliers are responsible for the procurement and delivery of jet fuel to the Fuel System. Competitive into-plane service providers are responsible for delivery of jet fuel into-aircraft from the Fuel System.

*On-Airport Hotel*

The Airport owns a 351-room hotel located on the Airport property with direct access to all of the terminals via AirTrain. The hotel opened in October 2019 and is operated by the Hyatt Corporation as a four-diamond hotel under a long-term management agreement between the Commission and Hyatt Corporation. This agreement currently expires in October 2031, unless terminated earlier by either party as further provided in the agreement, and the Airport has the right to extend the term for an additional five years.

*Bay Area Rapid Transit ("BART") Service to the Airport*

BART has provided direct service to the Airport since 2003. This service provides a convenient connection between the Airport and the greater San Francisco Bay Area that is served by BART. According to BART statistics for Fiscal Year 2020-21, a weekday average of 688 riders exited at the SFO BART station, reflecting substantial

BART ridership decline since the onset of the COVID-19 pandemic. BART service to the Airport travels directly through San Francisco from various points in the East Bay. Additionally, an intermodal station in the City of Millbrae provides a direct link between BART and Caltrain offering additional transit options and connection to the southern parts of the San Francisco Bay Area as well as the City. BART pays the Airport $2.5 million per year in rent for the BART station in the ITC, plus an additional amount (which amount was $866,875 for Fiscal Year 2020-21) for custodial and electrical support services.

*Public Parking and Rental Car Facilities*

Public Parking. A 5,030 space hourly Domestic Parking Garage is connected to the three domestic terminals by seven pedestrian tunnels and three pedestrian bridges. The Domestic Parking Garage features ParkFAST, reserved covered parking with an automated entry and exit system, and ParkVALET, a valet service to all terminals (domestic and international) (valet services are currently suspended because of the COVID-19 pandemic). Two additional public garages located near the ITC and accessible by the AirTrain provide 2,980 spaces for short-term parking. Approximately 7,296 spaces are available for public long-term parking approximately 1.5 miles from the Terminal Complex.

Rental Car Facility. An approximately 5,000 space, full-service rental car facility (the "Rental Car Center") for all on-Airport rental car companies is located approximately one mile north of the Terminal Complex and is accessed from the terminals by the AirTrain.

Off-Airport Parking Facilities. Parking facilities located near the Airport and operated by private companies offer more than 8,000 public remote parking spaces for Airport patrons.

*Maintenance and Cargo Facilities*

Airlines have made various investments in facilities at the Airport. The United Airlines maintenance center, containing approximately three million square feet of building and hangar floor area, is one of the country's largest private aircraft maintenance facilities. United Airlines also operates a large cargo facility at the Airport. Both of these facilities are located on land owned by the Airport but ground leased to the airline with title to the improvements vesting in the Airport upon the expiration of the leases. American Airlines also operates a major maintenance facility at the Airport, and certain other airlines and aviation support companies lease and operate significant cargo, maintenance and other facilities at the Airport.

*Seismic Design of Airport Facilities*

The Airport's facilities are assigned to Seismic Design Category ("SDC") E or F under current building codes. An SDC is a classification assigned to a structure based on its occupancy and on the level of expected ground motion in the event of an earthquake. The SDCs range from Category A (corresponds to buildings that present a low hazard to human life located in areas with very little seismic vulnerability) to Category F (corresponds to essential facilities located near major active faults).

The ITC was designed as an "essential facility" (i.e., a facility that is immediately occupiable following a maximum credible seismic event), exceeding the minimum applicable design requirements for a building of its type. In addition, other buildings and facilities constructed by the Airport during the 1990s and early 2000s as part of the Airport's Master Plan Expansion Program were designed to comply with, and in some cases exceed, the then-current seismic design standards. These facilities include the AirTrain System (guideway, stations, and maintenance building); the elevated circulation roads and inbound/outbound freeway ramps; international, long-term and employee parking garages; the Rental Car Center; the Communications Center located in a portion of the North Connector Building that links Terminal 2 to Terminal 3; and the on-Airport BART station and guideway. In the late 2000s, the Airport also completed a seismic retrofit of the Airport's upper level viaduct, bringing it up to then-current seismic design standards. All new Airport projects are required to meet current pertinent building codes, which include seismic.

As part of the Airport's Terminal 2 Renovations program, the Terminal 2/Boarding Area D facility received a seismic upgrade which allowed the facility to meet then-current seismic standards.

The Air Traffic Control Tower, which is located between Terminals 1 and 2, was activated in 2016, and was designed as an essential facility. The FAA has developed contingency plans for the operation of air traffic control functions from a temporary site in the event the Air Traffic Control Tower is rendered inoperable due to a seismic event. Such remote operations could result in a reduction in air traffic control service levels and capabilities, and may have a significant impact on the airspace system supporting the Airport.

Terminals 1 and 3 and certain boarding areas in these terminals do not meet current seismic requirements. Improvements are currently in various stages of design and construction to bring these terminals and boarding areas into compliance. See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan." Terminal 1/Boarding Area B, which opened in phases in 2019 and 2020, was built to current seismic design standards. Terminal 3/Boarding Area E facility was renovated and reopened in 2014. It was upgraded to current seismic design standards at that time. However, the north area of the project in Terminal 1 and the Terminal 3 West project have been temporarily suspended as a result of the COVID-19 pandemic. See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan."

See "CERTAIN RISK FACTORS–Seismic and Other Natural Disasters or Emergencies" for further discussion of the seismic risks facing the Airport.

*Settlement and Subsidence*

Portions of the Airport and other portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the compression of the Bay Mud under the weight of the existing fill is ongoing. The Airport is experiencing localized differential settlement that the Airport is mitigating though regular localized fill and repair. The Airport's runway rehabilitation and overlay program keeps the runways and taxiways in safe operation.

A report issued in March 2018 by researchers at The University of California – Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The report claims that the risk of subsidence is more significant for certain parts of the City built on fill, including portions of the Airport. While holes from localized subsidence have occurred on some runways, the Airport has not experienced the uniform subsidence that is described in this report. Also see "CERTAIN RISK FACTORS–Risks Associated with Global Climate Change."

*Adapting to COVID-19*

The Airport has taken measures to promote social distancing in public areas for health and safety purposes. These measures include reconfiguring seating areas to keep passengers appropriately separated, installing signage to remind individuals to follow social distancing guidelines, and additional sanitation of high-touch areas. In addition, to implement applicable State and local Public Health Officer orders, Airport management issued an Airport Operations Bulletin on April 21, 2020, requiring Commission employees, tenants, vendors, permit holders, contractors, personnel of public agencies operating at the Airport, and passengers and other members of the public to wear a mask or other face covering to cover their nose and mouth while on-site at the Airport. The Airport installed stations with complementary masks and hand sanitizer in the terminal complex. The Airport installed an ultraviolet (UV) lighting system on the handrails on some escalators at the Airport. The UV system is designed to provide disinfection and protection against pathogens such as the COVID-19 virus. In addition, the Airport's new terminal facilities were designed factoring in health and safety considerations and to improve passenger circulation, and are conducive to meeting current physical distancing guidelines. The Airport is also working with the airlines, the Transportation Security Administration ("TSA") and Customs and Border Protection ("CBP") to implement technology that will facilitate a more "touchless" experience for passengers. In July 2020, the U.S. Departments of Transportation, Homeland Security, and Health and Human Services jointly issued a guidance document entitled *Runway to Recovery: The United States Framework for Airlines and Airports to Mitigate the Public Health Risks of Coronavirus*, which sets forth several risk mitigation measures that the U.S. government expects airports and airlines to implement or support, to the extent feasible. The Airport's measures described above already substantially implement the recommendations for airports, where practicable. Even with the Airport's efforts and its compliance with Public Health Officer orders, the Airport cannot guarantee that even strict adherence to these measures will be successful in preventing or limiting the spread of the coronavirus among persons within the Airport's facilities.

On September 20, 2021, the Airport Director required that all on-site workers at the Airport be vaccinated or, if exempt, be tested weekly for COVID-19, and that tenants and contractors provide periodic updates on the vaccination status and/or testing and reporting protocol of their workforce. The Airport has testing and vaccination services available on-site.

The Airport is also working with airlines and other airports and seeking opportunities to integrate testing and health credentialing mechanisms into the travel process. Should passenger traffic return to pre-pandemic levels at a much faster rate than is expected, the airlines, CBP and other stakeholders may face challenges in processing passenger documentation, potentially affecting the passenger experience at the Airport.

**On-Time Performance and Congestion**

On-time flights are defined by the U.S. DOT as any flight that arrives or departs within 15 minutes of the scheduled arrival or departure time. Arrival on-time performance is typically lower at the Airport than at the two other San Francisco Bay Area airports (87% of domestic arrivals were on time at the Airport in the period from July 2020 through June 2021, as compared to 95% at Oakland Airport and 94% at San Jose Airport), primarily due to the prevalence of low clouds and fog around the Airport at various times of the year. In good weather conditions (cloud ceiling of at least 3,600 feet), up to 60 planes per hour can land at the Airport. During adverse weather conditions (cloud ceiling of between 1,600 feet and 3,600 feet), up to 40 planes per hour can land at the Airport.

A runway "slot" is an authorization to either take-off or land at a particular airport on a particular day during a specified time period. "Slot control" involves imposing limits on planned aircraft operations, to limit scheduled air traffic at certain capacity constrained airports. It is a tool used in the United States and around the world to manage air traffic at airports which have been designated as Level 3.

Under the International Air Transport Association Worldwide Slot Guidelines, airports are designated at levels indicating their degree of congestion. Level 1 airports have sufficient capacity to meet demand. Level 2 airports have potential for congestion during some periods of the day, which can be managed through mutual cooperation of the carriers with a schedule facilitator. Level 3 airports have significant potential for delays and are under mandatory slot control, meaning that airlines must obtain advance approval to operate during slot controlled hours. In 2012, the FAA changed the Airport's designation to a Level 2 airport. If the FAA were to designate the Airport to be a Level 3 airport in the future, the FAA could cap airline operations at the Airport and airlines at the Airport could be subject to FAA-administered slot control, which could affect the Commission's ability to manage airline operations at the Airport.

**Airport Security**

The Airport continually evaluates its security policies, processes and systems to reduce vulnerabilities and mitigate risk and enhance its security profile. Pursuant to the Aviation and Transportation Security Act, the TSA operates security checkpoints at the Airport. The Airport is one of approximately 22 airports in the nation at which the TSA operates security through its Screening Partnership Program. The Screening Partnership Program contracts security screening services at commercial airports to qualified private companies. The employees of the private security firm undergo the same training and are under the same TSA management as federal-employed security operating at other United States airports. The Screening Partnership Program at the Airport has been in operation since 2002.

**Airline Service**

*General*

For the first five months of Fiscal Year 2021-22, the Airport was served by 48 passenger airlines and five cargo-only airlines. Domestic passenger air carriers provided non-stop service to 84 destinations and scheduled one-stop service to an additional 21 destinations in the United States. Passenger airlines provided non-stop scheduled passenger service to 40 international destinations and provided one-stop service to one additional international destination.

For Fiscal Year 2020-21, the Airport was served by 41 passenger airlines and six cargo-only airlines. Domestic passenger air carriers provided non-stop service to 64 destinations and scheduled one-stop service to an additional four destinations in the United States. Passenger airlines provided non-stop scheduled passenger service to 32 international destinations and did not provide any one-stop service to additional international destinations.

For Fiscal Year 2019-20, the Airport was served by 60 passenger airlines and five cargo-only airlines. Domestic passenger air carriers provided non-stop service to 87 destinations and scheduled one-stop service to an additional 11 destinations in the United States. Passenger airlines provided non-stop scheduled passenger service to 53 international destinations and one-stop service to an additional two international destinations. The figures in this and the preceding two paragraphs reflect service that was provided at any time during the applicable time period. Service declined significantly beginning in March 2020 as a result of the COVID-19 pandemic. See "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic."

During Fiscal Year 2020-21, United Airlines (including SkyWest Airlines/United Express) handled 47.7% of the total enplaned passengers at the Airport (compared to 45.8% in Fiscal Year 2019-20); Alaska Airlines (including Horizon Air and SkyWest Airlines/Alaska Airlines) handled 12.9% of total enplaned passengers; and American Airlines (including SkyWest Airlines/American Airlines) handled 10.9% of total enplaned passengers.

Although United Airlines (including SkyWest Airlines/United Express) handled 47.7% of the Airport's total enplanements during Fiscal Year 2020-21, audited results for Fiscal Year 2020-21 indicate that payments by United Airlines accounted for 32% of the Airport's operating revenues. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Principal Revenue Sources."

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*Air Carriers Serving the Airport*

The following table lists the air carriers reporting enplaned passengers and/or enplaned cargo at the Airport during the first five months of Fiscal Year 2021-22. Several airlines, mostly foreign flag airlines, that served the Airport in Fiscal Year 2019-20 did not serve the Airport in Fiscal Year 2020-21. Some, but not all, of these airlines have resumed service in Fiscal Year 2021-22. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Historical Airline Service and Traffic–Airlines Serving the Airport" for additional information.

**AIR CARRIERS REPORTING AIR TRAFFIC AT THE AIRPORT**
**First Five Months of Fiscal Year 2021-22[(1)]**

**Domestic Passenger Air Carriers**
Alaska Airlines[(2)*]
American Airlines*
Delta Air Lines*
Frontier Airlines*
Hawaiian Airlines*
jetBlue Airways*
Southwest Airlines*
Sun Country Airlines/MN Airlines*
United Airlines[(2)*]

**Foreign Flag Carriers**
Aeromexico[(3)]
Air Canada*
Air France*'
Air India*
Air New Zealand*
All Nippon Airways*
Asiana Airlines*
British Airways*
COPA Airlines
Cathay Pacific Airways*
China Airlines*
China Eastern*
China Southern Airlines*
EVA Airways*
Emirates*
French Bee
Iberia[(4)]
Japan Airlines*

**Foreign Flag Carriers (continued)**
KLM Royal Dutch Airlines*
Korean Air*
Lufthansa German Airlines*
Philippine Airlines
Qatar Airways
Scandinavian Airlines*
Singapore Airlines*
Swiss International*
TACA International Airlines*
TAP Air Portugal
Turkish Airlines*
Vietnam Airlines JSC
Virgin Atlantic
WestJet Airlines*

**Cargo-Only Carriers**
ABX Air
Air Transport International
Atlas Air
Federal Express*
Kalitta Air*
Nippon Cargo Airlines*

**Regional Affiliates[(5)]**
Horizon Air (Alaska Airlines)
Jazz Aviation (Air Canada)
SkyWest Airlines (Alaska SkyWest, American Eagle, Delta Connection and United Express)

* Indicates a Signatory Airline (defined below) to a Lease and Use Agreement.
(1) Includes all airlines that served the Airport at any time during the first five months of Fiscal Year 2021-22.
(2) Provides international and domestic air passenger service at the Airport.
(3) Aeromexico filed for bankruptcy protection in June 2020, but continues to operate.
(4) Level Airlines operates under Iberia's permit.
(5) Airlines designated as affiliates by Signatory Airlines per the Lease and Use Agreement. Affiliates may (i) be a wholly-owned subsidiary of a Signatory Airline, (ii) be a subsidiary of the same corporate parent of the Signatory Airline, (iii) share flight codes with a Signatory Airline, or (iv) operate cargo feeder flights under the direction and control of a Signatory Airline. Affiliates do not sell their own seats or flights at the Airport.
Source: Commission.

*Low-Cost Carriers*

During Fiscal Year 2020-21, domestic low-cost carriers serving the Airport included Frontier Airlines, jetBlue Airways, Southwest Airlines and Sun Country Airlines. While several international low-cost carriers served the Airport in Fiscal Year 2019-20, none did so in Fiscal Year 2020-21 and only one, French Bee, resumed service during the first five months of Fiscal Year 2021-22. A "low-cost carrier" is an airline that operates under a generally recognized low-cost business model, which may include a single passenger class of service, use of standardized aircraft, fewer in-flight services, use of less expensive airports, and lower employee wages and benefits.

**Passenger Traffic**

*Overview*

The Airport was ranked the seventh most active airport in the United States in terms of overall origin and destination passengers and the eighth most active airport in the United States in terms of domestic origin and destination passengers, according to Fiscal Year 2019-20 U.S. DOT statistics. For calendar year 2020, the Airport was ranked the 15th most active airport in the United States in terms of total passengers, according to data from ACI.

Passenger traffic data for the past ten Fiscal Years and the first five months of Fiscal Years 2021-22 and 2020-21 is presented in the table below.

**PASSENGER TRAFFIC**

| | Scheduled Passenger Aircraft Arrivals and Departures[(1)] | | Passenger Enplanements and Deplanements | | | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Total | % Change | Domestic | % Change | International | % Change | Total | Total % Change |
| *First Five Months 2021-22* | *126,656* | *56.3%* | *11,443,497* | *178.0%* | *1,865,883* | *249.6%* | *13,309,380* | *186.2%* |
| *First Five Months 2020-21[(2)]* | *81,046* | | *4,116,111* | | *533,674* | | *4,649,785* | |
| 2020-21 | 200,641 | (43.3) | 12,036,933 | (59.9) | 1,637,797 | (84.5) | 13,674,730 | (66.3) |
| 2019-20[(2)] | 353,648 | (21.2) | 30,007,053 | (29.6) | 10,535,883 | (28.8) | 40,542,936 | (29.4) |
| 2018-19 | 448,642 | (2.4) | 42,653,872 | (2.9) | 14,792,616 | 7.0 | 57,446,488 | (0.5) |
| 2017-18 | 459,900 | 5.8 | 43,926,851 | 7.0 | 13,820,335 | 6.9 | 57,747,186 | 7.0 |
| 2016-17 | 434,582 | 2.5 | 41,046,640 | 3.4 | 12,922,418 | 10.3 | 53,969,058 | 5.0 |
| 2015-16 | 423,813 | 2.7 | 39,697,866 | 5.6 | 11,711,366 | 10.2 | 51,409,232 | 6.6 |
| 2014-15 | 412,539 | (0.5) | 37,580,982 | 4.4 | 10,631,812 | 5.6 | 48,212,794 | 4.7 |
| 2013-14 | 414,452 | 2.3 | 35,985,757 | 2.7 | 10,072,231 | 5.1 | 46,057,988 | 3.3 |
| 2012-13 | 405,320 | 0.8 | 35,024,595 | 4.3 | 9,583,582 | 3.3 | 44,608,177 | 4.1 |
| 2011-12 | 402,131 | 6.7 | 33,588,149 | 9.3 | 9,275,507 | 3.1 | 42,863,656 | 7.9 |

(1) Includes air carrier and air taxi operations.
(2) Data for Fiscal Year 2019-20 includes estimates for one airline for March 2020. That airline comprised less than 0.1% of enplanements in the first six months of Fiscal Year 2019-20.
Source: Commission.

Prior to the COVID-19 pandemic, passenger enplanements and deplanements increased at a faster rate than scheduled passenger aircraft arrivals and departures because passenger airlines increased the average size of aircraft serving the Airport, including by reducing the use of regional jets and eliminating the use of turboprops. Since March 2020, scheduled passenger aircraft arrivals and departures have declined less than passenger enplanements and deplanements because airlines have maintained some flights and routes notwithstanding that fewer passengers are flying them as well as cargo-only flights that were flown on passenger aircraft.

Aircraft arrivals and departures and passenger traffic declined substantially in the Fiscal Year 2019-20 and Fiscal Year 2020-21 as a result of the COVID-19 pandemic. While aircraft arrivals and departures and passenger traffic have recovered some since their low point, they have not yet reached pre-pandemic levels. For further discussion, see "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Historical Airline Service and Traffic."

During Fiscal Years 2018-19, 2019-20 and 2020-21, an estimated 80.4%, 80.4% and 79.3%, respectively, of the passenger traffic at the Airport was "origin and destination" traffic, where San Francisco is the beginning or end of a passenger's trip. This relatively high percentage of origin and destination traffic is in contrast to many other major airports which have a higher percentage of connecting passengers, largely as a result of airline hubbing practices. Historically, when airlines have reduced or ceased operations at the Airport, other airlines have absorbed the passenger demand with no significant adverse impact on Airport revenues.

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*Enplanements*

Total Enplanements. Total enplanements for the Airport's ten most active airlines for Fiscal Years 2016-17 through 2020-21 and the first five months of Fiscal Year 2021-22 (with comparative data for the same period in Fiscal Year 2020-21) are shown in the table below, ranked in the order of the results from Fiscal Year 2020-21. Enplanements for airlines include enplanements by affiliates.

**TOTAL ENPLANEMENTS BY AIRLINE**
**(Fiscal Years)**

| | | | | | | | *First Five Months (July through November)* | |
|---|---|---|---|---|---|---|---|---|
| Airline | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | % of 2020-21[1] | *2020-21* | *2021-22[12]* |
| United Airlines | 11,875,239 | 12,860,422 | 13,066,968 | 9,255,208 | 3,305,425 | 47.7% | *1,182,490* | *3,073,476* |
| Alaska Airlines[2] | 792,496 | 1,464,505 | 3,376,047 | 2,353,270 | 890,371 | 12.9 | *281,842* | *745,340* |
| American Airlines | 2,204,111 | 2,198,766 | 2,175,454 | 1,539,607 | 757,433 | 10.9 | *244,870* | *636,147* |
| Delta Air Lines | 2,080,821 | 2,157,886 | 2,219,421 | 1,614,526 | 658,583 | 9.5 | *222,000* | *716,187* |
| Southwest Airlines | 1,794,989 | 1,907,453 | 1,713,578 | 1,156,504 | 404,218 | 5.8 | *150,822* | *347,656* |
| jetBlue Airways | 785,328 | 805,572 | 738,297 | 519,464 | 264,689 | 3.8 | *70,824* | *341,644* |
| Frontier Airlines[3] | 341,903 | – | – | 199,230 | 147,461 | 2.1 | *52,437* | *124,454* |
| Hawaiian Airlines[4] | – | – | – | – | 72,334 | 1.0 | *15,877* | *59,434* |
| Air India[5] | – | – | – | – | 53,101 | 0.8 | *18,973* | *22,129* |
| Turkish Airlines[6] | – | – | – | – | 49,200 | 0.7 | *16,836* | *39,723* |
| Lufthansa Airlines[7] | 245,550 | 255,434 | 243,861 | 158,103 | – | – | – | – |
| EVA Airways[8] | – | – | 282,641 | 186,882 | – | – | – | – |
| Air Canada[9] | 484,287 | 545,755 | 567,734 | 393,221 | – | – | – | – |
| Cathay Pacific[10] | – | 258,182 | 260,286 | – | – | – | – | – |
| Virgin America[2] | 2,502,709 | 2,325,380 | – | – | – | – | – | – |
| SUBTOTAL | 23,107,433 | 24,779,355 | 24,644,287 | 17,376,015 | 6,602,815 | 95.4 | *2,256,971* | *6,106,190* |
| All others[11] | 3,763,979 | 4,034,496 | 3,977,519 | 2,838,890 | 321,763 | 4.6 | *104,526* | *500,974* |
| TOTAL | 26,871,412 | 28,813,851 | 28,621,806 | 20,214,905 | 6,924,578 | 100.00% | *2,361,497* | *6,607,164* |
| Percentage change | 4.9% | 7.2% | (0.7%) | (29.4%) | (65.7%) | | | *179.8%* |

(1) Figures may not total due to rounding.
(2) Alaska Air Group, Inc. and Virgin America, Inc. merged effective December 2016. The merged airline received a single operating certificate from the FAA in January 2018. The merged airline moved to a single reservations system on April 25, 2018, and has adopted Alaska's name and logo and retired the Virgin America brand. All operations of the merged carrier at the Airport have been recorded as Alaska Airlines operations since April 2018.
(3) Frontier Airlines served the Airport in Fiscal Years 2017-18 and 2018-19, but was not among the top 10 most active airlines in terms of total enplanements for those years.
(4) Hawaiian Airlines served the Airport in Fiscal Years 2016-17 through 2019-20, but was not among the top 10 most active airlines in terms of total enplanements for those years.
(5) Air India served the Airport in Fiscal Years 2016-17 through 2019-20, but was not amount the top 10 most active airlines in terms of total enplanements for those years.
(6) Turkish Airlines served the Airport in Fiscal Years 2016-17 through 2019-20, but was not amount the top 10 most active airlines in terms of total enplanements for those years.
(7) Lufthansa served the Airport in Fiscal Year 2020-21, but was not among the top 10 most active airlines in terms of total enplanements.
(8) EVA Airways served the Airport in Fiscal Years 2016-17, 2017-18, and 2020-21 but was not among the top 10 most active airlines in terms of total enplanements for those years.
(9) Air Canada served the Airport in Fiscal Year 2020-21 but was not among the top 10 most active airlines in terms of total enplanements for that year.
(10) Cathay Pacific served the Airport in Fiscal Years 2016-17, 2019-20, and 2020-21, but was not among the top 10 most active airlines in terms of total enplanements for those years.
(11) Data for Fiscal Year 2019-20 includes estimates for one airline for March 2020. That airline comprised less than 0.1% of enplanements in the first six months of Fiscal Year 2019-20.
(12) The top ten most active airlines in terms of total enplanements during the first five months of Fiscal Year 2021-22 were United Airlines, Alaska Airlines, Delta Air Lines, American Airlines, Southwest Airlines, jetBlue Airways, Frontier Airlines, Air Canada (98,058), Aeromexico (57,549) and Hawaiian Airlines.

Source: Commission.

Domestic Enplanements. Domestic enplanements for the Airport's 10 most active airlines for Fiscal Years 2016-17 through 2020-21 and the first five months of Fiscal Year 2021-22 (with comparative data for the same period in Fiscal Year 2020-21) are shown in the table below, ranked in the order of the results from Fiscal Year 2020-21. Enplanements for airlines include enplanements by affiliates.

**DOMESTIC ENPLANEMENTS BY AIRLINE**
**(Fiscal Years)**

| Airline | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | % of 2020-21[1] | *First Five Months (July through November)* *2020-21* | *2021-22* |
|---|---|---|---|---|---|---|---|---|
| United Airlines | 9,884,799 | 10,755,903 | 10,746,159 | 7,543,776 | 2,930,849 | 48.1% | *1,049,339* | *2,771,329* |
| Alaska Airlines[2] | 701,785 | 1,363,302 | 3,261,369 | 2,271,606 | 837,095 | 13.7 | *263,312* | *704,758* |
| American Airlines | 2,204,111 | 2,198,766 | 2,175,454 | 1,539,607 | 757,433 | 12.4 | *244,870* | *636,147* |
| Delta Air Lines | 2,080,821 | 2,157,886 | 2,219,421 | 1,614,526 | 658,583 | 10.8 | *222,000* | *716,187* |
| Southwest Airlines | 1,794,989 | 1,907,453 | 1,713,578 | 1,156,504 | 404,218 | 6.6 | *150,822* | *347,656* |
| jetBlue Airways | 785,328 | 805,572 | 738,297 | 519,464 | 254,994 | 4.2 | *70,098* | *329,293* |
| Frontier Airlines | 341,903 | 223,728 | 173,520 | 199,230 | 147,461 | 2.4 | *52,437* | *124,454* |
| Hawaiian Airlines | 188,550 | 191,827 | 187,805 | 136,333 | 72,334 | 1.2 | *15,877* | *59,434* |
| Sun Country Airlines | 82,257 | 85,788 | 85,440 | 74,086 | 28,533 | 0.5 | *9,679* | *35,278* |
| Swissport USA[3] | – | – | – | – | 185 | 0.0 | 61 | *32* |
| Virgin America[2] | 2,502,709 | 2,264,806 | – | – | – | – | – | – |
| US Airways | – | – | – | – | – | – | – | – |
| SUBTOTAL | 20,513,587 | 21,955,031 | 21,301,043 | 15,055,132 | 6,091,685 | 100.0 | *2,078,295* | *5,724,568* |
| All others | 304 | 0 | 0 | 0 | 0 | 0.0 | *0* | *0* |
| TOTAL | 20,513,891 | 21,955,031 | 21,301,043 | 15,055,132 | 6,091,685 | 100.0% | *2,078,495* | *5,724,568* |
| Percentage change | 3.4% | 7.0% | (3.0%) | (29.3%) | (59.5%) | | | *175.4%* |

(1) Column may not total due to rounding.
(2) Alaska Air Group, Inc. and Virgin America, Inc. merged effective December 2016. The merged airline received a single operating certificate from the FAA in January 2018. The merged airline moved to a single reservations system on April 25, 2018, and has adopted Alaska's name and logo and retired the Virgin America brand. All operations of the merged carrier at the Airport have been recorded as Alaska Airlines operations since April 2018.
(3) Swissport is a ground handling company that provides services to certain airlines operating regularly at the Airport as well as itinerant airlines that operate at the Airport as needed. Swissport is responsible for the reporting of the operational statistics for those operations.
Source: Commission.

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International Enplanements. International enplanements for the Airport's 10 most active airlines for Fiscal Years 2016-17 through 2020-21 and the first five months of Fiscal Year 2021-22 (with comparative data for the same period in Fiscal Year 2020-21) are shown in the table below, ranked in the order of the results from Fiscal Year 2020-21. Enplanements for airlines include enplanements by affiliates.

**INTERNATIONAL ENPLANEMENTS BY AIRLINE**
**(Fiscal Years)**

| Airline | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | % of 2020-21[1] | *First Five Months (July through November)* *2020-21* | *2021-22[13]* |
|---|---|---|---|---|---|---|---|---|
| United Airlines | 1,990,440 | 2,104,519 | 2,320,809 | 1,711,432 | 374,576 | 45.0% | *133,151* | *302,147* |
| Alaska Airlines[2] | – | – | – | – | 53,276 | 6.4 | *18,530* | *40,582* |
| Air India Limited[3] | – | – | – | – | 53,101 | 6.4 | *18,973* | *22,129* |
| Turkish Airlines | – | – | – | – | 49,200 | 5.9 | *16,836* | *39,723* |
| Aeromexico[4] | 150,137 | 162,642 | 158,105 | 118,542 | 47,813 | 5.7 | *11,287* | *57,549* |
| TACA[5] | – | – | – | – | 23,458 | 2.8 | *4,258* | *28,452* |
| Philippine Airlines[6] | – | – | – | – | 20,203 | 2.4 | *8,687* | *19,034* |
| Qatar[7] | – | – | – | – | 18,708 | 2.2 | – | *33,232* |
| Lufthansa Airlines | 245,550 | 255,434 | 243,861 | 158,103 | 18,102 | 2.2 | *3,428* | *32,573* |
| EVA Airways | 201,606 | 239,811 | 282,641 | 186,882 | 16,571 | 2.0 | *8,382* | *6,420* |
| Air Canada | 484,287 | 545,755 | 567,734 | 393,221 | – | – | – | – |
| Cathay Pacific Airlines | 241,381 | 258,182 | 260,286 | 152,504 | – | – | – | – |
| British Airways | 223,556 | 220,552 | 222,770 | 145,577 | – | – | – | – |
| Korean Air Lines[8] | – | 163,173 | 165,146 | 122,128 | – | – | – | – |
| Singapore Airlines[9] | 166,569 | 157,949 | 169,227 | 117,844 | – | – | – | – |
| Air France[10] | 178,767 | 174,842 | 174,620 | 115,358 | – | – | – | – |
| Virgin Atlantic Airways[11] | 142,123 | – | – | – | – | – | – | – |
| SUBTOTAL | 4,024,416 | 4,282,859 | 4,565,199 | 3,221,591 | 675,008 | 81.0 | *223,532* | *581,841* |
| All others[12] | 2,333,105 | 2,575,961 | 2,755,564 | 1,938,182 | 157,885 | 19.0 | 59,470 | *300,755* |
| TOTAL | 6,357,521 | 6,858,820 | 7,320,763 | 5,159,773 | 832,893 | 100.0% | *283,002* | *882,596* |
| Percentage change | 10.1% | 7.9% | 6.7% | (29.5%) | (83.9%) | | | *211.9%* |

(1) Column may not total due to rounding.
(2) Alaska Air Group, Inc. and Virgin America, Inc. merged effective December 2016. The merged airline received a single operating certificate from the FAA in January 2018. The merged airline moved to a single reservations system on April 25, 2018, and has adopted Alaska's name and logo and retired the Virgin America brand. All operations of the merged carrier at the Airport have been recorded as Alaska Airlines operations since April 2018.
(3) Air India Limited served the Airport in Fiscal Years 2016-17 through 2019-20, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(4) Aeromexico filed for bankruptcy protection in June 2020, but continues to operate.
(5) TACA served the Airport in Fiscal Years 2016-17 through 2019-20, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(6) Philippine Airlines served the Airport in Fiscal Years 2016-17 through 2019-20, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(7) Qatar started serving the Airport in Fiscal Year 2019-20, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(8) Korean Airlines served the Airport in Fiscal Years 2016-17 and 2020-21, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(9) Singapore Airlines served the Airport in Fiscal Year 2020-21, but was not among the top 10 most active airlines in terms of international enplanements during that year.
(10) Air France served the Airport in Fiscal Year 2020-21 but was not among the top 10 most active airlines in terms of international enplanements during that year.
(11) Virgin Atlantic Airways served the Airport in Fiscal Years 2017-18, 2018-19, 2019-20 but was not among the top 10 most active airlines in terms of international enplanements during those periods. Virgin Atlantic did not serve the Airport in Fiscal Year 2020-21, but resumed service in Fiscal Year 2021-22.
(12) Data for Fiscal Year 2019-20 includes estimates for one airline for March 2020. That airline comprised less than 0.1% of enplanements in the first six months of Fiscal Year 2019-20.
(13) The top ten most active airlines in terms of international enplanements for the first five months of Fiscal Year 2021-22 were United Airlines, Air Canada (98,058), Aeromexico (57,549), Alaska Airlines, Turkish Airlines, Qatar, Lufthansa, British Airways (29,587), TACA and Air France (28,427).

Source: Commission.

International enplanements for Fiscal Year 2020-21 declined 83.9% compared to Fiscal Year 2019-20. In Fiscal Year 2020-21, enplanements to Asia and the Middle East decreased by 84.0%; enplanements to Canada decreased 94.7%; enplanements to Europe decreased 89.1%; enplanements to Latin America decreased 51.8%; and enplanements to Australia and Oceania decreased by 91.9%. In the first five months of Fiscal Year 2021-22, international enplanements increased 211.9% as compared to the corresponding period in Fiscal Year 2020-21, including a 108.0% increase in enplanements to Asia and the Middle East, a 460.9% increase in enplanements to Canada; a 370.7% increase in enplanements to Europe; a 229.8% increase in enplanements to Latin America; and a 14.5% increase in enplanements to Australia and Oceania.

International enplanements by destination for Fiscal Years 2016-17 through 2020-21 and the first five months of Fiscal Year 2021-22 (with comparative data for the same period in Fiscal Year 2020-21) are shown in the following table.

**INTERNATIONAL ENPLANEMENTS BY DESTINATION**
**(Fiscal Years)**

| | | | | | | % of 2020-21[1] | | *First Five Months (July through November)* | |
|---|---|---|---|---|---|---|---|---|---|
| Destination | 2016-17 | 2017-18 | 2018-19 | 2019-20* | 2020-21 | International Enplanements | Total Enplanements | *2020-21* | *2021-22* |
| Asia/Middle East | 2,712,712 | 2,922,171 | 3,090,886 | 2,099,720 | 335,606 | 40.3% | 4.85% | *120,015* | *249,674* |
| Europe | 1,750,817 | 1,862,789 | 2,071,317 | 1,482,297 | 160,932 | 19.3 | 2.32 | *54,489* | *256,494* |
| Canada | 794,558 | 869,925 | 917,096 | 676,710 | 35,783 | 4.3 | 0.52 | *21,440* | *120,267* |
| Latin America | 790,072 | 867,883 | 825,965 | 567,652 | 273,599 | 32.8 | 3.95 | *72,665* | *239,679* |
| Australia/Oceania | 309,362 | 336,052 | 414,080 | 333,394 | 26,973 | 3.2 | 0.39 | *14,393* | *16,482* |
| TOTAL | 6,357,521 | 6,858,820 | 7,319,344 | 5,159,773 | 832,893 | 100.0% | 12.03 | *283,002* | *882,596* |

(1) Columns may not total due to rounding.
* Data for Fiscal Year 2019-20 includes estimates for one airline for March 2020. That airline comprised less than 0.1% of enplanements in the first six months of Fiscal Year 2019-20.
Source: Commission.

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**Cargo Traffic and Landed Weight**

*Cargo Traffic*

In Fiscal Year 2020-21, according to traffic reports submitted by the airlines, Airport air cargo volume (on and off) was approximately 471,793 metric tons, including U.S. mail, freight and express shipments, a decrease of 18,280 metric tons (3.7%) compared to reported cargo volume for Fiscal Year 2019-20. A total of approximately 259,118 metric tons was international cargo, mail, freight and express shipments (a decrease of 14.8% compared to Fiscal Year 2019-20) and approximately 212,675 metric tons was domestic cargo, mail, freight and express shipments (an increase of 14.5% compared to Fiscal Year 2019-20). The Airport was ranked 16th in the United States in terms of air cargo volume in calendar year 2019 and 19th in calendar year 2020, according to data from ACI. Cargo volume can vary depending on a number of factors including, but not limited to, the local and global economies, fuel prices, tariffs on shipments, and labor issues at shipping ports.

In the first five months of Fiscal Year 2021-22, according to traffic reports submitted by the airlines, Airport air cargo volume (on and off) was approximately 236,752 metric tons, including U.S. mail, freight and express shipments, an increase of 50,082 metric tons (26.8%) compared to reported cargo volume for the first five months of Fiscal Year 2020-21. In the first five months of Fiscal Year 2021-22, domestic cargo and mail traffic tonnage increased 5,252 metric tons (6.0%) and international cargo and mail traffic tonnage increased 44,831 metric tons (45.2%) compared to the first five months of Fiscal Year 2020-21.

The following table provides combined domestic and international cargo traffic information for the Airport for the last five Fiscal Years and the first five months of Fiscal Years 2020-21 and 2021-22.

**AIR CARGO ON AND OFF**
**(in metric tons)**

| Fiscal Year | Freight and Express | U.S. and Foreign Mail | Total Cargo[1] | Percent Change |
|---|---|---|---|---|
| *First Five Months 2021-22* | *222,639* | *14,113* | *236,752* | *26.8%* |
| *First Five Months 2020-21* | *172,093* | *14,577* | *186,670* | |
| 2020-21 | 435,670 | 36,123 | 471,793 | (3.7) |
| 2019-20 | 435,887 | 54,185 | 490,073 | (13.2) |
| 2018-19 | 497,436 | 67,049 | 564,485 | 0.6 |
| 2017-18 | 488,526 | 72,624 | 561,150 | 4.8 |
| 2016-17 | 466,923 | 68,659 | 535,581 | 18.6 |

(1) Totals may not add due to rounding.
Source: Commission.

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*Landed Weight*

Landing fees paid by each airline are based on landed weights of aircraft operating at the Airport. The revenue landed weights for the Airport's 10 most active airlines for Fiscal Years 2016-17 through 2020-21 and for the first five months of Fiscal Year 2021-22 (with comparative data for the same period in Fiscal Year 2020-2021) are shown in the table below, ranked in the order of the results from Fiscal Year 2020-21. Landed weights for airlines include landed weight of affiliates.

**TOTAL REVENUE LANDED WEIGHT BY AIRLINE**
**(in thousands of pounds)**
**(Fiscal Years)**

| Airline | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | % of 2020-21[1] | *First Five Months (July through November)* 2020-21 | 2021-22[11] |
|---|---|---|---|---|---|---|---|---|
| United Airlines | 15,453,760 | 16,315,849 | 16,555,781 | 13,070,159 | 6,407,767 | 40.8% | *2,628,007* | *4,487,102* |
| Alaska Airlines[2] | 930,717 | 2,694,093 | 3,949,910 | 3,020,090 | 1,523,460 | 9.7 | *586,886* | *866,050* |
| Delta Air Lines | 2,525,718 | 2,579,834 | 2,555,766 | 1,993,374 | 1,208,342 | 7.7 | *486,811* | *937,352* |
| American Airlines | 2,654,816 | 2,562,887 | 2,589,043 | 1,945,770 | 1,067,894 | 6.8 | *410,238* | *683,089* |
| Southwest Airlines | 2,038,119 | 2,188,500 | 1,946,440 | 1,535,680 | 750,437 | 4.8 | *365,264* | *384,117* |
| jetBlue Airways | 939,439 | 1,011,057 | 902,658 | 709,469 | 447,491 | 2.9 | *175,152* | *433,568* |
| China Airlines[3] | – | – | – | – | 341,849 | 2.2 | *146,513* | *158,761* |
| Air Transport 1[4] | – | – | – | – | 340,898 | 2.2 | *141,970* | *69,764* |
| Korean Air Lines | 542,308 | 648,994 | 649,509 | 532,487 | 339,479 | 2.2 | *140,148* | *147,032* |
| All Nippon[5] | – | – | – | – | 295,928 | 1.9 | *79,222* | *160,460* |
| Air Canada | 640,396 | 700,161 | 794,984 | 590,547 | – | – | – | – |
| EVA Airways[6] | – | – | – | 483,642 | – | – | – | – |
| British Airways[7] | – | – | – | 389,388 | – | – | – | – |
| Cathay Pacific[8] | – | 523,393 | 559,497 | – | – | – | – | – |
| Lufthansa Airlines[9] | 510,879 | – | 516,270 | – | – | – | – | – |
| Virgin America[2] | 2,996,660 | 1,787,582 | – | – | – | – | – | – |
| SUBTOTAL | 29,232,812 | 31,012,904 | 31,019,858 | 24,270,606 | 12,723,545 | 81.1 | *5,160,211* | *8,327,295* |
| All others[10] | 8,363,816 | 8,521,518 | 8,343,850 | 6,528,682 | 2,963,161 | 18.9 | *1,096,907* | *2,119,125* |
| TOTAL | 37,596,628 | 39,534,422 | 39,363,708 | 30,799,288 | 15,686,706 | 100.0% | *6,257,118* | *10,446,420* |
| Percentage change | 7.4% | 5.2% | (0.4%) | (21.8%) | (49.1%) | | | *67.0%* |

(1) Figures may not total due to rounding.
(2) Alaska Air Group, Inc. and Virgin America, Inc. merged effective December 2016. The merged airline received a single operating certificate from the FAA in January 2018. The merged airline moved to a single reservations system on April 25, 2018, and has adopted Alaska's name and logo and retired the Virgin America brand. All operations of the merged carrier at the Airport have been recorded as Alaska Airlines operations since April 2018.
(3) China Airlines served the Airport in Fiscal Years 2016-17 through 2019-20, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(4) Air Transport served the Airport in Fiscal Year 2019-20, but was not among the top 10 most active airlines in terms of revenue landed weight for that year.
(5) All Nippon served the Airport in Fiscal Years 2016-17 through 2019-20, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(6) EVA Airways served the Airport in Fiscal Years 2016-17 through 2018-19 and 2020-21, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(7) British Airways served the Airport in Fiscal Years 2016-17 through 2018-19 and 2020-21, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(8) Cathay Pacific served the Airport in Fiscal Years 2016-17, 2019-20 and 2020-21, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(9) Lufthansa served the Airport during Fiscal Years 2017-18, 2019-20 and 2020-21, but was not among the top 10 most active airlines in terms of landed weight for those periods.
(10) Data for Fiscal Year 2019-20 includes estimates for one airline for March 2020. That airline comprised less than 0.1% of enplanements in the first six months of Fiscal Year 2019-20.
(11) The top ten most active airlines based on landed weight in the first five months of Fiscal Year 2021-22 were United Airlines, Delta Air Lines, Alaska Airlines, American Airlines, jetBlue Airways, Southwest Airlines, All Nippon, China Airlines, Korean Airlines (147,032) and Asiana (131,886).

Source: Commission.

As indicated in the table above, total revenue landed weight at the Airport decreased 21.8% during Fiscal Year 2019-20 as compared to Fiscal Year 2018-19 and 49.1% in Fiscal Year 2020-21 as compared to Fiscal Year 2019-20. In the first five months of Fiscal Year 2021-22, total revenue landed weight at the Airport increased 66.9% as compared to the first five months of Fiscal Year 2020-21.

**Competition**

*General*

The Airport is the principal airport in the San Francisco Bay Area and one of three international gateways on the U.S. West Coast. The San Francisco Bay Area is also served by the Oakland Airport and the San Jose Airport. The other two international gateways on the U.S. West Coast are the Los Angeles Airport and the Seattle Airport. The passenger traffic data with respect to the Los Angeles Airport, the Oakland Airport, the San Jose Airport and the Seattle Airport discussed below was obtained from websites maintained by the Los Angeles Airport, the Oakland Airport, the San Jose Airport and the Seattle Airport, respectively.

The Commission expects the Airport to continue to be the major air traffic center for the San Francisco Bay Area based on air traffic projections, the substantial investment by a number of major airlines at the Airport, terminal facility improvements and passenger preferences stemming from the Airport's location, service and frequent flights to domestic and international destinations.

Substantially all of the international passenger traffic in the San Francisco Bay Area is at the Airport. Thus, the primary competitor of the Airport on the West Coast for international passengers is the Los Angeles Airport, rather than Oakland Airport or San Jose Airport. During Fiscal Year 2019-20, international passenger traffic (enplanements and deplanements) at the Airport totaled approximately 10.5 million (a decrease of 28.8% over the prior Fiscal Year) compared to approximately 17.9 million at Los Angeles Airport (a decrease of 30.9%). During Fiscal Year 2020-21, international passenger traffic (enplanements and deplanements) at the Airport totaled approximately 1.6 million (a decrease of 84.5% over the prior Fiscal Year) compared to approximately 4.4 million at Los Angeles Airport (a decrease of 75.7%). The choice by air carriers between the Airport and Los Angeles Airport for their international routes is affected by many factors, including the much larger population served by Los Angeles Airport, and the distance of each airport from various destinations.

*Passenger Traffic*

According to traffic reports released by the three San Francisco Bay Area airports for Fiscal Year 2019-20, the Airport accounted for approximately 58% of total domestic passenger traffic and approximately 90% of total international passenger traffic in the San Francisco Bay Area. The Airport's market share of total enplanements and deplanements decreased from 66.1% in Fiscal Year 2019-20 to 59.1% in Fiscal Year 2020-21, primarily due to this decrease in international passenger activity.

The following table summarizes comparative passenger traffic data at the three San Francisco Bay Area airports for Fiscal Years 2016-17 through 2020-21. Air traffic in the San Francisco Bay Area has declined as a result of the COVID-19 pandemic. See "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic" for information about monthly enplanements and deplanements.

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**COMPARISON OF SAN FRANCISCO BAY AREA AIRPORTS TOTAL PASSENGER TRAFFIC**
**(Enplanements and Deplanements)**
**(Fiscal Years)**

| | | | | | 2020-21 | |
|---|---|---|---|---|---|---|
| Airport | 2016-17 | 2017-18 | 2018-19 | 2019-20 | Number | % Change |
| San Francisco | 53,969,058 | 57,747,186 | 57,446,488 | 40,542,936 | 13,676,933 | (66.3%) |
| Oakland | 12,593,371 | 13,356,803 | 13,615,771 | 9,493,637 | 5,222,881 | (45.0) |
| San Jose | 11,514,425 | 13,490,514 | 14,949,956 | 11,328,759 | 4,226,239 | (62.7) |
| TOTAL SAN FRANCISCO BAY AREA* | 78,076,854 | 84,594,503 | 86,012,215 | 61,365,332 | 23,126,053 | (62.3) |
| Percentage change | 6.6% | 8.3% | 1.7% | (28.7%) | | |

* Totals may not add due to rounding.
Sources: Commission, the Metropolitan Oakland International Airport and the Norman Y. Mineta San Jose International Airport.

**Airline Agreements**

As of January 1, 2022 the City and 37 of the airlines that served the Airport in the first five months of Fiscal Year 2021-22 were party to Lease and Use Agreements that became effective on and after July 1, 2011 (the "Lease and Use Agreements") following the expiration of prior lease and operating agreements with the airlines. The airlines that are party to a Lease and Use Agreement are referred to as "Signatory Airlines." Non-signatory airlines operate at the Airport under month-to-month operating permits or on an itinerant basis. A brief description of certain major terms of the Lease and Use Agreements follows. For a more detailed summary of the Lease and Use Agreements, see APPENDIX E –"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS." For information on which airlines currently serving the Airport are party to the Lease and Use Agreements, see the table entitled "Air Carriers Reporting Air Traffic at the Airport" under "–Airline Service" above.

*Lease and Use Agreements*

Signatories. The Lease and Use Agreements took effect on July 1, 2011 and have been extended through June 30, 2023 as further discussed under "—Expiration of the Lease and Use Agreements; Amendments." Twelve of the airlines that reported traffic on scheduled passenger flights in the first five months of Fiscal Year 2021-22 were non-signatory as of January 1, 2022. Three are affiliates that report traffic under their respective signatories. The remaining nine airlines' passengers comprised less than 2.1% of the Airport's total passengers in the first five months of Fiscal Year 2021-22. Airlines in addition to the current Signatory Airlines may sign a Lease and Use Agreement from time to time.

Residual Methodology. The Lease and Use Agreements govern the use of terminal, baggage claim, ticketing, ramp and gate areas. Under the Lease and Use Agreements, the Signatory Airlines pay terminal rents and landing fees under a residual rate-setting methodology tied to specified cost centers. This methodology is designed to provide revenues to the Commission sufficient to pay operating expenses and debt service costs. Under the residual rate-setting methodology, landing fees and terminal rentals are established each year to produce projected revenues from the airlines ("airline payments") equal to the difference between (i) the Airport's non-airline revenues and (ii) the Airport's total costs, including without limitation operating expenses, debt service costs and the Annual Service Payment described under "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City–*Annual Service Payment*" ("net costs"). In other words, rates and charges are established each year to produce projected airline payments equal to projected net costs. Thus, increases in non-airline revenues, such as parking and concession revenues, generally result in decreases in airline landing fees and terminal rental rates, and vice versa.

Differences between actual revenues and expenditures and amounts estimated in the calculation of airline fees and charges for any Fiscal Year result in adjustments of terminal rentals and landing fees in subsequent Fiscal Years. Such differences are recorded on the statements 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.

Annual Adjustment of Terminal Rentals and Landing Fees. The Commission may adjust terminal rental rates and landing fees each year for the next Fiscal Year based on each Signatory Airline's proposed changes to its leased space, additions of new terminal space for lease, the forecast landed weight for the next Fiscal Year, and the Commission's budgetary forecast of attributed non-airline revenues, operating expenses and debt service costs for the various Airport cost centers.

Mid-Year Adjustment of Terminal Rentals and Landing Fees. The Commission may increase terminal rental rates and/or landing fees at any time during the Fiscal Year if the actual expenses (including debt service) in one or more applicable cost centers are projected to exceed by 10% or more the actual revenues from such cost center. Prior to increasing terminal rental rates and/or landing fees, as applicable, the Commission must use commercially reasonable efforts to reduce expenses and provide a 60-day notice to, and consult with, the Signatory Airlines. The Signatory Airlines are required to pay such increased terminal rentals and/or landing fees sufficient to cover the projected deficiency for the remaining months of the then-current Fiscal Year. The Airport has not made any such mid-year adjustments since Fiscal Year 2000-01.

Terminal Rentals and Landing Fees. Landing fees, consisting of minimum fees for fixed-wing and rotary aircraft and a rate based on landed weight, are imposed primarily with respect to Airfield Area and Airport Support Area net costs. Each Signatory Airline and other airlines and airfield users are required to pay landing fees, the principal component of which is based upon landed weight, that are established by the Commission to fully recover all Airfield and Airport Support Area net costs. Airlines that are not Signatory Airlines or an Affiliate Airline (as defined in the Lease and Use Agreements) of a Signatory Airline pay a 25% premium on landing fees. If a Signatory Airline ceases or substantially reduces its operations at the Airport, it remains liable for certain terminal rentals calculated each year on a residual basis. Any shortfall in landing fees payable to the Commission by the Signatory Airlines and other airlines and airfield users in any Fiscal Year as a result of actual landed weights being less than those projected are made up either from a mid-year rate adjustment, or from adjustments to landing fee rates in the succeeding Fiscal Years.

Funding of Capital Improvements. The Commission, subject to the limited exception described below, must use commercially reasonable efforts to finance all capital improvements through grants, TSA funding, PFCs or the issuance of Airport revenue bonds. However, the Commission may annually budget for capital improvements from current revenues up to $4,200,000 in Fiscal Year 2008-09 dollars ($5,014,330 in Fiscal Year 2021-22 dollars, based on the Implicit Price Deflator), or a greater amount approved by a Majority-In-Interest of the Signatory Airlines (defined as more than 50% of the Signatory Airlines, which on the date of calculation represent more than 50% of the landed weight of such Signatory Airlines during the immediately preceding Fiscal Year).

Airline Review of Capital Improvements. The Commission is required to notify the Signatory Airlines in writing of most proposed capital improvements that exceed the Majority-In-Interest review dollar threshold established in the Lease and Use Agreements. Within 45 days of the receipt of such notice, if a Majority-In-Interest objects to a capital improvement, the Airport may not proceed with the capital improvement for a period specified by the Signatory Airlines, but not to exceed six months. During that time, the airlines may develop and present their opposition to the capital project to the Commission at a public hearing or otherwise. At the end of the specified period, the Commission may proceed with the capital improvement. Capital improvements that are (i) required by a federal or state agency having jurisdiction over Airport operations, (ii) required by an emergency which, if the improvements are not made, would result in the closing of the Airport within 48 hours, or (iii) financed by the issuance of Special Revenue Bonds, are not subject to the airline review requirement. "Special Revenue Bonds" are obligations issued by the Commission or on behalf of the Airport, the debt service on which is payable from or secured in whole or substantial part by revenues other than Revenues, and include Special Facility Bonds. While some projects in the current CIP still require airline review, the Commission has completed the airline review process for $7.7 billion (approximately 99%) out of the total $7.8 billion CIP, including the projects being refinanced with 2022A-C Bond proceeds. The Airport plans to seek the remaining Majority-In-Interest review as needed in the future.

Joint Use of Space. Gates in the domestic terminals are used by airlines on a preferential or common-use basis while gates in the ITC are used on a common or joint use basis. Gates assigned to an airline for preferential use are allocated annually according to a formula taking into account each airline's actual seats in the preceding month of August. Gates can thus be recaptured by the Airport annually from airlines with decreasing traffic and allocated to other airlines with increasing traffic. Any preferential use gate can also be used by any airline when it is not actively being used by the airline to which it is allocated. With respect to the domestic terminals, the Airport may recapture unneeded support facilities from a Signatory Airline at any time if the number of preferential use gates allocated to such airline is reduced. These provisions allow the Airport to continue receiving terminal rentals on unused support facilities until they are needed by another airline. With respect to the ITC, most ITC gates, holdrooms, ticket counters and baggage systems (including the baggage system at domestic Terminal 2 and Boarding Area B in domestic terminal 1) are leased to a group of airlines on a joint use basis and allocated for use among the various airlines as needed during the day in accordance with management protocols. Rental charges for joint use facilities are based on a formula, with 80% of the charges allocated pro-rata to the airlines based on passenger levels, and 20% shared equally by the airlines in the group. This arrangement facilitates the efficient use of the ITC facilities and enables the Airport to accommodate new domestic or international carriers or other market changes within the industry. A small number of domestic terminal and ITC gates and related facilities are designated for common use to accommodate itinerant airlines and overflow domestic departures and arrivals. Fees for common use facilities are charged on a per-turn basis.

Security Deposit. Each Signatory Airline is required to post security with the Commission to guaranty its performance and payment. 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 deposit acceptable to the Commission, such as cash deposits, have on occasion been accepted in very limited amounts and circumstances, such as in the instance of an airline bankruptcy where other forms of security deposit are temporarily unavailable. Airlines operating at the Airport pursuant to ground leases or 30-day permits are required to post security bonds or letters of credit in an amount ranging from two to six months estimated rentals and fees under such agreements.

Cross-Default Provisions. A Signatory Airline may have more than one agreement, lease or permit with the Airport. If a default occurs under any one of such other agreements, a cross-default is triggered under the Signatory Airline's Lease and Use Agreement. In addition, if a Signatory Airline is in default under its Lease and Use Agreement, the Airport may terminate any other agreement with such Signatory Airline.

Expiration of the Lease and Use Agreements; Amendments. The Commission and 34 passenger airlines representing over 98% of enplaned passengers in Fiscal Year 2020-21 and six cargo airlines have executed an amendment extending the Lease and Use Agreements through June 30, 2023. Other than extending the term of the Lease and Use Agreements through June 30, 2023, and continuing the preferential use gate allocations in effect as of June 30, 2021 through the end of the extended term, the extension amendments do not affect any of the terms and conditions of the Lease and Use Agreements summarized under this heading "– Airline Agreements" and in APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS." Any Signatory Airlines that did not enter into an extension amendment with the City by June 30, 2021 have entered into or would have to into a month-to-month operating permit to continue to serve the Airport during the period from July 1, 2021 through June 30, 2023, the end of the extended term of the Lease and Use Agreements.

Upon the expiration of the Lease and Use Agreements as extended, the Commission will have various options, including (a) extending the long-term agreements with airlines, (b) negotiating new long-term agreements with airlines, (c) entering into month-to-month agreements under the holdover provisions of the existing Lease and Use Agreements, or (d) not entering into new agreements and setting airline rates and charges by resolution. See "Holding Over" in APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS." The Commission resumed negotiations for new long-term agreements in 2021. These negotiations are ongoing. In any event, the Commission intends to continue to establish rates and charges that will comply with the requirements of the rate covenant under the 1991 Master Resolution and that will allow the continued safe and efficient operation of the Airport and additional capital investment. If the Commission and the airlines do not finalize new or extended agreements by the time the existing Lease and Use Agreements expire, the Commission intends to set cost-recovery based rates and charges by resolution that are consistent with the requirements of the 1991 Master Resolution and any applicable parameters established by the FAA and the U.S. DOT. The Commission cannot impose a residual rate-setting system without the agreement of the airlines. The Commission cannot predict what form any new agreements may take, whether the existing residual rate-setting system will be continued or whether the balance of risks and benefits between the Commission and the airlines will be the same as in the current Lease and Use Agreements.

*Potential Effects of an Airline Bankruptcy*

In the event a bankruptcy case is filed with respect to an airline operating at the Airport, the lease or permit governing such airline's use of Airport space would constitute an executory contract or unexpired lease pursuant to the United States Bankruptcy Code. A trustee in bankruptcy or the airline as debtor in possession may keep ("assume") or jettison ("reject") any executory contracts or unexpired leases of non-residential real property. Under the Bankruptcy Code, upon rejection of an unexpired lease, the airline debtor must surrender non-residential real property to the lessor. As a result, rejection of an unexpired lease by an airline debtor may result in the Commission regaining control of the applicable facilities (including gates and boarding areas), which the Commission could then lease or permit to other airlines. The Commission's ability to lease such facilities to other airlines may depend on the state of the airline industry in general, on the nature and extent of the increased capacity at the Airport resulting from the departure of the debtor airline, and on the need for such facilities. Alternatively, under the Bankruptcy Code an airline debtor may assume its executory contracts and leases (and in some circumstances, assign them), subject to certain conditions. If the bankruptcy trustee or the airline assumes an executory contract or unexpired lease as part of a reorganization, the airline debtor must "cure" or provide adequate assurance that the airline debtor will promptly cure its prepetition defaults, including arrearages in amounts owed, as well as provide adequate assurance of future performance. Even if all such amounts owed are eventually paid, the Commission could experience delays of many months or more in collecting such amounts.

Section 525 of the Bankruptcy Code generally prohibits governmental authorities such as the Commission from discriminating against airline debtors solely on the basis of the filing of a bankruptcy petition.

Amounts under a nonresidential lease arising from or after the bankruptcy petition must be paid when due unless the bankruptcy court extends the time for performance, but the court cannot extend such time more than 60 days from the date the petition is filed except in the unlikely event the airline qualifies as a small business debtor in a case filed before December 27, 2022, under Subchapter V of the Bankruptcy Code. In that event, the debtor may obtain an additional 60 days to commence payment if it proves that it has suffered material financial hardship as the result of COVID-19. In all events, amounts such as rents accruing during a case generally have administrative expense priority, but such priority does not ensure that such amounts will be paid. Under the Bankruptcy Code, an airline's failure to pay within the mandated period may give the Commission the right to apply for relief from the bankruptcy stay in order to terminate the lease, but does not ensure that such amounts will be paid.

In Chapter 11 cases, the debtor in possession or a trustee, if one is appointed, has 210 days from the date of filing of the bankruptcy petition to decide whether to assume or reject a nonresidential lease, such as a Lease and Use Agreement. The 210-day period may be extended by court order for an additional 90 days for cause. Any additional extensions are prohibited unless the debtor airline or trustee obtains the Airport's consent and a court order. For cases filed after December 27, 2022, the initial 210-day period will revert to 120 days unless Congress extends the provision.

Under the Bankruptcy Code, any rejection of a lease could result in a claim by the Airport for lease rejection damages against the debtor airline. Such claim would be in addition to all pre-bankruptcy amounts owed by the debtor airline. A rejection damages claim is for the rent coming due under the lease in the future and is capped under the Bankruptcy Code at the greater of one year, or 15%, not to exceed three years, of the remaining term of the lease. A rejection damages claim is generally treated as a general unsecured claim of the airline debtor. However, the Airport may have rights against any faithful performance bond or letter of credit required of an airline to secure its obligations under the Airport agreements or the right to set off against credits owed to the airline under the Airport agreements.

There can be no assurance that all claim amounts could be collected if an airline rejects its Lease and Use Agreement in connection with a bankruptcy proceeding. In addition, in the event an airline rejects its lease and use agreements, the Airport may be required to repay landing fees and terminal rentals paid by the airline in the 90-day period prior to the date of the bankruptcy filing, since such payments are treated as "preferential" and may be avoidable under the Bankruptcy Code. Such avoidance may be subject to defenses however, including that the payments were made in the ordinary course and that the Airport provided subsequent new value to the airline.

Even if a debtor airline assumes its lease while in Chapter 11 reorganization, a bankruptcy trustee could reject the assumed lease if the case were subsequently converted to a liquidation case under Chapter 7 of the Bankruptcy Code. In that event, the Airport's claim against the bankruptcy estate would be treated as an administrative expense claim limited to all sums due under the lease for the two-year period following the later of the rejection date or the date of the actual turnover of the premises. Any remaining amounts due under the lease would be treated as a general unsecured claim limited to the greater of one year of rent reserved under the lease or 15% of the rent for the remaining lease term, not to exceed three years of rent.

Also see "CERTAIN RISK FACTORS–Bankruptcy of Airlines Operating at the Airport or Other Airport Tenants."

**Certain Federal and State Laws and Regulations**

*Federal Law Prohibiting Revenue Diversion*

Federal law requires that all revenues generated by a public airport be expended for the capital or operating costs of the airport, the local airport system, or other local facilities which are owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property. In February 1999, the FAA adopted its "Policies and Procedures Concerning the Use of Airport Revenue" (the "Final Policy") clarifying the application of these principles to airport sponsors that receive federal grants for airport development from the FAA, including the Airport. The City is the "sponsor" of the Airport for purposes of these federal requirements. The FAA is currently conducting a financial compliance review of the Airport covering Fiscal Years 2011-12 through 2017-18. The purpose of the review is to verify that the Airport and the City are in compliance with the Final Policy. The FAA provided its draft report from this review in August 2021 for the Commission's response, which the Commission timely provided. The report noted that the FAA would continue to militate against discretionary grant funding for the Airport when the Annual Service Payment to the City's General Fund exceeds the inflation-adjusted baseline amount. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City–*Annual Service Payment*" for further description of the Annual Service Payment. See "CAPITAL IMPROVEMENTS AND PLANNING–Federal Grants" for additional discussion of discretionary grants and the impact thereon of the Annual Service Payment. Other than this topic, no other material issues were noted. The Commission cannot predict the ultimate outcome of this review. In addition, in February 2021, the Commission received a letter from the FAA stating that the FAA received a hotline complaint through the Office of Inspector General ("OIG") of U.S. DOT alleging possible airport revenue diversion to the San Francisco Police Department. The FAA requested information to assist in the resolution of the complaint. The Commission responded timely to the FAA. The Commission cannot predict the outcome of this matter.

Examples of unlawful revenue diversion include using airport revenues for: (1) land rental to, or use of land by, the sponsor for non-aeronautical purposes at less than the fair market rate; (2) impact fees assessed by any governmental body that exceed the value of services or facilities provided to the airport; or (3) direct subsidies of air carrier operations. An otherwise unlawful revenue diversion may be "grandfathered" if such use was instituted pursuant to a law controlling financing by the airport owner or operator, or a covenant or assurance in a debt obligation issued by the airport owner, prior to September 1982. The Final Policy acknowledges that the Commission's Annual Service Payment to the City's General Fund is "grandfathered" as a lawful revenue diversion. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City–*Annual Service Payment*" for further description of the Annual Service Payment. The U.S. Congress could revoke the "grandfathering" of the Annual Service Payment. Also see APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS–Events of Default; Termination or Suspension of Lease and Use Agreement Provisions–*Commission's Right to Suspend Part of Lease and Use Agreement*."

The Commission makes substantial payments to the City, separate from and in addition to its Annual Service Payment, for direct services provided to the Airport by other City departments. The FAA has authority to audit the payments and to order the City to reimburse the Airport for any improper payments made to the City, and the OIG has authority to audit the FAA's oversight of the payments. The FAA may also suspend or terminate pending FAA grants to the Airport and/or any then-existing PFC authorizations as a penalty for any violation of the revenue diversion rules. In addition, the U.S. DOT may also withhold non-aviation federal funds that would otherwise be made available to the City as a penalty for violation of the revenue diversion rules (for example, grants to the City's municipal railway system). In April 2018, OIG concluded an audit to assess FAA's oversight of "grandfathered" airports' compliance with federal law related to airport revenue payments. The Airport was one of the airports included in this OIG audit. The OIG found inaccuracies in the FAA's records, including that the FAA over-reported total grandfathered payments by the Commission. The audit included findings and recommendations to improve the accuracy of FAA's data regarding grandfathered payments, and the FAA concurred in OIG's recommendations. See also "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City" and "CAPITAL PROJECTS AND PLANNING–Federal Grants."

On November 7, 2014, the FAA amended its 1999 *Policies and Procedures Concerning the Use of Airport Revenue* to confirm that state and local taxes on aviation fuel, whether part of a general sales tax or otherwise, and whether imposed by an airport operator or by state or local taxing authorities, are subject to the federal restrictions on the uses of airport revenue. These restrictions do not apply to taxes in effect on or before December 30, 1987. The FAA's policy amendment became effective on December 8, 2014, but the FAA provided a three-year transition period for state and local governments to comply. The FAA required taxing jurisdictions to submit a plan for compliance by December 8, 2015, and to implement the plan by December 8, 2017. The FAA's policy amendment also required the Airport to inform state and local taxing entities, including the City, of these provisions and take reasonable actions within its power to influence state and local tax laws to conform to these requirements. The Airport made the required notifications. The City submitted its initial response to the FAA regarding the policy amendment on August 28, 2019.

The FAA and the State of California Department of Finance (the "State Department of Finance") have exchanged correspondence between November 2015 and September 2020 regarding the FAA's policy amendment and the State's approach to compliance. On May 17, 2019, the FAA sent a letter to the State indicating disapproval of the proposed approach and requiring that the State Department of Finance provide certain information to the FAA within 30 days. The FAA letter also stated that the State Department of Finance's failure to comply could lead to penalties including the withholding of federal financial assistance to airports in the State. Although the State Department of Finance and FAA have engaged in further correspondence since that letter, FAA's latest correspondence still indicates that it views the State's response as incomplete and requiring further action.

Any sales taxes on aviation fuel sold at the Airport and received by state and local governments that cannot be grandfathered or used in accordance with the FAA's revenue use policy, likely would be returned to the Airport, resulting in a modest amount of additional revenue that cannot be quantified at this time.

*Federal Accessibility Law*

The Office of Civil Rights of the FAA ("OCR") periodically reviews airports' compliance with federal civil rights laws and accessibility laws. OCR initiated a review of the Airport's compliance with the Americans with Disabilities Act and Section 504 of the Rehabilitation Act in June 2017 and found certain areas of non-compliance. The Commission believes it has implemented all of OCR's recommendations. The Commission is working to close out this audit with OCR.

*State Tidelands Trusts*

A substantial portion of the land on which the Airport's facilities are located is held in trust by the City and administered by the Commission pursuant to tidelands grants from the State. These grants, accomplished by special State legislation, date to 1943 and 1947. Generally, the use of this land is limited to Airport purposes under the terms of the grants. The Commission may not transfer any of this land, nor lease it for periods of more than 50 years. There are also certain limitations on the use of funds generated from facilities located on this land. However, none of the various restrictions is expected to affect the operations or financial condition of the Airport. The grants may be subject to amendment or revocation by the State legislature, as grantor of the trust and as representative of the beneficiaries (the people of the State). Under the law, any such amendment or revocation could not impair the accomplishment of trust purposes, or abrogate the existing covenants and agreements between the City, acting by and through the Commission, as trustee, and the Airport's bondholders. The Commission does not anticipate that the State will revoke the tidelands grants.

*Current and Possible Regulation Related to Climate Change*

There is now widespread acknowledgement of the urgent need for the nations of the world to transition from fossil fuels to cleaner energy sources that will allow the worst effects of global warming and climate change to be avoided. In November 2021, the FAA published the U.S. Aviation Climate Action Plan which sets a goal to achieve net-zero GHG emissions from the U.S. aviation sector by 2050. The plan includes several key initiatives, including the increased production of sustainable aviation fuels ("SAF"), the development of new aircraft technologies, increased operations efficiency, and efforts to reduce airport emissions.

Federal and state regulations and international accords pertaining to mandatory and encouraged GHG emission reductions are expected to affect the Airport, air carriers, transportation service providers and other Airport tenants. Federal regulations are anticipated to increase dramatically under the leadership of President Joseph Biden regarding climate change, including the U.S.'s reentry into the Paris Agreement and economy-wide net zero emissions by 2050. The Airport continues to track and engage in federal level policy through its participation in industry associations and coalitions.

According to the United States Environmental Protection Agency ("EPA"), aircraft account for 12 percent of all U.S. transportation GHG emissions and approximately three percent of total U.S. GHG emissions. On January 11, 2021, the EPA issued a final rule titled "Control of Air Pollution From Airplanes and Airplane Engines: GHG Emission Standards and Test Procedures." Within this rule, the EPA adopted GHG emission standards applicable to certain classes of engines used by certain civil subsonic jet airplanes and certain civil larger subsonic propeller-driven airplanes. These standards are equivalent to the airplane carbon dioxide (CO2) standards adopted by the International Civil Aviation Organization ("ICAO") in 2017 and apply to both new type design airplanes and in-production airplanes. The fuel efficiency-based standards are designed by the EPA to achieve "the highest practicable degree" of international uniformity in aviation regulations and standards and meet the EPA's obligation under section 231 of the Clean Air Act ("CAA").

Separate from the ICAO CO2 standards discussed above, in October 2016, the ICAO also passed a global market-based mechanism to achieve carbon-neutral growth for international aviation after 2020, the Carbon Offsetting and Reduction Scheme for International Aviation ("CORSIA"), which can be achieved through airline purchases of carbon offset credits. These offsets are used to fund climate-friendly projects, including funding trees and solar panels, often in Asia, Africa and South America. CORSIA is comprised of 192 member countries, including the United States, and was designed to achieve carbon-neutral growth for international (but not domestic) civil aviation from 2020 onwards, in three phases: the pilot (2021-2023), first (2024-2026) and second (2027-2035) phases.

Originally, 2019 and 2020 were modeled to be the baseline years for the CORSIA emissions reductions; however, in July 2020, the ICAO decided to implement a change to the CORSIA emissions baseline, disregarding 2020 emissions, to account for the significant impact of the COVID-19 pandemic artificially reducing emissions compared to the 2016 levels. While the change in baseline did not change the timeline for the above implementation phases, the altered baseline could delay until 2026 the effectiveness of the requirement for airlines to purchase carbon offset credits. The United States is participating in the CORSIA pilot, which did commence in 2021 as scheduled, and covers approximately 36% of international flights. Alongside the country's commitment, virtually all U.S.-based airlines agreed to participate in CORSIA. Additionally, participating nations are developing a monitoring, reporting and verification system for GHG emissions from international flights. It remains unclear whether CORSIA will have any impact, economically or on climate.

On a state level, California is also passing legislation to help curb climate change. The "California Global Warming Solutions Act of 2006" requires reduction of the statewide level of greenhouse gas equivalents (GHGs) to 1990 levels by 2020. This limit is an aggregated statewide limit and is not sector- or facility-specific. Also in 2016, the California legislature adopted as State law Governor Brown's 2015 Executive Order B-30-15, requiring a reduction of the Statewide level of GHGs to 40 percent below 1990 levels by 2030. The California Air Resources Board ("CARB") lists interstate and international aviation, military jet fuel use, and a portion of bunker fuel as contributing 32-44 million tonnes of GHG annually, representing approximately 63-70% of excluded emissions from the Executive Order's obligation. In Executive Order N-79-20 issued September 23, 2020 and Executive Order N-82-20 issued October 7, 2020, Governor Newsom stated that achieving air quality and climate goals hinge on transforming the state's transportation sector, indicating a potential increased emphasis and regulation of transportation infrastructure, including the Airport. To date, the State focus is on four basic programs: the Low Carbon Fuel Standard ("LCFS"), the cap-and-trade program, the zero emission vehicle mandate and the Renewables Portfolio Standard.

The California Cap-and-Trade Program (the "Program") Mandatory Reporting Rule ("MRR") requires certain entities emitting 25,000 metric tons of carbon dioxide equivalent per year or more to participate, with non-covered entities allowed to voluntarily participate. Entities emitting between 10,000 and 25,000 metric tons (including the Airport) are required to report stationary source emissions, but are not required to participate in the Program. The Program, and additional State and local regulations related to climate change (including the LCFS), California's State Implementation Plan, the Sustainable Freight Action Plan, Large Entity Reporting, Advanced Clean Trucks, and regional GHG Emissions Reduction Targets, and a new Executive Order banning combustion engine sales in 2035) may require the airlines serving the Airport, other Airport tenants, and on-Airport operations to meet new compliance obligations that increase operational, utility and fuel costs (such as those pending at CARB regarding ground support equipment and already adopted for airport shuttle buses). For example, the LCFS is driving sustainable aviation fuel availability, potentially increasing volume for the Airport. In some cases, these policies provide financial incentives for GHG reduction or air quality improvements through expanded or improved infrastructure and/or vehicle electrification or alternative fuels replacement, which the Airport is actively pursuing through its 2020 registration to the LCFS and a grant for ground support equipment charging stations. In other cases, they prevent the airport, equipment owner, or operator from accessing grants where a key eligibility requirement is that an investment must be voluntary (including FAA's Voluntary Airport Low Emissions Program). Additional regulations on a State and local level are pending and foreseeable (including expanding emissions mitigation measures aimed at commercial airports), many of which are outlined in the Airport Annual Environmental Compliance Report. As additional requirements and recommendations related to climate change continue to emerge in guidance and law, including without limitation CARB's planned 2022 scoping plan update, the Airport can give no assurance about the net effects of those changes, whether voluntary or mandatory. Such additional requirements and recommendations could require significant capital resources.

Mitigating emissions will require financial investments and changes to the operating economics of the aviation industry. Changes will likely include the early retirement and replacement of inefficient aircraft; implementation of operational changes to airline networks and systems to fly more optimal trajectories for reduced fuel use and contrail impacts; investments in emission reduction projects at airports, including electrification of ground support equipment; the payment of carbon taxes and other regulatory charges designed to penalize or offset emissions; and the development of technologies and incentives to increase the supply and reduce the cost of sustainable aviation fuels derived from biomass and other renewable sources.

The Airport's sustainability initiatives are described in "—Airport Commitment to Environmental Sustainability."

*State Proposition 218*

In November 1996, the voters of the State approved Proposition 218, known as the "Right to Vote on Taxes Act." Proposition 218 adds Articles XIIIC and XIIID to the California Constitution, and contains a variety of interrelated provisions concerning the ability of local governments, including the City, to impose both existing and future taxes, assessments, fees and charges.

Article XIIIC removes limitations on the initiative power in matters of local taxes, assessments, fees and charges. Consequently, the voters of the City could, by future initiative, seek to repeal, reduce, or prohibit the future imposition or increase of, any local tax, assessment, fee or charge. "Assessment," "fee," and "charge" are not defined in Article XIIIC and it is unclear whether the definitions of such terms contained in Article XIIID (which are generally property-related as described below) are so limited under Article XIIIC.

Article XIIID conditions the imposition of a new or increased "fee" or "charge" on either voter approval or the absence of a majority protest, depending upon the nature of the fee or charge. The terms "fee" and "charge" are defined to mean levies (other than ad valorem taxes, special taxes and assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a "property-related service." No assurance can be given that the voters of the City will not, in the future, approve initiatives which seek to repeal, reduce, or prohibit the future imposition or increase of, assessments, fees, or charges, including the Commission's fees and charges, which are the source of Net Revenues pledged to the payment of debt service on the Bonds. The Commission believes that Article XIIID does not apply to Airport fees and charges imposed by the Commission.

The interpretation and application of Proposition 218 will ultimately be determined by the courts or through implementing legislation. The Commission is unable to predict the outcome of any such litigation or legislation.

*State Proposition 26*

In November 2010, the voters of the State approved Proposition 26, known as the "Supermajority Vote to Pass New Taxes and Fees Act." Proposition 26, among other things, amended Article XIIIC to the California Constitution principally to define what constitutes a "tax" under the limitations and requirements of that provision. Article XIIIC imposes limitations on local governments like the City when imposing certain taxes, including a requirement that the local government submit certain taxes to the electorate for its approval. Before Proposition 26, Article XIIIC did not define the term "tax" and the purpose of Proposition 26 is to broadly define what constitutes a tax under Article XIIIC to include "any levy, charge, or exaction of any kind imposed by a local government." Proposition 26 lists several exceptions to the definition of "tax," which include (a) a charge for a specific benefit or privilege, which does not exceed the reasonable costs of providing the benefit or privilege, (b) a charge for a government service or product, which does not exceed the reasonable costs of providing the service or product, (c) a charge for the reasonable regulatory costs of issuing licenses and permits, performing investigations, inspections, and audits, and the administrative enforcement thereof, (d) a charge for entrance to or use of local government property, or the purchase, rental, or lease of local government property, and (e) a fine, penalty, or other monetary charge imposed as a result of a violation of law. If any of the Airport's fees and charges were determined to be "taxes" that are "imposed" under Article XIIIC, the Airport may no longer be able to impose or adjust those fees and charges without voter approval.

**Employee Relations**

The Commission budgeted 1,848 full-time equivalent positions for Fiscal Year 2021-22, as compared to 1,855 in Fiscal Year 2020-21. The Charter governs the Airport's employment policies. The Charter authorizes the San Francisco Civil Service Commission to establish rules and procedures to implement those policies.

There are presently 15 collective bargaining agreements (also known as Memoranda of Understanding, or MOUs) between the City and labor unions representing Airport employees. The Charter requires collective bargaining. Labor unions representing City workers negotiate wages, hours, benefits and other conditions of employment through collective bargaining. All Airport employees are represented by labor unions, and all bargain collectively. Most MOUs affecting Airport employees will expire June 30, 2022. In the event collective bargaining reaches an impasse, remaining issues are resolved by an arbitrator whose decision is final and binding. There have been no strikes by City employees (including Airport employees) since at least 1976, when an amendment to the City's Charter was approved which prohibits strikes and similar work actions by City employees.

For discussion of employee benefit plans, see "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City–*Employee Benefit Plans*."

**Hazardous Material Management**

*Environmental Staff*

The Commission employs environmental staff responsible for managing hazardous materials and complying with environmental regulations.

*Per- and Polyfluoroalkyl Substances*

Per- and Polyfluoroalkyl Substances ("PFAS") are a group of more than 3,000 synthetic chemicals that have been in use since the 1940s. PFAS are found in many products such as dental floss, food packaging materials, stain-resistant materials, non-stick products, water repellant textiles, and fire-fighting foams. The FAA currently requires airport operators to use Aqueous Film Forming Foam ("AFFF") that can meet certain military performance specifications (and all such currently approved AFFFs contain PFAS) in their aircraft rescue and firefighting vehicles.

Congress has directed the military to phase out its use of such PFAS-containing foams by 2024, and that phase-out will alter which AFFFs are FAA-approved.

The 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. Currently, the key PFAS compounds of concern are perfluorooctanesulfonate ("PFOS") and perfluorooctanoic acid ("PFOA"). The EPA released a statement in November 2016 summarizing available peer-reviewed studies on laboratory animals and epidemiological evidence in human populations as indicating that exposure to PFOA and PFOS over certain levels may result in adverse health effects including cancer, reproductive and developmental effects, liver effects, immune effects and other effects. In February 2019, the EPA issued a PFAS Action Plan. The PFAS Action Plan outlines EPA's strategy to better understand the health risks associated with PFAS and to develop tools for characterizing PFAS in the environment, cleanup approaches, and enforcement mechanisms.

On March 20, 2019, the State of California Water Resources Control Board (the "SWRCB") issued Order WQ-2019-0005-DWQ, pursuant to California Water Code Section 13267, for the Determination of the Presence of PFAS to all airports in California, including the Airport. The Order identifies the Airport as a facility that accepted, stored, or used materials that may contain PFAS. The Airport uses AFFF containing PFAS, as required to meet the military performance specifications required by the FAA. The SWRCB Order requires the Airport to test soil, sediment and groundwater for 23 PFAS analytes, including PFOA and PFOS. The Airport completed its initial testing plan and has received approval from the California Regional Water Quality Control Board, San Francisco Bay Region (the "Regional Board") to perform the next phase of sampling.

In May 2020, the Regional Board issued a Technical Memorandum titled "Interim Final Environmental Screening Levels (ESLs) for Two Per- and Polfluoroalkyl Substances (PFAS): Perfluorooctane Sulfonate (PFOS) and Perfluorooctanoate (PFOA)," which set groundwater and soil ESLs for direct exposure, aquatic habitat, terrestrial habitat, groundwater, and seafood ingestion risk levels for PFOS and PFOA (the "Interim ESLs").

In September 2020, CA Senate Bill 1044 amended the California Health & Safety Code to prohibit the knowing sale, offer for sale, or distribution of Class B Firefighting Foam containing intentionally-added PFAS chemicals in California after January 1, 2022, as well as additional staggered compliance dates. It should be noted that this ban does not apply if the use of Class B Firefighting Foam is required by federal law (i.e., if required by the FAA).

In March 2021, the SWRCB 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.

In October 2021, the EPA announced its comprehensive national strategy to confront widespread PFAS pollution, broken down into a number of guiding strategies to focus on additional research and addressing existing contamination. This announcement included aggressive timelines to address PFAS in drinking water under the federal Safe Drinking Water Act by designating PFAS has a hazardous substance under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), and increases in monitoring, data collection, and research into PFAS to accurately characterize and develop remedial measures. As the characteristics of PFAS are still relatively unknown, the EPA continues to focus on data collection in its effort to further create and implement effective prevention and remediation measures.

The Airport's initial investigation identified the presence of PFAS in soil, sediment and groundwater at several locations at the Airport. The SWRCB and the Regional Board have not yet established cleanup standards for PFAS or otherwise indicated what actions will be required for PFAS found in soil, sediment and groundwater exceeding the Interim ESLs. Furthermore, the extent to which PFAS poses a risk to human health and the environment is not yet well understood. It is possible that the costs of remediation and third-party liability for PFAS could be extensive.

*Remediation and Preventative Measures*

The Commission and certain Airport tenants have discovered and remediated or are engaged in the process of remediating and managing certain contamination on Airport property pursuant to current regulatory standards and requirements of the Regional Board. The contamination has primarily consisted of leaked fuel constituents that most likely resulted from fueling practices of the 1940s through the early 1960s, accidental spills of fuel hydrocarbons, or releases from leaky pipes or underground tanks. The Commission has instituted regulations establishing fueling practices and facilities requirements to prevent hazardous materials from being discharged into the environment. Remediation activities at the Airport in the majority of cases have consisted of removal and offsite disposal of contaminated soil and extraction and treatment of contaminated groundwater and the use of *in situ* remediation methods approved by the regulatory agencies with jurisdiction. Substantial hazardous material management work in connection with projects under the Airport's Master Plan has been completed and continues to be undertaken in connection with remaining Master Plan projects and other projects included in the CIP.

Pursuant to requirements of the Regional Board, remediation activities have been and continue to be undertaken in specific locations at the Airport by tenants responsible for the contamination in those locations, and the Airport has cleaned up contamination, and expects to continue to clean up contamination, that it encounters during construction on Airport property. As a result of litigation initiated by the Commission in 1997 over contamination on Airport property, the Commission reached settlement agreements with a number of current and former tenants that require such tenants to pay a set percentage of future environmental clean-up costs incurred by the Airport to address any residual contamination caused by such tenants' activities. Since costs incurred by the Airport are not known until the Airport embarks on a construction project or undertakes operation and maintenance activities that encounter such residual contamination, the agreement with the settling tenants provides for compensation of relevant incurred expenses as the Airport incurs such costs. While the total clean-up costs that the Airport will incur are not presently known, the settlement agreements provide that the tenants' obligation terminates when clean-up costs exceed either $75 million or $98 million, depending on the tenant and the specific agreement. Some tenants' obligations also terminate after October 2048 regardless of the amount of incurred cost. In the event a settling tenant successfully disputes an invoice, is no longer in business or is otherwise unable to pay its percentage share, the Commission may become responsible for the remediation costs attributable to that tenant.

The Airport has a robust hazardous waste and spill management program to further its compliance with federal, state and local regulations. Under this program, spill remediation activities are managed and reported, and spills are cleaned, to standards that satisfy all regulatory requirements.

**Airport Commitment to Environmental Sustainability**

The Airport, with strong commitment of the Airport's senior management and the Commission, strives to be industry-leading in its protection of the environment through sustainability initiatives. It also has a long and active history of establishing specific goals, implementing specific projects and taking specific actions to achieve collective success for people, the planet and profit, known as the "triple bottom line." The Commission utilizes the sustainability measures of the ACI, North America focused on Economic Viability, Operational Efficiency, Natural Resource Conservation, and Social Responsibility ("EONS"), along with Airport-specific measures identified within the Airport's own Sustainability Planning, Design & Construction Standards, Social Equity Plan, Guiding Principles of Sustainability, Climate Action Plans and Strategic Plan, to achieve these ambitious triple bottom line goals. Implementation of these measures have been prioritized across Airport facilities, many of which have achieved or are planned to achieve LEED®, ParkSmart, Fitwel®, and/or WELL® Building Standard certifications to demonstrate long-term sustainability and regenerative outcomes, such as energy and water efficiency, electrification, reduced environmental impacts through use of decarbonized building materials, reduced waste, and improved indoor environments to support improved human health.

The Strategic Plan includes multiple sustainability-related goals, including: achieving carbon neutrality and net zero energy (through eliminating carbon emissions, generating at least as much energy at the Airport as the Airport consumes and/or balancing carbon emissions with carbon removal) for emissions from the Airport's own activities; reducing GHG emissions within its operational control by 50% (compared to 1990 baseline); diverting at least 90% of waste materials from landfills, incinerators and the environment ("Zero Waste"); achieving a 15% reduction in water usage per passenger (compared to 2013 baseline); and implementing a healthy building environments strategy for new and existing infrastructures. While these goals are intended to be aspirational and may not be achieved completely by the end of 2024, the Airport is making significant strides towards each of them and is encouraging its tenants (airlines and others) to achieve these aims as well.

*Planning for Carbon Neutrality*

The Airport has participated since 2016 in the Airport Carbon Accreditation ("ACA") program created by ACI. ACA is based on the World Resources Institute's "Greenhouse Gas Protocol" and confirms rigorous third-party validation, certifying participating airports into four levels of carbon management: Mapping, Reduction, Optimization and Neutrality. As of December 2021, there were more than 185 airports certified world-wide, with the Airport achieving a Level 3 Optimization Accreditation. This level certifies that the Airport mapped its existing carbon footprint, calculated carbon emissions, provided evidence of effective carbon management procedures, met established carbon emission reduction targets, and engaged in actions to reduce the carbon emissions of third-party users of the airport, including airlines, ground transportation providers, and staff. In Fiscal Year 2019-20, the Airport achieved a GHG emission reduction of 39% below its 1990 baseline emissions, which benefited from passenger volume reductions related to the COVID-19 pandemic, but also were reflective of the opening of two significant facilities and associated emissions – the Harvey Milk Terminal 1 and the SFO Grand Hyatt Hotel. Some of the actions that the Airport took to achieve this are discussed below under "*–Projects that Deliver Zero (Net Energy)*."

The Airport aims to achieve the highest level of certification, Carbon Neutral, by the end of 2025, by defining and implementing carbon neutrality requirements for new projects, establishing policies and programs to encourage Airport tenant, airlines and passenger behavior change, retrofitting and fuel switching equipment in existing Airport facilities, electrifying its Central Utilities Plant (which accounts for 83% of the carbon emissions from the Airport's own operations), and electrifying intermodal transportation assets. The airport delivered two electric Central Utilities Plant studies that remain subject to environmental review, which has been initiated. Airport teams are identifying appropriate capital investments to accomplish this goal through several concurrent studies and working groups. Another requirement of the ACA Carbon Neutral certification is passenger awareness, for which the Airport completed and launched an Airport-wide passenger marketing campaign that continues its partnership with The Good Traveler program to offer passengers the ability to purchase carbon offsets. To achieve carbon neutrality, the Commission also anticipates purchasing carbon offsets by the end of 2025 to reduce the balance or "net" of emissions that cannot be reduced through the strategies described above. The timing for this achievement may be delayed by the COVID-19 pandemic.

The Commission's zero carbon and GHG emission reduction goals are in addition to City and State goals and mandates – both of which the Airport continues to surpass. The State set statewide GHG reduction targets of 40% below 1990 emission levels by 2030 and 80% below such levels by 2050. The City's Environment Code mandates certain GHG emission targets for the City, including reducing emissions by 40% below 1990 emission levels by 2025, 80% below such levels by 2050, and carbon neutrality by 2045.

In addition to the Airport's efforts to reduce GHG emissions from its own operations and onsite energy use, the Airport is working to reduce emissions from other sources, which generate the vast majority of emissions at the Airport. For example, since 2017, the Commission, in partnership with the City and San Mateo County, sponsors the "SFO Green Business Program," which offers no-cost support to all Airport tenants in areas of energy conservation, as well as water and waste reduction and pollution prevention. As of June 2020, 40 tenants were certified as Green Businesses under this program.

As another example, the Airport is encouraging airline use of SAF, which is derived from renewable materials, such as waste biomass or food scraps. The lifecycle GHG emissions from SAF are estimated by the ICAO and the FAA to be 80% lower than those of conventional aviation fuel. In 2017, the Commission adopted a Policy on the Advancement of Sustainable Aviation Fuels that, among other things, stated that the Airport would explore, in partnership with the airlines operating at the Airport, the mutual adoption and documentation of an aspirational target for SAF usage, emissions reduction, or both. In 2018, the Commission, a group of airlines (which represented approximately 70% of enplanements at the Airport that year) and fuel producers signed a first-of-its-kind Memorandum of Understanding to work cooperatively on expanding the use of SAF at the Airport through key strategies defined within an Infrastructure, Logistics, Supply Chain and Financing Study completed in 2019. The Airport hosted multiple SAF-fueled "gateway flights" in 2018 and 2019 intended to showcase SAF's viability, and

SFO Fuel is receiving a continuous SAF supply via pipeline and the Airport's hydrant system by tanker. Airlines contracted for these deliveries include commercial airlines (Alaska, Jet Blue, American, and Lufthansa), cargo carriers (DHL), and a business carrier (Signature Flight Support).

The Airport has also provided fixed electrical ground power and pre-conditioned air at its gates and several remote parking locations, allowing aircraft power units to be switched off while at the gate or while undergoing cleaning, maintenance, repairs and testing, eliminating the need to burn jet fuel for these purposes, reducing noise and improving local outdoor air quality (and indirectly indoor air quality). Most boarding areas provide ground operator tenants with access to electric vehicle charging stations for ground support equipment. The Airport is currently expanding its charging facilities at two boarding areas utilizing a grant from the Bay Area Air Quality Management District.

*Projects that Deliver Zero (Net Energy)*

The Airport reviews all commercial tenant design and construction projects for compliance with City, State and Airport sustainability and strategic requirements. Early in 2020, the Board of Supervisors amended the San Francisco Environment Code to require all municipal new construction and major renovation projects to include exclusively electric energy sources (rather than natural gas). The Airport is implementing this ordinance as part of its GHG reduction and decarbonization efforts and is requiring future building projects to be designed and constructed with electric space and hot water heating and induction cooking equipment. Airport staff have also convened a stakeholder working group to develop a decarbonization strategy for all existing buildings and leaseholds.

The Airport switched its electricity supply to hydropower from the Hetch Hetchy reservoir in 2012, achieving a 100% decarbonized electricity supply. In addition, the Airport activated the first Zero Net Energy Certified Airport Operations Facility in the world; designed and built three new all-electric buildings; is placing photovoltaic systems on roofs of new buildings where feasible (3.4 MW as of April 2020); is converting all light-duty Airport Fleet vehicles and the Airport bus fleet to zero emissions vehicles; planted more than 2,000 trees; improved 558 acres of wetlands throughout the San Francisco Bay Area; provided more than 387 parking stalls with electric vehicle charging; and has completed the extension of the all-electric AirTrain to the Long Term Parking Garages (including two LEED Gold Certified AirTrain Stations) to reduce shuttle bus usage.

Beginning in 2017, the Airport developed and implemented a standardized Airport-wide commissioning, activation, and simulation process through its Activation Planning Services project. Commissioning involves the planning and testing of all HVAC, electrical equipment, and photovoltaic systems in newly constructed buildings prior to occupancy to assure the Airport that they are designed and constructed to meet the Airport's requirements. Activation involves the training of the Airport, airline, and tenant personnel to be able to operate and maintain the new buildings and equipment in an energy and water efficient manner, and to maintain a healthy environment for the occupants. Simulation involves a live test of a new facility and involves all of the Airport and airline personnel to assure the Airport that all building operators know how to operate the new facility on opening day. This program has provided a model for a new retro-commissioning pilot, that was launched in 2021, to reduce Airport operating/utility expenses by improving how existing building equipment and systems function together.

*Zero Waste and Water Conservation*

The Airport's operations generate approximately 14,000 tons of material annually. This is equivalent to 28 million pounds primarily composed of recyclable and compostable materials. An average Airport guest generates a half pound of trash. The Airport's Strategic Plan includes a goal of diverting at least 90% of solid waste from landfills and incinerators. In 2018, the Airport published its Zero Waste Plan, which outlines measures designed to achieve this goal and ideally to ultimately allow the Airport to become a "closed-loop circular campus," where waste is significantly reduced and that which cannot be reduced is managed for reuse, recycling, or composting. To move towards this goal, to date, the Airport improved recycling bin design, wording and iconography to promote proper waste diversion in passenger areas; encouraged composting and recycling by concessionaires through the "Green Business Program" described above; installed water bottle refilling stations throughout the Airport; and launched SFO Unites Against Hunger, a program that enables concessionaires to donate approximately 16,000 lbs. of surplus food to local charities or community donation programs. In addition, through the Zero Waste Concessions Program initiated in 2019, the Airport implemented several visionary programs to reduce single use plastics by, among other things, requiring that all prepared food and beverages be served in and with reusable, recyclable or compostable containers with no added fluorinated chemicals, making straws, lids, cutlery and more only available upon request, prohibiting the sale of all water in single use plastic water bottles as of April 1, 2021, and encouraging the availability and use of reusable cups. The Airport also established a standard for and areas dedicated to waste recovery for a secondary purpose via reuse, recycling, or composting. The Airport is seeking innovative solutions to find secondary purposes for traditional waste, including COVID-19-elevated volumes of personal protective equipment and completed a glove recycling program in Terminal 3 with TSA and its contractor. A very high percentage (in the mid-90%) of the construction and demolition debris generated at the Airport is also recycled. The Airport requires its contractors and tenants to divert as much debris from landfill as possible. Finally, the Airport continues to build out its training program and partnerships around sustainability and zero waste by providing increased online and in-person training opportunities for all staff and contractors.

The Airport's Strategic Plan also includes a goal of reducing water use per passenger by 15% (compared to 2013 baseline). In 2020, water use at the Airport was reduced 32% below 2013 levels, however, this did align with the reduction in passenger traffic. Sustainably achieving consistent reductions in water use has required planning and advancements of innovative infrastructure projects through a water modernization program. This program includes the design and construction of the Advanced Water Treatment Facility Plant (only design is in the current CIP), which would recycle wastewater from the terminals and provide recycled (grey) water back to the terminals for toilet flushing, cooling tower feed, and landscape irrigation. It also includes the implementation of the leak detection program and adding smart meters, with real time feedback that can be accessed and analyzed remotely, on select buildings to increase water conservation, become more resilient in an increasingly drought-prone state and demonstrate water efficiency as a standard operating procedure.

*Sustainability Components of the CIP*

The Commission's commitment to sustainability is reflected in the Airport's capital projects and its capital planning efforts. As of 2019, the San Francisco Environment Code requires that all new construction and major renovations over 10,000 gross square feet benchmark, or calculate, energy usage and resulting GHG emissions. However, the Airport's commitment to calculating, and then reducing, energy usage, through implementation of multiple green building certification programs, including LEED, predates and far exceeds the minimum statutory requirements. Green building certifications, including LEED, provide a third-party verification that new buildings and interior design and construction improvement projects meet high levels of energy and water efficiency, are using systems and materials that have minimal environmental impact and support improved indoor air quality.

When it reopened in 2011, the Airport's renovated Terminal 2 was the first LEED Gold certified airport terminal in the world. The Airport currently has fourteen certified LEED Gold buildings and interior fit outs such as interior partitions, furniture, etc. (most recently the two new AirTrain stations) and six certified interior design and construction tenant improvement projects, with another three buildings and three tenant improvement projects designed to achieve LEED certification. In addition to these LEED certifications, the Airport Operating Facility was awarded a prestigious green building recognition of Net Zero certification by the Living Future Institute, and the Long-Term Parking Garage #2 achieved the ParkSmart gold certification. The Airport is currently seeking LEED certification for the entire Airport campus through the LEED for Communities certification program. Airport staff is analyzing and identifying ways to reduce annual energy and water consumption on an Airport-wide basis.

The recently opened Harvey Milk Terminal 1 Center project achieved yet another green building certification, the Fitwel 2-star, which indicates that this facility provides a healthy environment for passengers and the people who work there. Created jointly by the U.S. Centers for Disease Control and Prevention and the General Services Administration, Fitwel provides guidelines for designing, constructing and operating healthier buildings. In addition to Fitwel, the Harvey Milk Terminal 1 Boarding Area B is targeting to achieve the WELL Building Standard Certification demonstrating that it has met certain guidelines for designing, constructing, and operating healthier facilities for the building occupants, and the Courtyard 3 Connector Building is also targeting a WELL Building Standard certification.

The table below identifies the environmental awards granted to some recently completed or soon-to-be completed projects. The impact of the COVID-19 pandemic on passenger traffic and the Airport's finances has resulted in modifications of completion and estimated completion dates for some of the projects listed below, including the following projects: Courtyard 3 Connector, and Harvey Milk Terminal 1 Center. The Harvey Milk Terminal 1 Center has an estimated completion date in 2024 due to the temporary suspension of the Terminal 1 North project scope. The Airport also has the goal of receiving awards for other projects.

| Project | Environmental Goals or Awards | Project ($ in millions) | Completion or Estimated Completion |
|---|---|---|---|
| Boarding Area E Renovation | LEED BD+C 2009 Gold | $138.0 | January 2014 |
| Airfield Operations Facility | LEED BD+C 2009 Gold; 2019 World's first Zero Net Energy (ZNE) facility at an airport certified under ILFI | 4.2 | April 2014 |
| Terminal 3 East Improvements | LEED BD+C 2009 Gold | 253.1 | November 2015 |
| Security Access Office | LEED ID+C 2009 Gold | 6.5 | July 2016 |
| Replacement Air Traffic Control Tower & IF | LEED BD+C 2009 Gold | 138.5 | October 2016 |
| Fire House No. 3 | LEED BD+C v4 Gold | 39.2 | January 2017 |
| Ground Transport Unit (GTU) Relocation | LEED BD+C v4 Gold, targeted Zero Net Energy though ILFI in 2020/1 | 39.6 | January 2018 |
| Consolidated Administrative Campus Phase I (Building 674) | LEED BD+C v4 Gold | 87.0 | June 2018 |
| Second Long-Term Parking Garage | Engineering News Record (ENR) California's Best Project ParkSmart Gold Certification | 154.6 | February 2019 |
| Grand Hyatt Hotel | LEED Hospitality v4 Gold | 240.0 | October 2019 |
| AirTrain Extension Hotel Station | LEED BD+C v4 Gold | 15.0 | June 2021 |
| Terminal 2 Air Traffic Control Tower Demo & Buildback | LEED BD+C C+S v4 Gold | 94.6 | August 2020 |
| AirTrain Extension Lot DD Station | LEED BD+C v4 Gold | 259 | July 2021 |
| Courtyard 3 Connector | Targeting LEED BD+C C+S v4/4.1 Gold | 245 | March 2022 |
| | Targeting WELL Building Standard | | |
| Harvey Milk Terminal Boarding Area B | Targeting LEED BD+C NC v4/4.1 Gold | 889 | December 2021 |
| | Targeting WELL Building Standard | | |
| Harvey Milk Terminal 1 Center | Fitwel 2-Star Design Phase | 1,245 | Summer 2024 |
| | Fitwel "Best in Building Health® 2021" Award from the Center for Active Design | | |
| | Targeting LEED BD+C NC v4/4.1 Gold | | |
| | Targeting Fitwel Construction Phase Certification | | |

The Airport's sustainability goals are also translated into specific, actionable "Planning, Design and Construction Standards." The Airport updated these standards in 2021 to add additional measures targeting electrification, decarbonization of building materials and improvement of indoor environmental and air quality for improved planetary and human health. These guidelines encourage the use of innovative strategies and cover multiple areas of building performance for long-term sustainability, adaptability and resilience. They provide a new focus on decarbonization through electrification of new facilities and major renovations, and using decarbonized building materials (e.g., concrete manufactured with sequestered waste carbon and with low embodied carbon during manufacture).

Starting with Terminal 2, constructed in 2011, all new Airport buildings include new high performance air filtration systems designed to clean the outdoor air and any recirculated indoor air to remove odors, including from jet fuel, and particulates (e.g., from fire smoke) prior to the use of this air indoors. At the completion of each building project, air quality testing is performed in accordance with LEED requirements and State standards. All buildings constructed prior to 2011 include MERVE 14 filters, that filter out the particulate matter from fire smoke and COVID-19 aerosolized particles. In 2018, the Airport installed air quality monitors in all terminals and began monitoring air quality regularly. The Airport is currently engaged in a study to determine the appropriate indoor and outdoor air quality monitoring and sensor devices that are intended to provide real-time air quality data.

*Limits of Airport's Goals*

While the Airport has made and is making significant strides towards achieving the goals in its Strategic Plan and reducing its negative impact on the environment, these goals and most of its efforts are focused on activities within the Airport's direct operational control. Activities outside the Airport's direct operational control, such as aircraft activity and transportation to and from the Airport, can be damaging to the environment. For example, in Fiscal Year 2019-20, activities outside the Airport's direct operational control produced almost 96 times as many GHG emissions as did the activities within the Airport's direct operational control. While the Airport is working with airlines and others to reduce the environmental impact of their various activities at the Airport, such as encouraging the use of SAF and requiring the use of electrical power at the gate, its ability to do so is and will continue to be limited.

**Social Responsibility**

The Commission is committed to enhancing the Airport's operational efficiency and competitiveness while simultaneously advancing the social conditions of the communities in which it operates and that it supports. Through a variety of efforts, the Commission ensures its surrounding communities have equitable access to the Airport's economic opportunities, including contracting and employment opportunities. The Strategic Plan includes objectives dedicated to supporting its communities and workforce partners, as well as achieving racial equity and inclusive growth by uplifting and empowering Black, Indigenous, and People of Color and other underrepresented communities through equitable policies, programs, and practices.

*Equity*

The Commission strives for a work culture that is as diverse and inclusive as the region it represents and the passengers it serves. In 2021, the Commission adopted "Equity: we are antiracist, inclusive, and respectful ("AIR"); committed to equitable outcomes for all" as one of its core values.

*Racial Equity Action Plan*

In December 2020, the Commission published its "Racial Equity Action Plan." The purpose of the Racial Equity Action Plan is to assess current conditions in seven key focus areas for all Airport employees, especially for Black, Indigenous and People of Color; identify resources needed to support efforts to change; and hold the Commission accountable by setting timely, measurable goals and commitments. The Racial Equity Action Plan is being developed in two phases. Phase 1, which began in 2020, is primarily internal-facing, and includes a thorough review of the Commission's history through an equity lens, and addresses its programs, policies and workforce. Phase 2, which commenced in 2021, assesses the Commission's systems related to procurement, contracting and the delivery of Airport services. Phase 2 of the plan will ensure that the plan includes concrete steps and strategies for monitoring progress. To ensure that racial equity efforts are applied across the entire organization, the Racial Equity Action Plan will be integrated into the Commission's new Strategic Plan that is expected to be developed in 2023.

*Contracting*

The Commission operates its Disadvantaged Business Enterprise ("DBE") and Airport Concessions Disadvantaged Business Enterprise ("ACDBE") Program in accordance with 49 CFR Parts 23 and 26 of the Code of Federal Regulations. The intent of these programs is to ensure non-discrimination in the award and administration of contracting and leasing opportunities and to remove barriers to the participation of small businesses in contracting marketplaces. The Commission acts as a certifying agency for DBEs and ACDBEs, making these certified small businesses more competitive in both the construction and concessions space. The Commission's social responsibility division ensures that its DBE/ACDBE Programs are narrowly tailored and that only firms that fully meet the eligibility standards are permitted to participate as DBEs/ACDBEs, promotes the use of DBEs in all types of federally-assisted contracts, assists the development of firms that can compete successfully in the marketplace, and provides flexibility in providing opportunities for DBEs. The Commission also has implemented a robust outreach and technical assistance program to support small and local business owners who have been historically disadvantaged from working in the aviation sector. Since 2015, 21% of all capital plan dollars have been awarded to small, local business enterprises. In Fiscal Year 2020-21, 37% of the Airport's concessions leases are fully or partially owned by certified ACDBEs.

*Hiring*

Airport tenants face various challenges in recruiting and retaining workers. The Commission works collaboratively with employers, employees, and the community-at-large, to creatively address the challenges unique to airport employment, including long hours of operations, lengthy security checks, and the overall costs of doing business at the Airport. Airport tenants are required to comply with San Francisco's First Source Hiring Program, which requires tenants to provide qualified economically disadvantaged individuals priority for employment consideration in entry-level positions or apprenticeship positions. To support the staffing and operational needs of Airport tenants, the Commission partners with tenants to help maintain staffing levels for critical positions by providing Airport tenants with direct access to pre-screened candidates; coordinating recruitment events; and providing space and other resources for conducting interviews.

The majority of the Commission's construction projects are also required to comply with San Francisco's Local Hiring Policy ("LHP"), which requires a minimum percentage of work to be performed by San Francisco residents or disadvantaged workers. In Fiscal Year 2020-21, 28% of the construction hours on the Commission's construction projects were performed by local hires, and of the 190,000 apprenticeship hours, 41% were performed by local hires. The Commission's social responsibility division facilitates compliance of the First Source Hiring Program and LHP.

*Economic Mobility and Sustainability*

In 1999, the Commission adopted the Quality Standards Program ("QSP"), an industry-leading initiative designed to ensure that tenants safely deliver high quality service to the traveling public through the implementation of minimum standards for safety, equipment and vehicle maintenance, and employee hiring, training and compensation and benefits. The purpose of the QSP is to enhance safety and security at the Airport and applies to any tenant that employs personnel involved in performing services which directly impact safety and/or security at the Airport. Positions that fall under the QSP include those impacting safety, such as positions engaged in checkpoint security screening, passenger check-in activities, and skycap and baggage check-in and handling services; and those impacting security, such as employees providing ramp handling functions including aircraft cleaning, fueling, and baggage/cargo handling and employees who are directly involved in the preparation and/or transportation of food and beverage projects delivered directly onto aircraft. The QSP requires the implementation of minimum standards for hiring, training, performance management, and compensation and benefits of employees covered by the QSP, as well as enhanced equipment safety and security standards. On November 10, 2020, the Board of Supervisors adopted the Healthy Airport Ordinance ("HAO"), which amended the City's Health Care Accountability Ordinance ("HCAO") to provide that firms subject to the QSP must offer QSP employees and their dependents premium health insurance coverage at no cost to the employee, or make a financial contribution to the City to establish and administer a medical reimbursement account for the employee. The HAO became operative March 21, 2021. See "LITIGATION MATTERS" herein for discussion of legal challenges related to the HAO and HCAO. The Commission's social responsibility division regularly audits Airport tenants to determine whether they are in compliance with the QSP.

Other employee-specific supports promote the welfare and longevity for tenant employees to work at the Airport, helping Airport employers increase worker retention, avoid recruitment and turnover costs and enhance productivity. Long-term retention is a critical aspect of successful Airport operations, as the requirements for working at the Airport include extensive security background checks and training. As one example, the Commission's social responsibility transportation initiative increased a transportation discount to over 2,000 employees, allowing them to reduce their out-of-pocket costs and choose a more sustainable way to commute. The Commission helps to mitigate the region's living costs through the offering of various financial literacy resources, such as free financial coaching and tax preparation services. And because some essential and hard-to-fill Airport jobs (such as customs and border protection) require citizenship, the Commission has partnered with a non-profit dedicated to providing free legal help to apply for citizenship, which expands the pool for Airport employers to fill these positions.

## CAPITAL PROJECTS AND PLANNING

*This section provides a general overview of the Airport's Capital Improvement Plan. Figures used in this section are approximate, and do not represent exact amounts allocated for such projects.*

### The Capital Improvement Plan Process

The Airport's Capital Improvement Plan, or CIP, process is led by the Capital Project Review Committee (the "CPRC") and the Capital Improvement Plan Working Group (the "CIP Working Group"). The CPRC is comprised of senior management, and the CIP Working Group is comprised of management staff. The CIP Working Group evaluates and ranks capital projects according to a set of objective criteria that reflect the Airport's strategic goals, which currently include nurturing a competitive and robust air service market, delivering exceptional business performance, revolutionizing the passenger experience, and being the industry leader in safety and security. The CPRC reviews the CIP Working Group's ranked list of projects for funding in a Capital Improvement Plan. In reviewing the Capital Improvement Plan, the CPRC considers available funding and the projected financial impact of capital projects. The CPRC sends its recommendations to the Director who approves the final draft, which is then sent to the Commission for approval. Generally, capital projects require the approval of the Commission and the Board of Supervisors, certain actions of which are subject to approval by the Mayor. In most cases, an airline review is also required (see "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements"). The Capital Improvement Plan is updated on an as-needed basis. Commission staff expects to prepare an updated Capital Improvement Plan for approval by the Commission in the first half of 2022. Commission staff does not expect that the overall spending totals for a revised Capital Improvement Plan will be materially different from the $7.8 billion total for the currently approved Capital Improvement Plan.

### The Capital Improvement Plan

*Overview*

The current capital improvement plan (the "CIP") was approved by the Commission on June 2, 2020. The CIP consists of a total of 67 project categories totaling $7.8 billion, of which $4.6 billion of funding had been obtained and allocated to projects and an additional approximately $726 million of funding had been obtained but not yet allocated to projects at the time of Commission approval. The CIP has two components: (1) The Ascent Program – Phase 1 and (2) The Infrastructure Projects Plan. The Ascent Program – Phase 1 totals $7.3 billion and consists of projects that were included in the Fiscal Year 2016-17 capital plan, as well as a related program reserve. The Infrastructure Projects Plan includes projects that address other capital needs and totals $571 million. The Ascent Program – Phase 1 and the Infrastructure Projects Plan are described in greater detail below.

Since the approval of the CIP, the Airport has worked internally to reprioritize capital projects due to the COVID-19 pandemic and economic uncertainty that has impacted the air travel industry. In response to the COVID-19 pandemic, the Airport initially suspended a total of $1.8 billion in capital projects from Ascent Program – Phase I and the Infrastructure Projects Plan and suspended any further use of the Ascent Program Reserve balance of approximately $300 million from its CIP. As of November 2021, approximately $200 million of capital projects have been reinstated, including $105 million in the budget for the Runway 1L-19R Rehabilitation project and re-activating $65 million in Terminal 1 Program scope. The approximately $1.6 billion in capital projects from the Ascent Program– Phase 1 and the Infrastructure Projects Plan that remain suspended include the Terminal 3 West Redevelopment project ($859 million), Terminal 1 North scope ($174 million), and the suspension of International Terminal Building (ITB) Phase 2 ($141 million). Airport management will continue to monitor passenger traffic and operations to inform its decisions to evaluate whether and when to restart suspended projects.

The CIP is designed to address several key objectives. One of the Commission's highest CIP priority objectives is to position the Airport for projected passenger traffic growth and meeting demand-driven terminal gate needs. Prior to the traffic declines caused by the COVID-19 pandemic, the Airport experienced gate constraints during peak periods as a result of significant passenger traffic growth it has experienced in the last decade. Between Fiscal Year 2008-09 and Fiscal Year 2018-19, enplaned passengers grew 57%. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Passenger Traffic." Other key CIP objectives include improving groundside access for passengers, enhancing safety and security, maintaining current assets in a state of good repair, promoting sustainability, providing the information technology infrastructure necessary to meet passenger and tenant operational needs, improving the customer experience, and maintaining the Airport's competitive position compared to other international gateways with respect to capacity and cost.

*Anticipated Costs and Financing Sources*

The $7.8 billion CIP includes an estimated $3.2 billion in project spending over the five-year period of Fiscal Years 2020-21 through Fiscal Year 2024-25 and includes the following funding sources: $2.9 billion through a combination of proceeds of the previously issued Bonds, the Series 2022A-C Bonds, and additional Bonds expected to be issued in the future (see "CERTAIN RISK FACTORS– Risks Related to the Commission's Capital Projects"), $267 million of the CIP to be reimbursed with FAA AIP funds and other grants, $60 million by the previously issued SFO Fuel Bonds described under "SECURITY FOR THE SERIES 2022A-C BONDS – Other Indebtedness – *SFO Fuel Bonds*," and $25 million funded with Airport operating funds. Due to the suspensions described above, some of the CIP projects are no longer progressing as previously expected. The CIP does not currently include spending beyond Fiscal Year 2024-25 (see "*–The Ascent Program – Phase I Overview*" below). The timing of issuance and amounts of additional Bonds may change depending on the timing of capital expenditures and market conditions. The Commission bases its bond issuance needs on capital project cash flows, which are updated regularly.

*Capital Projects*

The table below summarizes the CIP, and reflects information on costs, funding and implementation timing as of June 2, 2020, the date of Commission approval.

**Capital Improvement Plan**
**($ in millions)**

| ($ in millions) | Funding Prior to CIP Approval(1, 4) | Funding from Approval through FY 2024-25 | Total |
|---|---|---|---|
| Ascent Program - Phase I | | | |
| Project Costs | $4,520 | $2,432 | $6,952 |
| Program Reserve(2) | – | 318 | 318 |
| Subtotal – Ascent(3) | $4,520 | $2,750 | $7,270 |
| Infrastructure Projects Plan | 78 | 493 | 571 |
| Total CIP(3) | $4,598 | $3,242 | $7,840 |

(1) Includes funding from proceeds of previously issued Bonds and other sources that have been secured, and allocated to projects.
(2) The Ascent Program Reserve had been and is expected to be used only after considering other cost mitigation efforts. $421 million of the $739 million Ascent Program Reserve originally established was allocated to projects prior to June 2, 2020. An additional approximately $12 million was allocated after that date, and as a result of the COVID-19 pandemic and the resulting economic uncertainty, the Director has reduced the Ascent Program Reserve to $0.
(3) Totals may not add due to rounding.
(4) As of June 2, 2020, the Airport also had approximately $726 million in bond proceeds that had not yet been allocated to projects.

As a result of the COVID-19 pandemic and the resulting economic uncertainty, the Airport has reprioritized its capital projects to determine which projects will move forward and which projects will be suspended. As of November 2021, the Airport has suspended $1.6 billion in capital projects from Ascent Program – Phase I and the Infrastructure Projects Plan and suspended any further use of the Ascent Program Reserve balance of approximately

$306 million from its CIP. The net result is that the current CIP, excluding suspended projects and reflecting the reduced reserve line item, is $5.95 billion. Notable project suspensions include the Terminal 3 West Redevelopment project ($859 million reduction), project scope for Terminal 1 North ($174 million reduction), the International Terminal Building Phase II project ($141 million reduction), NetZero Energy projects ($61 million reduction), Power & Lighting Improvements ($48 million reduction), and Waste Water System Improvements ($47 million reduction). The Airport continues to monitor passenger traffic and operations to inform its decisions to restart suspended projects, if at all.

*The Ascent Program – Phase I Overview*

The Ascent Program – Phase I consists of projects that were included in the Fiscal Year 2016-17 capital plan, representing $7.3 billion of the $7.8 billion CIP. Highlights of the Ascent Program – Phase I's capital projects are provided in the following sections. Project budgets in these sections reflect total project budgets prior to any project suspensions unless noted.

The program originally included a $739 million Ascent Program Reserve allocation in September 2017. The Ascent Program Reserve has been used to address unanticipated needs of projects within the Ascent Program, as they have arisen. Only projects in the Ascent Program are eligible to receive supplementary budget allocations from the Ascent Program Reserve. The Airport Director only authorizes use of the Ascent Program Reserve after consideration of other cost mitigation methods. A net of $421 million of the Ascent Program Reserve had been allocated to projects since the Commission approved the Ascent Program-Phase 1 on September 5, 2017, resulting in a remaining Ascent Program Reserve available for allocation of $318 million as of June 2, 2020. An additional approximately $12 million was allocated after that date. As a result of the COVID-19 pandemic, the Director has temporarily reduced the Ascent Program Reserve available to $0.

While there is no specific plan for a subsequent phase to the Ascent Program, in 2016 the Commission completed a recommended Airport Development Plan ("Recommended ADP"), which is currently undergoing environmental review. See "–Airport Development Plan." The Recommended ADP, as modified during environmental review, will result in the identification of a range of potential additional capital projects, one or more of which may be designated as the "Ascent Program – Phase II" (or similar title) and added to future versions of the CIP, if and when the Commission deems that they are warranted to address traffic growth and other factors. The Recommended ADP is not included in the CIP.

A brief description of the largest projects in the Ascent Program – Phase I follows below, organized by five Airport cost centers: Terminals, Groundside, Airport Support, Utilities, and Airfield. Note that some projects span multiple cost centers; in such cases project totals reflect only the total for that cost center. Project budgets are as of November 2021. Some individual project budgets remain subject to change, but any changes within the Ascent Program are expected to be managed within the overall $7.3 billion Ascent Program – Phase I budget.

*Major Ascent Program – Phase I Capital Projects - Terminals*

The largest terminal project spending in the CIP was for the renovation of Terminal 1 ($2.5 billion) and the renovation and reconfiguration of the eastern and western sides of Terminal 3 ($1.2 billion). The planned Terminal 1 renovations include the construction of a new 25-gate configuration in Boarding Area B, seismic and building systems improvements, construction of a new baggage handling system, renovation of the central and southern portions of the departures hall, construction of a consolidated security checkpoint, and construction of a post-security passenger connector and sterile connector from Terminal 1 to the ITC with enhanced passenger amenities. The reconfiguration and renovation of the western side of Terminal 3 is intended to increase gate flexibility, improve seismic stability, upgrade building and baggage handling systems, improve passenger flow, add a sterile connector to the ITC, and enhance passenger amenities. The renovation of the eastern side of Terminal 3 was completed in 2015. All phases of the Terminal 1 Boarding Area B reconstruction project have now been completed. The first nine gates opened in July 2019, followed by another nine in May 2020, and the remaining seven gates were completed in May 2021. Other notable project achievements relate to the Baggage Handling Individual Carrier System, which was completed in March 2020 and has received TSA final acceptance.

Other major terminal spending in the CIP includes the International Terminal – Phase 1 project to upgrade and improve the operational efficiency within the departures level of the terminal and an International Terminal Phase 2 project, which has not entered the project pre-design phase ($303 million for Phase 1 & 2); the Courtyard 3 Connector project which will construct a post-security passenger connector between Terminal 2 and Terminal 3 in conjunction with a multi-story office block for Commission and tenant use ($245 million); the Boarding Area A Gate Enhancement project to meet increased gate demands ($116 million); improvements to the International Terminal baggage handling system ($98 million); and the Terminal 2 Air Traffic Control Tower demolition and office tower, which will construct new office, concession, airline club space, and public amenities ($94 million).

*Major Ascent Program – Phase I Capital Projects – Groundside*

The On-Airport Hotel ($240 million) is one of the largest groundside projects in the CIP. The On-Airport Hotel officially opened on October 2, 2019. See "SECURITY FOR THE SERIES 2022A-C BONDS – Other Indebtedness – *Special Facility Bonds*" and "*–Airport Hotel Special Facility Revenue Bonds*" for discussion of the financing of the On-Airport Hotel.

Three major projects comprise the majority of the balance of the groundside improvement projects: the AirTrain Extension Project, which includes the extension the AirTrain system to the new long-term parking garages completed in May 2021 and construction of the station at the On-Airport Hotel completed in December 2020 ($260 million); the second long-term parking garage completed in February 2019 ($154 million); and the groundside portion of the South McDonnell Road Realignment project completed in September 2019 ($45 million).

*Major Ascent Program – Phase I Capital Projects* **-** *Airport Support*

Major airport support projects include: the Airport Security Infrastructure Program ($159 million); renovation of the Superbay Hangar ($119 million); airport support technology improvements ($73 million); and the first phase of the Consolidated Administrative Campus ($87 million), which was completed in January 2019.

*Major Ascent Program Phase I Capital Projects – Utilities*

Major utilities-related CIP projects include: "net zero" energy use-related improvements to the terminals and other Airport facilities and systems ($176 million); waste water system improvements ($107 million); and energy and efficiency improvements ($30 million).

*Major Ascent Program Phase I Capital Projects* **-** *Airfield*

Major airfield-related CIP projects include runway improvement projects ($91 million); taxiway improvements ($60 million); and the airfield portion of the South McDonnell Road Realignment ($19 million).

*Ascent Program – Phase I – Major Capital Project Deferrals*

A number of projects that were included in the capital plan adopted in Fiscal Year 2016-17 were deferred and are not included in the CIP. Notable deferrals include the consolidated rental car facility project and the related rental car center conversion to public parking ($540 million). Airport staff and senior management determined the consolidated rental car facility project not to be a critical capital need at this time. Other notable deferrals include the Building 944 conversion to flight kitchen ($26 million), and the renovation of Cargo Buildings 606 and 730 ($25 million), which also were determined not to be critical capital needs at this time. Deferral of these projects helped offset increases in other Ascent Program project budgets, resulting from decisions to add scope elements to meet demand and/or to address the impact of construction cost escalation on project budgets, without increasing the total cost of the Ascent Program – Phase I. There have been other, less substantial, deferrals since the adoption of the CIP and the scope of some projects has been reduced, most notably the Shoreline Protection Program discussed under "–Other Anticipated Capital Needs–*Shoreline Protection Program*." The deferrals described in this paragraph do not include the suspension of projects as a result of the COVID-19 pandemic. See "*–Capital Projects*" and "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic."

*Infrastructure Projects Plan - Major Capital Projects*

The Infrastructure Projects Plan consists of 19 new infrastructure projects added to the CIP after Fiscal Year 2016-17. The Infrastructure Projects Plan has a total approved project cost of $571 million. This reflects an increase of $448 million compared to the capital plan adopted in September 2017, primarily attributable to new projects added in the CIP. These projects are critical for meeting current safety and operational needs of the Airport. Major projects include the rehabilitation of Runway 10L-28R ($174 million) and is eligible for FAA AIP grant funding; the installation of new on-Airport jet fuel storage tanks ($60 million), which was funded by the SFO Fuel Bonds issued in early 2019 (see "SECURITY FOR THE SERIES 2022A-C BONDS – Other Indebtedness – *SFO Fuel Bonds*"); power distribution system improvements to support the terminals ($45 million); nutrient treatment capacity at the Mel Leong Wastewater Treatment Plant ($30 million); Federal Aviation Administration (FAA) Part 139 required airfield improvements ($28 million); and Phase 2 of the Security Infrastructure Program ($17 million). The current Infrastructure Projects Plan budget reflects a June 2020 decision to increase the budget by $221 million in part to provide for acceleration of projects such as airfield improvements that are more readily completed under reduced traffic activity.

*Implementation of Capital Projects*

The Commission uses a variety of strategies to mitigate risk associated with the implementation of the projects in its CIP. The Commission has a Project Labor Agreement to minimize labor-related disruptions to project implementation. The Project Labor Agreement applies to most major Airport capital projects including Terminal 1 Center, Boarding Area B, and the post-security passenger connectors; and the construction of the Terminal 2 Office Tower; International Terminal and Boarding Area F checked baggage system modernization program; improvements to the International Terminal baggage handling system; the industrial waste treatment plant; the On-Airport Hotel; the Airport Security Infrastructure Program; the new long-term parking garage; the first phase of the Airport-wide amenities program (the REACH project); the AirTrain Extension; Terminal 3 West renovations; Boarding Area A gate enhancements; Plot 2 and South McDonnell Road realignment, the International Terminal Phase I and II projects, and the Courtyard 3 Connector. The Airport works closely with stakeholders, including airlines, on development and implementation of the CIP.

The Commission has also developed a number of approaches to anticipate and mitigate construction cost escalation. At each design phase, if engineers' estimates exceed budget, staff may utilize value engineering to identify opportunities to reduce costs. Airport project cost models include a variety of contingencies, including construction-escalation of 5% per year, to the mid-point of construction, applied to unawarded base bid scope (i.e., the estimated cost of trade bid packages, not including contingencies that have not yet been awarded to a subcontractor). Other contingencies include a 0%-15% design contingency applied to base bid unawarded scope in a declining amount through final design, and a 5% bid contingency applied to unawarded base bid scope. The Commission also adds a budgeted Airport contingency equal to 7.5% of the total budget of the prime construction contract. Furthermore, the Airport identifies 10% of discretionary scope in each project, as well as future projects that may be deferred or removed, if and as necessary, based on cost and demand considerations. The Airport had established the Ascent Program Reserve, which could be used after other cost management techniques have been considered. A portion of the Ascent Program Reserve was applied to Ascent Program projects and, as a result of the COVID-19 pandemic, the Director has suspended further use of the Ascent Program Reserve.

Nevertheless, project development could be delayed, or the cost of completing projects included in the CIP could be higher than expected, due to various factors. See "CERTAIN RISK FACTORS – Risks Related to the Commission's Capital Projects." Furthermore, as a result the COVID-19 pandemic and the resulting economic uncertainty, the Commission has reprioritized and suspended some capital projects.

As of September 2021, 71% of the work, representing the cost of labor completed and materials purchased against project budgets, for the construction portion of the Ascent Program, which makes up $7.1 billion of the $7.3 billion Ascent Program, had been performed. In addition, the Airport had cost assurance on 78% of the construction portion of the Ascent Program, representing a portion of the current project budgets that have reached a guaranteed maximum price, are in contract, or have otherwise been committed.

**Airport Development Plan**

The Airport completed the Recommended ADP in September 2016. The Recommended ADP includes a series of recommended projects that would accommodate potential growth up to approximately 71.1 million annual passengers, serve as a roadmap to guide long-term Airport development, and support the Airport's overarching strategic objectives. The Recommended ADP identifies potential projects that would accommodate forecast demand for landside facilities, including additional gates and airport and airline support facilities. The Recommended ADP includes a new terminal boarding area with international and domestic swing gates, replacement of the Central Garage, and expansion of the ITC. Since the Recommended ADP's completion, the Airport has been conducting detailed planning and programming to further refine long range development alternatives in the post-COVID-19 pandemic environment as the international aviation industry recovers.

The Recommended ADP will first undergo required environmental review under the California Environmental Quality Act ("CEQA"), and then individual projects will undergo further review as described below. The Airport initiated the City's process to implement CEQA review when it submitted an application to the San Francisco Planning Department in July 2017. Development of the draft environmental impact report ("Recommended ADP EIR") is ongoing. The San Francisco Planning Department published a notice of preparation of the Recommended ADP EIR in May 2019 and hosted two public scoping meetings. This notice initiated the public CEQA review process and solicited guidance from public agencies as to the scope and content of the Recommended ADP EIR. The Airport estimates completing CEQA review in Fiscal Year 2022-23, although it may take longer depending on the outcome of several required opportunities for public comment and any appeals. Once CEQA review of the Recommended ADP is completed, the Commission then could consider approval of the individual Recommended ADP projects. Individual projects would still be subject to Board of Supervisors review, federal environmental review under the National Environmental Policy Act ("NEPA"), or both, where applicable, and further Commission review before they proceed. Projects included in the Recommended ADP will not necessarily be undertaken. Projects would be added to future capital improvement plans when and as they are warranted by passenger growth. If projects are substantially refined in the future, further review under CEQA and/or NEPA may be required before the projects could proceed.

**Other Anticipated Capital Needs**

The Airport is studying other investments in addition to the CIP and the ADP, including investments related to the FEMA flood insurance rate map update and investments in utilities infrastructure and in shoreline protection.

*FEMA Flood Insurance Rate Map Update*

As part of the National Flood Insurance Program ("NFIP"), a federal program that enables businesses and individuals in participating communities to purchase flood insurance backed by the federal government, the Federal Emergency Management Agency ("FEMA") has revised Flood Insurance Rate Maps ("FIRMs") for San Francisco Bay Area communities. FIRMs identify special flood hazard areas ("SFHAs") that are subject to inundation during a flood having a 1% chance of occurrence in a given year. FEMA has issued a final FIRM for the City, in accordance with the City's participation in the NFIP. The final FIRM identifies the majority of the Airport as an SFHA, with zone designations generally of either AE (areas subject to inundation by the 1% annual chance flood event) or, in limited areas, VE (areas subject to inundation by the 1% annual chance flood event with additional hazards associated with storm-induced waves). The final FIRM became effective March 23, 2021. The City has adopted the final FIRM and made amendments to the City's Floodplain Management Ordinance. New buildings or substantial improvements to existing buildings within zones AE or VE will be required to be elevated above the floodplain or implement flood proof construction adherent to the American Society of Civil Engineers (ASCE) ASCE 24-14 Flood Resistant Design and Construction. The Airport has been applying the flood protection building standards required under the zone designations in the final FIRM since 2019. The Airport's review of building permits for compliance with these standards is ongoing. Compliance with the final FIRM will result in increases of the cost of some of the projects in the CIP and other capital projects.

*Master Utilities Infrastructure Study*

The Commission completed a Master Utilities Infrastructure Study ("MUIS") to identify utility infrastructure in need of replacement or upgrade. The MUIS will serve as the roadmap for future capital projects to either maintain and renovate existing utilities infrastructure or construct new utilities infrastructure to meet future anticipated Airport needs. The Airport is in the process of studying or implementing a small number of the projects identified in the MUIS. The Airport is still determining whether, when and to what extent to include other projects identified in the MUIS in the CIP through the development of a Master Utilities Infrastructure Implementation Plan, which will address capital planning for utility infrastructure in the short, medium and long-term.

*Shoreline Protection Program*

The Airport is adjacent to the San Francisco Bay, which, in turn, opens onto the Pacific Ocean. The Airport has constructed various types of seawalls since the 1980s. Currently, more than six of the eight miles of shoreline are protected by engineered earthen berms, concrete seawalls, and vinyl sheet piles. However, there are gaps of variable lengths along the shoreline that may allow water to enter the airfield and the Airport, as well as occasional wave overtopping of some flood protection structures. That water is captured in the storm drain system and is pumped back out to the Bay. A report released by the San Francisco Bay Conservation and Development Commission in 2011 suggested that 72% of the Airport would be at risk from a 16-inch sea level rise.

Close to half of the Airport's existing perimeter shoreline meets FEMA 100-year flood standards. However, a study conducted by the Airport identified deficiencies in the Airport's shoreline protection system. Most of these deficiencies occur in the more vulnerable portions of the system, such as near the Airport's Wastewater Treatment Plant, and along the reach owned by the federal government and operating as a U.S. Coast Guard facility.

Utilizing the 2012 National Research Council Sea Level Rise projections, the Commission proposed a $58 million shoreline protection project ("Shoreline Protection Program") in its CIP. In December 2015, the Board of Supervisors made a determination required under the San Francisco Administrative Code that the Shoreline Protection Program is fiscally feasible and responsible.

In June 2014, the Airport's Director of Engineering and Construction Services issued a report to the Commission, which estimated that to comply with FEMA requirements and address sea level rise in the longer term, necessary shoreline protection improvements would take 10 to 15 years at a cost of about $200-$300 million. Based on information available at that time, the report predicted that these improvements would protect the Airport until approximately 2060.

In March 2018, the State of California Ocean Protection Council issued an update to its Sea Level Rise Guidance document containing improved science and policy with a better understanding of risks quantified as probabilities. The Airport accordingly updated the proposed Shoreline Protection Program to respond to these more stringent criteria, bringing the updated Shoreline Protection Program to a new estimated cost of $587 million. According to projections in the 2018 guidance document, the updated Shoreline Protection Program would protect the Airport assets and runways to approximately 2085. In September 2019, the Board of Supervisors determined that the updated Shoreline Protection Program is fiscally feasible and responsible. The Airport and the San Francisco Planning Department commenced environmental review under CEQA and issued a Notice of Preparation of an Environmental Impact Report in November 2020. The Draft Environmental Impact Report is anticipated to be released at the beginning of 2022. Federal environmental review under NEPA is expected to commence in early 2022. The Airport anticipates that the FAA will be the lead agency for NEPA for the entire project and that the federal environmental review will be documented in an Environmental Assessment, which would be finalized in 2023. Resource permitting with BCDC, the U.S. Army Corps of Engineers, and the San Francisco Bay Regional Water Quality Control Board is expected to be completed by mid-2023. If approved, detailed design and permitting is anticipated to occur in 2023, with construction anticipated to commence in 2025 and to be implemented in phases over several years.

The original $58 million in the Airport's CIP for the Shoreline Protection Program was for the first tranche for a program that was based on the 2012 National Research Council findings. However, the updated Shoreline Protection Program, refined to reflect the updated science and need, is not currently in the Airport's approved CIP.

*Planning to Respond to Climate Change and Sea Level Rise*

In addition to the Shoreline Protection Program discussed above, other potentially significant expenditures are likely to be undertaken by the Airport to mitigate and adapt to the impact of climate change and sea level rise. The Airport is actively participating in several concurrent studies, including the Adapting to Rising Tides Bay Area: Regional Sea Level Rise Vulnerability and Adaptation Study and the Extreme Precipitation Study by Lawrence Berkeley National Laboratory discussed under "CERTAIN RISK FACTORS – Risks Associated with Global Climate Change," to better predict and anticipate these impacts, but remains unable to guarantee the timing and extent of sea level rise, other adverse effects, or the confluence of these events or effects of climate change (e.g., the occurrence and frequency of extreme precipitation and king tides) or what resulting expenditures will be required. In addition to its coastal location and vulnerability to sea level rise and storm surges, the Airport also has obligations to provide sufficient drainage in its West of Bayshore property, which may be inundated by the surrounding hillsides in an extreme storm event, which may also increase these expenditures.

In addition to the direct expenditures related to global climate change and sea level rise itself, present, pending and possible regulations aimed at curbing the effects of climate change, including in relation to the "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Federal and State Laws and Regulations–Current and Possible Regulation Related to Climate Change," may directly or indirectly trigger expenditures, potentially significant, related to the operations of the Airport, Airport tenants, the local economy and other infrastructure, including that which allows access to and support of the Airport. The Commission is unable to predict with certainty what additional laws and regulations with respect to climate change, GHG emissions or other environmental issues (including but not limited to air, water, hazardous substances and waste regulations) will be adopted, or what expenditures will be triggered by such laws and regulations. The effects, however, could be material.

In September 2017, the City filed a lawsuit in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to State court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which in May 2020 vacated the District Court's order that found the case arose under federal law, remanding the case back to the Northern District to determine if there were any other grounds for federal jurisdiction. In June 2021, the U.S. Supreme Court declined to review the Ninth Circuit's decision, and the case awaits a ruling from the Ninth Circuit on the oil companies' appeal in a similar lawsuit, which may result in a remand to State court, where the City's lawsuit was originally filed. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

While the effects of climate change may be mitigated by the Airport's past, current or future investments in mitigation and adaptation strategies and attempts to identify third party contribution and/or grant funding to finance mitigation and adaptation measures, the Airport can give no assurance about the net effects of those strategies, the feasibility of government or third party funding sources, and whether the Airport will be required to take additional adaptive mitigation or adaptation measures, increasing the anticipated expenditures. If necessary, such additional expenditures could be significant.

**Federal Grants**

The Airport receives federal funding from the FAA, the TSA, and other federal agencies. The CIP included federal grants as a funding source, comprised of an estimated $147.9 million in AIP grants, including an estimated $72.3 million in FAA discretionary grants and $64.1 million in TSA funding. If grants are not received as expected, the Commission may find other funding sources, including additional Bonds, to finance projects in the CIP or may defer projects to which grants would have been applied. Federal, State, and local agency grants receivable of $83.3 million and $11.1 million as of June 30, 2021 and 2020, respectively, were based on actual costs incurred, subject to grant reimbursement limits.

The AIP provides federal grants to support airport capital infrastructure through entitlement grants, which are determined by formulas based on passenger, cargo and general aviation activity levels, and discretionary grants, which are allocated on the basis of specific set-asides and the national priority ranking system. The FAA administers the Airport's AIP grants. When determining the distribution of discretionary grants, the FAA may consider, as a militating factor, whether the Airport uses its revenues for purposes other than capital or operating costs, when those revenues exceed the amount used by the Airport for such costs in the base year ending June 30, 1995 as adjusted for inflation. The Airport's Annual Service Payment to the City's General Fund in part as compensation for indirect services, management and facilities provided by the City to the Airport is considered to be a non-capital, non-operating cost for this purpose. With the exception of four fiscal years, the Annual Service Payment has exceeded the base year payment when adjusted for inflation since Fiscal Year 1995-96. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Federal and State Laws and Regulations–*Federal Law Prohibiting Revenue Diversion*" and "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City," and in the past, the Commission has received a lower amount of FAA discretionary grants than it requested as a result of the amount of the Annual Service Payments. For example, the FAA militated $6.4 million in discretionary grants in the federal fiscal year ended September 30, 2021, and the Commission received $29.3 million in FAA discretionary grants. The FAA may reduce discretionary grants in the future as a result of the Annual Service Payments. The FAA may also reduce or deny discretionary grant awards as a result of changes in FAA policies or practices. Furthermore, AIP funding may be reduced in the future as a result of legislation or the failure of the U.S. Congress to pass an annual appropriation bill including such funding. Reduction in grants awarded to the Commission could result in the delay or cancellation of projects or the incurrence of additional debt by the Commission. Also see "CERTAIN RISK FACTORS–Risks Related to the Commission's Capital Projects."

The federal CARES Act, which included direct aid for airports, among other things, became law on March 27, 2020. On June 17, 2020, the Airport executed an agreement with the Federal Aviation Administration ("FAA") for approximately $254.8 million of federal CARES Act grant funds. As of October 14, 2021, the Airport requested and received the total of $254.8 million in CARES Act reimbursement, which was applied to offset Operation and Maintenance Expenses in Fiscal Year 2020-21. In addition, the CARES Act included a provision increasing the federal share of federal fiscal year 2020 (ended September 30, 2020) Airport Improvement Program ("AIP") grants to 100 percent. This provision resulted in approximately $2.3 million in additional funding for the Airport for its federal fiscal year 2020 grant-funded projects. All airport sponsors of airports receiving funds under the CARES Act (including the City as sponsor of the Airport) were required to continue to employ, through December 31, 2020, at least 90 percent of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) at the sponsored airport as of the date of enactment of the CARES Act. The FAA required CARES Act grantees to submit quarterly reports of employment levels. The Airport has certified to the FAA that, as of December 31, 2020, after permitted adjustments, the City was compliant with this employment requirement. In addition, on January 7, 2021, the TSA awarded the Airport approximately $0.7 million in federal CARES Act grant funds that are related to cleaning and sanitizing of the TSA checkpoint and administrative spaces as required by local and state health and U.S. Centers for Disease Control and Prevention requirements. On April 21, 2021, the TSA increased the total grant amount by $0.1 million to a total of approximately $0.8 million in federal CARES Act grant funds. The Commission applied the entire $0.8 million CARES Act grant to offset Operation and Maintenance Expenses in Fiscal Years 2019-20, 2020-21, and 2021-22**.**

The CRRSAA, which became law on December 27, 2020, provides additional direct aid for airports. On June 29, 2021, the Airport executed a grant agreement with the FAA for approximately $40.6 million of federal CRRSAA grant funds for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. On August 17, 2021, the FAA amended the grant agreement to increase the grant amount by an additional $40,089 in federal CRRSAA grant funds. As of October 14, 2021, the Airport had requested and received the total of $40.6 million in CRRSAA reimbursement, which was applied to offset Operation and Maintenance Expenses in Fiscal Year 2020-21. In addition, on June 29, 2021, the Airport executed a grant agreement with the FAA for approximately $5.9 million of federal CRRSAA grant funds to provide relief to eligible concessionaires. The Airport expects to request and receive this $5.9 million of CRRSAA grant funds in Fiscal Year 2021-22. All airport sponsors of airports receiving funds under the CRRSAA (including the City as sponsor of the Airport) are required to continue to employ, through February 15, 2021, at least 90 percent of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) at the sponsored airport as of March 27, 2020 (the date of enactment of the CARES Act). The Airport has certified to the FAA that, as of February 15, 2021, after permitted adjustments, the City was compliant with this employment requirement.

The ARPA, which became law on March 11, 2021, provides additional direct aid for airports. On August 23, 2021, the Airport executed a grant agreement with the FAA for approximately $169.0 million of federal ARPA grant funds for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the Airport, and debt service payments. The Airport expects to request and receive the $169.0 million ARPA grant funds in Fiscal Year 2021-22 and possibly subsequent fiscal years. In addition, the ARPA, similar to the CARES Act, included a provision increasing the federal share of federal fiscal year 2021 (ended September 30, 2021), or federal fiscal year 2020 (ended September 30, 2020) AIP grants with less than 100 percent federal share, to 100 percent. This provision resulted in approximately $12.1 million in additional funding for the Airport for its federal fiscal year 2021 grant-funded projects. In addition, on December 20, 2021, the Airport executed a grant agreement with the FAA for approximately $23.8 million of federal ARPA grant funds to provide relief to eligible concessionaires. The Airport expects to request and receive this $23.8 million of ARPA grant funds in Fiscal Year 2021-22 and possibly subsequent fiscal years. All airport sponsors of airports receiving funds under the ARPA (including the City as sponsor of the Airport) are required to continue to employ, through September 30, 2021, at least 90 percent of the number of individuals employed (after making adjustments for retirements or voluntary employee separations) at the sponsored airport as of March 27, 2020 (the date of enactment of the CARES Act). The Airport has certified to the FAA that, as of September 30, 2021, after permitted adjustments, the City was compliant with this employment requirement.

The Infrastructure Investment and Jobs Act, which included direct aid for airports, among other things, became law on November 15, 2021. The Airport expects to receive approximately $50 million in federal grants for capital projects in Fiscal Year 2021-22 and possibly additional grant funds in subsequent fiscal years.

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.

Grants received by the Airport are audited from time to time. The Airport has been audited by OIG and others with respect to grants and PFCs. In the past, audits have resulted in repayments of grants and reductions of other grant reimbursement requests. In addition, audits have resulted in changes to the Airport's internal controls and procedures. While the Airport may be required to repay grants it has received or take other remedial measures as a result of future audits, the Commission does not believe any required repayments will have any material adverse impact on the business operations or financial condition of the Airport.

## AIRPORT'S FINANCIAL AND RELATED INFORMATION

### General

The Airport generates its operating revenues primarily from airline terminal rentals and landing fees, concession revenues, parking management revenues, trip fees and Passenger Facility Charges. The Airport operates as a "residual" airport, which means in effect that the Signatory Airlines are obligated under the Lease and Use Agreements to pay amounts sufficient to cover all of the Airport's operating expenses and debt service costs less any non-airline revenues of the Airport. The Commission establishes terminal rental rates and landing fees in advance for each upcoming Fiscal Year based on the Airport's estimated revenues and expenses. Actual receipts and expenses in any Fiscal Year will be either more or less than estimated revenues and expenses. Due to the residual nature of the Lease and Use Agreements, to the extent there is an over-collection in any year (that is, receipts from the airlines exceed the Airport's net costs), the Airport is obligated to reduce future terminal rentals and landing fees by a corresponding amount. Similarly, if there is an under-collection in any year, the Airlines are obligated under the Lease and Use Agreements to pay such deficiency from future rates and charges. For a description of the Lease and Use Agreements and potential changes upon their expiration, see "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements" and APPENDIX E. Also see "SECURITY FOR THE SERIES 2022A-C BONDS–Pledge of Net Revenues; Source of Payment–*Certain Adjustments to 'Revenues' and 'Operation and Maintenance Expenses'*–Unearned Aviation Revenues/Aviation Revenues Due."

The Airport's operating revenues depend significantly on the level of aviation activity and passenger traffic at the Airport, including origin and destination travel to and from the Airport, which comprised an estimated 79.3% of Airport passenger traffic in Fiscal Year 2020-21. This demand is driven, in turn, by local, national and global economic conditions, with the strength of the local San Francisco Bay Area economy as the most salient factor. See "CERTAIN RISK FACTORS–Local Economy" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT—AIRLINE

TRAFFIC AND ECONOMIC ANALYSIS—Economic Basis for Airline Traffic." Furthermore, the connecting traffic at the Airport is primarily driven by United Airlines' hubbing activities, with the Airport being an important hub in that air carrier's network. Airport management pursues opportunities to grow revenues from non-airline sources, such as concessions, parking and ground transportation. The availability of these revenues is also largely driven by demand for passenger service at the Airport. Passenger traffic has been dramatically affected by the COVID-19 pandemic. See "INTRODUCTION – Continuing Effects of the COVID-19 Pandemic" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

Airport expenditures are comprised of operating and capital expenses. Operating expenses grow as passenger levels increase. The Lease and Use Agreements allow for minimal amounts of capital expenditures to be funded from grants and operating revenues and require most capital expenditures to be financed. As a result, debt service is a substantial and growing component of the Airport's expenditures each year.

Revenues and expenses for Fiscal Year 2019-20 were, and in Fiscal Year 2020-21 and future fiscal years may continue to be, impacted by the COVID-19 pandemic. For further discussion of the pandemic, see "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT." For discussion of federal grants received as a result of the pandemic, some of which have been used to offset operating expenses, see "CAPITAL PROJECTS AND PLANNING–Federal Grants."

**Summary of Financial Statements**

*Summary of Statements of Net Position*. A summary of the Commission's Statements of Net Position as reported in the Commission's annual financial statements for Fiscal Years 2016-17 through 2020-21 is shown in the table on the next page. See APPENDIX B–"FINANCIAL STATEMENTS WITH SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITORS' REPORT THEREON)."

The Commission's net position decreased by approximately $402.1 million from Fiscal Year 2019-20 to Fiscal Year 2020-21, resulting in a negative total net position of approximately $494.8 million. This reduction was primarily attributable to the residual effect of the Airport depreciating its capital assets faster than repaying its bonded debts and less cash and investments held outside City Treasury for debt services.

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## SUMMARY OF AIRPORT'S STATEMENTS OF NET POSITION
## ($ in thousands)
## (Fiscal Years)

| | 2016-17[6] | 2017-18[7] | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| **Assets**: | | | | | |
| Unrestricted current assets[1][2][3] | $ 440,930 | $ 567,930 | $ 597,189 | $ 596,234 | $ 719,602 |
| Restricted current assets | 437,934 | 570,803 | 678,516 | 608,347 | 625,641 |
| Restricted non-current assets | 726,310 | 1,521,951 | 1,438,161 | 1,572,623 | 1,147,970 |
| Capital assets, net | 4,282,629 | 4,930,029 | 6,131,342 | 6,737,388 | 7,070,878 |
| Total assets | 5,887,803 | 7,590,713 | 8,845,208 | 9,514,592 | 9,564,091 |
| Deferred outflows of resources: | | | | | |
| Unamortized loss on refunding of debt | 76,789 | 75,343 | 64,272 | 49,470 | 52,746 |
| Deferred outflows on derivative instruments | 54,870 | 29,245 | 38,828 | 28,221 | 21,374 |
| Deferred outflows related to OPEB | – | 13,387 | 20,584 | 32,003 | 39,632 |
| Deferred outflows on pensions | 145,743 | 91,596 | 80,371 | 94,151 | 94,882 |
| Total deferred outflows of resources | 277,402 | 209,571 | 204,055 | 203,845 | 208,634 |
| Liabilities: | | | | | |
| Current liabilities[4] | 284,221 | 272,022 | 265,115 | 273,521 | 268,178 |
| Current liabilities payable from restricted assets | 356,535 | 298,855 | 252,616 | 256,196 | 459,508 |
| Noncurrent liabilities[5] | 4,895,146 | 6,584,291 | 7,800,699 | 8,637,322 | 8,860,986 |
| Net OPEB liability | 138,168 | 244,096 | 236,160 | 256,506 | 258,525 |
| Net pension liability | 359,599 | 308,459 | 254,206 | 278,176 | 340,330 |
| Derivative instruments | 65,965 | 37,558 | 46,085 | 28,221 | 21,374 |
| Total liabilities | 6,099,634 | 7,745,281 | 8,854,881 | 9,729,942 | 10,208,901 |
| Deferred inflows of resources: | | | | | |
| Deferred inflows related to OPEB: | – | 394 | 21,901 | 18,448 | 43,768 |
| Deferred inflows related to pensions | 15,402 | 22,230 | 48,297 | 62,787 | 14,859 |
| Total deferred inflows of resources | 15,402 | 22,624 | 70,198 | 81,235 | 58,627 |
| Net position: | | | | | |
| Net investment in capital assets | (284,761) | (564,762) | (646,073) | (725,562) | (1,030,427) |
| Restricted for debt service | 109,554 | 186,655 | 237,449 | 220,591 | 117,856 |
| Restricted for capital projects | 296,188 | 419,486 | 488,746 | 406,194 | 436,516 |
| Unrestricted | (70,812) | (9,000) | 44,062 | 6,037 | (18,748) |
| Total net position | $ 50,169 | $ 32,379 | $ 124,184 | $ (92,740) | $ (494,803) |

(1) For a description of the cash and investments of the Airport, see "–Investment of Airport Funds."
(2) Net of allowance for doubtful accounts (in thousands): 2020-21: $22,714; 2019-20: $18,074; 2018-19: $1,307; 2017-18: $1,609; 2016-17: $1,807.
(3) Current unrestricted assets include aviation revenue due. If there is an under-collection in any Fiscal Year ("aviation revenue due"), the airlines are obligated under the Lease and Use Agreements to pay such deficiency from future rates and charges. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements." In Fiscal Year 2017-18, there was an aviation revenue due from airlines of $37.8 million primarily as a result of the GASB 75 implementation. In Fiscal Year 2019-20 there was an aviation revenue due from airlines of $23.8 million as a result of the COVID-19 pandemic.
(4) Current liabilities include unearned aviation revenue (formerly referred to as deferred aviation revenue) of (in thousands): 2020-21: $160,189; 2019-20: $0; 2018-19: $3,392; 2017-18: $0; 2016-17: $54,853. Unearned aviation revenues consist of the amount, in each Fiscal Year, that terminal rental rates and landing fees under the airline Lease and Use Agreements exceed the Airport's net operating expenses. The Airport is obligated to reduce future rates and charges by a corresponding amount.
(5) Amounts include compensated absences, accrued worker's compensation, claims payable and long-term debt outstanding.
(6) Net position decreased by $116.9 million, primarily due to a significant increase in net pension liability related to the impact of changes in benefits, the updated citywide supplemental costs of living adjustments (COLA) assumptions and amortization of deferred outflows/inflows.
(7) The Airport adopted GASB 75 in Fiscal Year 2017-18. The Airport restated its beginning net position as of July 1, 2017, from $50.2 million to negative $32.8 million to record beginning net OPEB liability, deferred outflow/inflow of resources and OPEB expense. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City–*Employee Benefit Plans*–Post-Employment Health Care Benefits."
Source: Commission.

Total unrestricted cash totaled $358.2 million as of fiscal year end in Fiscal Year 2018-19, $348.5 million as of fiscal year end in Fiscal Year 2019-20 and $484.0 million as of fiscal year end in Fiscal Year 2020-21. These amounts do not include amounts held in the Contingency Account. For further discussion of the Contingency Account, see "SECURITY FOR THE SERIES 2022A-C BONDS–Contingency Account." The amount of unrestricted cash changes frequently, sometimes substantially. For more current information about unrestricted cash, see "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic–*Financial Condition and Liquidity*–Available Financial Resources."

*Summary of Statement of Revenues, Expenses, and Changes in Net Position.* A summary of the Commission's Statements of Revenues, Expenses, and Changes in Net Position as reported in the Commission's annual financial statements for Fiscal Years 2016-17 through 2020-21 is shown in the table below. See APPENDIX B–"FINANCIAL STATEMENTS WITH SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITORS' REPORT THEREON)."

**SUMMARY OF AIRPORT'S STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**
**($ in thousands)**
**(Fiscal Years)**

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| Aviation Revenues | $545,310 | $670,282 | $565,635 | $613,473 | $337,215 |
| Concession Revenues[(1)] | 300,245 | 310,325 | 327,412 | 255,338 | 113,914 |
| Net Sales and Services | 81,245 | 83,195 | 87,396 | 75,068 | 64,287 |
| Total Operating Revenues | 926,800 | 1,063,802 | 980,443 | 943,879 | 515,416 |
| Total Operating Expenses[(2)] | (808,860) | (770,186) | (764,011) | (931,072) | (914,385) |
| Operating (Loss) Income | 117,940 | 293,616 | 216,432 | 12,807 | (398,969) |
| Nonoperating Revenue (Expense)[(3)] | (201,020) | (196,910) | (99,126) | (245,280) | (53,093) |
| Income (Loss) Before Capital Contribution and Transfers | (83,080) | 96,706 | 117,306 | (232,473) | (452,062) |
| Capital Contributions[(4)] | 11,212 | 15,051 | 23,611 | 49,292 | 64,735 |
| Transfer to the City | (45,036) | (46,549) | (49,112) | (33,743) | (14,736) |
| **Changes in Net Position**[(5)] | $(116,904) | $65,208 | $91,805 | $(216,924) | $(402,063) |

(1) Also includes parking and transportation revenues and On-Airport Hotel operating revenues.
(2) Includes depreciation expense in the amounts of $265.8 million for Fiscal Year 2016-17, $265.2 million for Fiscal Year 2017-18, $268.8 million for Fiscal Year 2018-19 $312.1 million in Fiscal Year 2019-20; and $331.1 million in Fiscal Year 2020-21. Includes On-Airport Hotel operating expenses in the amount of $15.2 million for Fiscal Year 2019-20 and $14.4 million for Fiscal Year 2020-21.
(3) Includes interest expense in the amount of $210.4 million for Fiscal Year 2016-17, $211.5 million for Fiscal Year 2017-18; $228.9 million for Fiscal Year 2018-19; $300.2 million in Fiscal Year 2019-20; and $272.8 million in Fiscal Year 2020-21.
(4) Represents federal and state grant funds.
(5) Net position decreased by $116.9 million in Fiscal Year 2016-17, primarily due to a significant increase in net pension liability related to the impact of changes in benefits, the updated citywide supplemental costs of living adjustments (COLA) assumptions and amortization of deferred outflows/inflows.

Source: Commission.

## Operating Revenues

The Commission receives operating revenues primarily from aviation-related activities, ground transportation, and concessions. Each of these categories of revenues is described below. The Commission also receives revenues from net sales and services, which consist of revenues derived from utility services, telecommunication access fees, badge and permit fees, rental car facility fees and cost-based reimbursement of various services.

## Principal Revenue Sources

Set forth in the table below is a description of the Airport's principal revenue sources. No single tenant accounted for more than 44% of total operating revenue in Fiscal Year 2020-21. For the purpose of this table, the term "revenues" includes all amounts paid to the Airport by a company, including Concession Revenues, rent, utilities, etc.

## TOP TEN SOURCES OF REVENUE

| Company/Source | Category | FY 2018-19[1] Revenues ($ in thousands) | FY 2019-20[1] Revenues ($ in thousands) | FY 2020-21 Revenues ($ in thousands) | FY 2020-21 Percent of Operating Revenue | FY 2020-21 Percent of Total Revenue[2] |
|---|---|---|---|---|---|---|
| United Airlines | Airline | $252,395 | $247,709 | $224,590 | 44% | 27% |
| American Airlines | Airline | 38,617 | 37,754 | 38,480 | 7 | 5 |
| On Airport Parking[3] | Public Parking | 96,883 | 65,327 | 34,237 | 7 | 4 |
| Alaska Airlines | Airline | 30,132 | 38,920 | 29,164 | 6 | 3 |
| Delta Air Lines | Airline | 33,731 | 32,262 | 28,400 | 6 | 3 |
| Southwest Airlines | Airline | N/A | 22,570 | 19,938 | 5 | 2 |
| Enterprise Rent-a-Car Co. of San Francisco, LLC (formerly EAN, LLC)[4] | Rental Car | 34,512 | 27,015 | 15,535 | 3 | 2 |
| SkyWest Airlines | Airline | N/A | N/A | 15,499 | 3 | 2 |
| Signature Flight Support | | N/A | N/A | 15,119 | 3 | 2 |
| The Hertz Corporation[5] | Rental Car | 24,315 | N/A | 13,987 | 3 | 2 |
| Raiser CA LLC/Uber 032512 | Ground Transportation | 32,963 | 22,568 | N/A | - | - |
| DFS Group, L.P. | Duty Free and General Merchandise | 35,970 | 22,404 | N/A | - | - |
| Avis Budget Car Rental, LLC | Rental Car | 24,069 | 18,594 | N/A | - | - |
| **Subtotal Ten Highest** | | **$603,587** | **$535,123** | **$434,949** | **84%** | **52%** |
| Other Operating Revenue | | 376,856 | 408,756 | 80,467 | 16 | 10 |
| **Total Operating Revenue** | | **$980,443** | **$943,879** | $515,416 | **100%** | **62%** |
| Other Revenue[6] | | 93,229 | 95,415 | 299,655 | | 35 |
| PFC Collections | | 110,899 | 72,967 | 29,473 | | 3 |
| **Total Airport Revenue** | | **$1,184,571** | **$1,112,261** | **$844,544** | | **100%** |

(1) Revenue is audited and includes operating and non-operating income and credit adjustments.
(2) Column may not add due to rounding.
(3) New South Parking-California manages the Airport's public short-term garages and long-term parking facility and collects parking revenues on behalf of the Airport.
(4) Effective September 1, 2017, the EAN, LLC lease was reassigned to Enterprise Rent-a-Car Co. of San Francisco, LLC. Revenue reflects both EAN, LLC and Enterprise Rent-a-Car Co. of San Francisco, LLC.
(5) The Hertz Corporation filed for bankruptcy relief in May 2020, but emerged from bankruptcy in June 2021.
(6) Includes interest and other non-operating revenue.
Source: Commission.

### Aviation Revenues

Under the Lease and Use Agreements, the Airport's operating budget and non-airline revenue sources are projected for each new Fiscal Year. Then, using a residual cost methodology, airline landing fees and terminal rental rates are set such that estimated total Airport revenues each Fiscal Year are equal to estimated total Airport operating costs, which include debt service and certain capital items as well as general operation and maintenance expenses. Increases in non-airline revenue sources generally result in decreases in airline landing fees and terminal rental rates. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements–*Lease and Use Agreements.*"

*Terminal Rental Rates and Landing Fees*

For Fiscal Year 2021-22, annual terminal rental rates at the Airport range from $340.28 per square foot for Category I space (ticket counters and hold rooms) to $34.03 per square foot for Category V space (unenclosed or covered areas at ramp level), with an average rate per square foot of $196.45, the same as in Fiscal Year 2020-21.

The landing fee rate for Fiscal Year 2021-22 is $11.40 per thousand pounds of landed weight compared to $7.29 per thousand pounds of landed weight for Fiscal Year 2020-21. Operators without a lease or operating permit pay a landing fee charge of $14.25 per thousand pounds of landed weight. For Fiscal Year 2021-22, the minimum landing fee for fixed wing aircraft is $393, the same as in Fiscal Year 2020-21.

Because of the variety of methodologies used by different airports to calculate airline landing fee and terminal rental rates, such fees and rates are not directly comparable between airports. However, terminal rental rates and landing fees represent a small proportion of overall costs to the airlines per enplaned passenger at the Airport, and are not a primary consideration in the establishment and maintenance of routes and schedules. Instead of rates, airline payments per passenger (for landing fees and terminal rental rates) is an index commonly used to compare the costs to the airlines for their facilities at different airports. Airline payments per enplaned passenger at the Airport are set forth in the table below. Overall, costs to the airlines are expected to rise in the near term, primarily due to the impact of the COVID-19 pandemic and the issuance of additional Bonds to fund the construction of capital projects. See "INTRODUCTION–Continuing Effects of the COVID-19 Pandemic," "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT."

**AIRLINE PAYMENTS PER ENPLANED PASSENGER**

| Fiscal Year | Amount[(1)] |
|---|---|
| 2020-21 | $36.62 |
| 2019-20 | 25.68 |
| 2018-19 | 16.46 |
| 2017-18 | 20.10 |
| 2016-17 | 17.18 |

(1) Reflects net aviation revenue due (undercollected) in Fiscal Years 2016-17, 2017-18 and Fiscal Year 2019-20. See "SECURITY FOR THE SERIES 2022A-C BONDS–Pledge of Net Revenues; Source of Payment–*Certain Adjustments to 'Revenues' and 'Operation and Maintenance Expenses'*–Unearned Aviation Revenues/Aviation Revenues Due." Reflects unearned aviation revenue (overcollected), also known as "deferred aviation revenue" in all other Fiscal Years.

Source: Commission.

Terminal rental rates and landing fees are adjusted annually on July 1. The Lease and Use Agreements do not require the airlines, either individually or as a group, to maintain any minimum level of landed weight at the Airport. A summary of historical and current landing fees for scheduled aircraft with a lease or operating permit and average terminal rental rates for Fiscal Years 2017-18 through 2021-22 is set forth below.

**HISTORICAL AND CURRENT LANDING FEES AND TERMINAL RENTALS**
**(Fiscal Years)**

| | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|---|---|---|---|---|---|
| Landing Fees (per 1,000 pounds) | $5.24 | $5.54 | $5.80 | $7.29 | $11.40 |
| Minimum Landing Fee (fixed wing) | 350 | 372 | 393 | 393 | 393 |
| Minimum Landing Fee (rotary) | 175 | 186 | 196 | 196 | 196 |
| Average Terminal Rental Rate (per square foot) | 169.03 | 179.21 | 191.50 | 196.45 | 196.45 |

Source: Commission.

*Airline Incentive and Stimulus Programs*

The Airport has successfully attracted several new international flights and air carriers with airline incentive and stimulus programs. The Commission implemented a new Air Carrier Incentive Program, which provides a 100% waiver of landing fees for 24 months for any new non-stop international route to or from the Airport (including Mexico and Canada) that is not currently served by an existing carrier. From May 2013 through January 1, 2022, the Incentive Program has resulted in 22 new destinations offered by a combination of United Airlines and eleven new carriers.

In September 2021, to incentivize new service to domestic destinations, the Airport Commission created a Pandemic Recovery Air Carrier Incentive Program (the "Domestic ACIP") for calendar year 2022. The Domestic ACIP includes a landing fee waiver for 24 consecutive months for flights landing at the Airport with new non-stop air service to domestic destination(s) not served nonstop by any airline from the Airport at any time during the period July 1, 2018 through the date that is 90 days prior to the commencement of the new air service. The Domestic ACIP commenced January 1, 2022. The Airport currently expects new domestic destinations and possibly new carriers as result of the Domestic ACIP.

**Ground Transportation Revenues**

The Commission derives revenues from parking, rental cars and transportation network companies and other ground transportation. TNCs and other ground transportation revenues include fees collected from TNCs, taxis, limousines, shared-ride vans, hotel and off-airport parking shuttles, and other commercial modes of transportation. The Commission's total ground transportation revenue for Fiscal Year 2020-21 totaled $60.6 million, down from $148.1 million in Fiscal Year 2019-20. Prior to the COVID-19 pandemic, the relative share of these sources had shifted, with a growing share of ground transportation revenues coming from TNCs. However, as a result of the COVID-19 pandemic, the share of ground transportation revenues coming from public parking and rental cars grew. The COVID-19 pandemic has affected traffic patterns in the San Francisco Bay Area and reduced demand for shared transportation modes. The relative share of these sources of revenue may again shift.

*Rental Cars*

Currently, four on-Airport rental car companies representing nine brands operate at the Rental Car Center, which is located approximately one mile north of the Terminal Complex under leases that commenced on September 1, 2020. The agreements have five year terms and two 2-year extension options exercisable by the Commission. The agreements provide for an aggregate minimum annual guarantee ("MAG") of $47.2 million. However, the MAG has been suspended since the effective date of the leases and will continue to be suspended until enplanements return to 80% of the levels seen for the "Reference Year" for the leases, which is 2017 (the calendar year before the leases were awarded), for a period of at least two months (compared to the same months in the Reference Year). While the MAG is suspended, only percentage rent equal to 10% of gross revenues will be due from the rental car operators.

The on-Airport rental car companies generated aggregate concession revenue and building space rent to the Airport of $36.2 million in Fiscal Year 2020-21 and $54.5 million in Fiscal Year 2019-20.

Turo, Inc. (f.k.a. RelayRides, Inc.) ("Turo") is a web-based rental car company that operates at the Airport. Turo matches individual car owners with prospective renters at the Airport, and it advertises and markets itself as competing with traditional rental car companies at the Airport. For several years Turo held a valid off-Airport rental car permit, but on August 10, 2017, it voluntarily relinquished its permit. Yet it continues to operate at the Airport. In January 2018, the City Attorney in the name of the People of the State of California filed an action against Turo, Inc. for unfair competition. Turo filed a cross-complaint challenging the Airport's authority to charge the AirTrain fee described under "–SFO Transportation Fees" and the 10% Gross Receipts Charge paid by rental car companies, and impose permit requirements on Turo. Turo's cross-complaint claims that Turo is merely a technology platform and a car-sharing program – not a rental car company – and that it does not operate at the Airport. The case is in the discovery phase. In April 2020, the court granted two motions for summary adjudication filed by the City, including one to dismiss Turo's cross-claim for declaratory relief that Turo is not a rental car company, and one to dismiss certain of Turo's cross-claims as to the AirTrain Fee and the 10% gross receipts charge. Turo appealed the trial court's ruling that it is a rental car company under California law, and the appeals court denied the appeal. Turo appealed to the California Supreme Court, which granted the petition for review but transferred the matter to the appeals court for a decision on the motion. The parties have briefed the appeals court and are waiting on the appeals court decision. The trial court proceedings are stayed pending this decision.

*SFO Transportation Fees*

The rental car companies collect a per rental contract fee ($16.00 in Fiscal Years 2020-21 and 2021-22) that is paid to the Commission for reimbursement of certain costs of operating and providing the AirTrain facilities between the Terminal Complex and the rental car facility located one-mile north of the Terminal Complex. The total collected in Fiscal Year 2020-21 was $7.1 million.

*Parking*

New South Parking-California, GP provides management and operation services of the Airport's public and employee parking facilities under a contract that commenced July 1, 2018 and has a term of five years. The guaranteed maximum price that the Airport would pay (the "GMP") under this contract was $23.9 million for year 1, $25.8 million for year 2, $22.8 million for year 3, and $22.6 million for year 4. The guaranteed maximum prices for years 3 and 4 have been reduced due to the COVID-19 Pandemic and year 5's GMP will be dependent on passenger traffic recovery.

In Fiscal Year 2020-21, parking revenues declined by 47.6%, or $31.1 million, to $34.2 million, as compared to $65.3 million in Fiscal Year 2019-20. Parking transactions decreased by 52.9% in Fiscal Year 2020-21 as compared to the prior fiscal year while the average price per exit increased by 11.3% from $27.89 in Fiscal Year 2019-20 to $31.04 in Fiscal Year 2020-21. The increase in the average price per exit reflects longer average duration per parking transaction.

On February 5, 2019, the second long-term garage was opened to the public adding approximately 3,600 additional parking stalls. With the ability to accommodate additional demand for parking, the daily long-term parking rate was reduced from $25.00 to $18.00 per day beginning May 1, 2019. In comparison, the short-term parking rates are a maximum of $36.00 per day and valet parking rates are a maximum of $45.00 per day. Valet services are currently suspended because of the COVID-19 pandemic. The long-term parking garages were temporarily closed from March 20, 2020 to May 4, 2021 as a result of the COVID-19 pandemic.

On October 29, 2020, an online booking system was launched for all public parking facilities at the Airport. Through this booking system, Airport patrons are given the ability to prebook their parking and gain access to exclusive promotional offers. From October 29, 2020 through December 1, 2021, the Airport generated over $15.7 million in prebooking revenue. The revenue generated by the online booking system is anticipated to grow as passenger traffic recovers and the Airport's various marketing campaigns are implemented.

The Airport's parking facilities compete with off-airport facilities located near the Airport that are operated by private companies. These off-airport facilities offer more than 8,000 public remote parking spaces for Airport patrons. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Current Airport Facilities–*Public Parking and Rental Car Facilities*."

*TNCs and Other Ground Transportation*

Revenue from commercial ground transportation totaled $10.5 million in Fiscal Year 2020-21, a decrease of $36.7 million or 77.8% from Fiscal Year 2019-20, mainly due to the reduction in passenger traffic related to the COVID-19 pandemic. In Fiscal Year 2020-21, TNCs recorded 1.8 million Airport pick-ups/drop-offs resulting in $8.3 million in trip fee revenue as compared to 8.2 million Airport pick-ups/drop-offs and $36.9 million in trip fee revenue in Fiscal Year 2019-20. Commercial modes of transportation experienced decreases in trips in Fiscal Year 2020-21, including hotel shuttles (71.8%) shared-ride vans (97.9%), door-to-door pre-arranged vans (82.8%), limousines (77.5%), taxis (83.5%), scheduled buses (67.5%), charter buses (79.7%), and off-airport parking vans (50.5%).

For Fiscal Year 2021-22, the per trip fee for low occupancy commercial vehicle modes (including TNCs, limousines and taxi pickups; no charge for taxi drop-offs) is $5.50, and the per trip fee for high occupancy vehicle modes (defined as seven or more passengers) is $3.60.

**Concessions Revenues**

*Temporary Closures and Relief as a Result of the COVID-19 Pandemic*

Non-essential Airport concession operations, including duty free and non-newsstand retail, were temporarily closed in compliance with local stay-at-home directives in mid-March 2020. After the local restrictions were lifted, duty free and certain other retail concessions have reopened. Certain food and beverage concessions were temporarily closed because of significant reductions in passenger traffic levels since March 2020. The Airport also temporarily consolidated the operations of the two ITC boarding areas into one boarding area from April to September 2020. Currently, the main DFS Galleria stores and selected boutique locations have reopened along with approximately 80% of all food and beverage and retail locations. The remaining 20% that are closed are mostly located in the ITC.

The majority of the Commission's retail and food and beverage leases are structured for the Commission to receive rent equal to a percentage of gross revenues or a minimum annual guarantee ("MAG"), whichever is higher. On March 18, 2020, the Commission offered most of its concessionaires the option to defer most rent payments for April and May 2020, which were to be repaid no later than June 1, 2021. Such rent payments have either been forgiven, extended or are uncollected due to permanent closure. The Commission has not offered a similar option to the airlines.

On October 6, 2020, the Commission approved a program to forgive certain deferred rent for March, April and May 2020, as well as various tenant fees payable from March through December 2020, for eligible concessionaires, subject to certain payroll expenditure and rehiring program requirements. As a result, percentage rent for March 2020 remains deferred until no later than June 1, 2021 and all other rent for April and May 2020 has been forgiven. The Airport estimates that the total amount of forgone revenue under the rent relief program is approximately $21.8 million. The relief program has been approved by the Board of Supervisors of the City (the "Board of Supervisors") and is being implemented. In addition, the Airport plans to extend $ 29.7 million of additional rent relief to eligible concessionaires as required in connection with the two most recent federal coronavirus relief grant programs described under "CAPITAL PROJECTS AND PLANNING–Federal Grants."

The Airport's concession agreements with tenants also generally provide that the MAG is temporarily suspended, and the tenant is required to pay only a percentage of revenues as rent, if monthly enplanements in the relevant boarding area of the Airport are less than 80% of the enplanements of the same month in the calendar year immediately prior to the year in which the concession is awarded (the "reference month"), and this shortfall continues for three consecutive months. The MAG is reinstated once monthly enplanements equal or exceed 80% of the enplanements of the reference month for two consecutive months. MAGs were suspended under most such agreements beginning in June 2020, so starting in June 2020, most concessionaires are only required to pay a percentage of revenues as rent.

*Retail and Food and Beverage Program*

As of July 2021, the domestic terminals have 34 retail locations and 49 restaurants and the international terminal has 24 retail locations (including 12 duty free stores) and 21 restaurants. Some locations have been temporarily closed as a result of the COVID-19 pandemic. See "*–Temporary Closures and Relief as a Result of the COVID-19 Pandemic*" above.

Since the reopening of Terminal 2 in 2011, the Airport has been recognized with numerous concessions and travel industry awards and public accolades, and the concession offerings in Terminal 2 have become the model for future development of food and beverage and retail locations at the Airport.

Renovations of Terminal 1 are under way. A newly constructed portion of Terminal 1 referred to as Boarding Area B is opening in phases. Phase I opened in July 2019 with nine new operational gates and phase II opened in May 2020 with an additional nine gates. These two phases combined included 15 new restaurants and retail stores with an additional three locations planned to be opened between 2021 and 2022. Overall concessions square footage has increased from 14,192 to 20,956 and is expected to grow to approximately 55,000 square feet when the entire Terminal 1 renovation is complete. See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan–*Major Ascent Program–Phase I Capital Projects-Terminals.*"

Fully renovated portions of Terminal 3 opened in 2014 and 2015. Renovation of the remainder of Terminal 3, referred to as "Terminal 3 West," is expected to expand the terminal footprint to accommodate an increase in concessions square footage from approximately 21,310 square feet to approximately 35,747 square feet. The project is currently suspended. (See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan.")

A comprehensive renovation of the ITC concessions program is expected to be completed by December 2021 with the completion of duty free renovation. Twenty-one new food and beverage concepts, five new retail locations and 15 newly renovated retail stores have opened since 2017. Some concessions in the ITC and elsewhere at the Airport closed as a result of the COVID-19 pandemic, though many, but not all, have reopened as described under "–*Temporary Closures and Relief as Result of the COVID-19 Pandemic*."

The majority of the Commission's retail and food and beverage leases are structured for the Commission to receive a percentage of gross revenues or a MAG, whichever is higher. The MAG provides the Airport with a guaranteed amount of revenues paid on the first of each month, which amount is unaffected by customer sales activity. MAGs have been suspended under most concession agreements as a result of the COVID-19 pandemic as described above under "–*Temporary Closures and Relief as a Result of the COVID-19 Pandemic*."

In Fiscal Year 2020-21, food and beverage domestic terminal sales decreased from the prior year by 66.4% and ITC sales decreased from the prior year by 84.4% for an overall decrease of 70.9%. In Fiscal Year 2020-21, food and beverage domestic terminal revenues to the Airport decreased by 74.3% as compared to Fiscal Year 2019-20 and ITC revenues decreased from the prior year by 91.0% for an overall decrease of 78.5%. The overall decrease in both sales and revenues is mainly due to the reduction in passenger traffic related to the COVID-19 pandemic. The difference between sales and revenue decline reflects how the Airport's concessionaire leases are structured and the suspension of MAGs. Overall, the domestic terminal passenger food and beverage spend rate decreased by 14.3% in Fiscal Year 2020-21 over the prior Fiscal Year from $9.84 to $8.44 and the ITC food and beverage spend rate decreased by 21.8% from $9.41 to $7.36. The overall passenger food and beverage spend rate at the Airport in Fiscal Year 2020-21 was $8.28, a 15.2% decrease from Fiscal Year 2019-20.

In Fiscal Year 2020-21, retail sales, excluding duty free and duty paid, decreased 64.9% compared to the prior year, with a per passenger spend rate increase of 2.4% to $3.69 from $3.61. In Fiscal Year 2020-21, rent from retail concessions decreased 76.9%. Both decrease in sales and rent is primarily due to the reduction in passenger traffic related to the COVID-19 pandemic.

*Duty Free Program*

In April 2018, the Commission entered into a new concession agreement with DFS Group, L.P., which is exclusive for duty free sales and non-exclusive for duty paid sales. The new lease is for 12 stores covering about 46,295 square feet, primarily in the ITC, with one location in Terminal 1 anticipated to open by the end of 2022. ITC renovations under this concession agreement have been mostly completed. However, due to the impact of the COVID-19 pandemic, not all DFS Group, L.P. locations have opened. The 14-year base term of the lease commenced April 1, 2020. The term will be extended if the Airport constructs a single centrally located security checkpoint in the ITC and an accompanying retail plaza necessitating reconstruction of much of the duty free program within five years of lease expiration. Base rent for the duty free lease commenced April 1, 2020 and is the greater of a MAG of $42,000,000 or tiered percentage rent (45.8% for sales to $100,000,000; 41.8% for sales between $100,000,000 and $160,000,000; and 30% for sales above $160,000,000). The Airport and DFS Group have agreed to modify the rent for the first Lease Year (April through December 2020) for DFS Group to be 33% of gross revenues only, with no MAG. As a result of the travel restrictions and the protracted recovery from the COVID-19 pandemic, the Airport agreed to further modify the rent structure for Lease Years 2, 3 and 4 (January 2021 through December 2023) to continue with 33% of gross revenues until the earlier to occur of the reinstatement of MAG (described above under "–*Temporary Closures and Relief as a Result of the COVID-19 Pandemic*" herein) or the end of Lease Year 4.

*Advertising Program*

Clear Channel Airports has held the advertising concession lease with the Commission since 2001. The Commission entered into a lease with Clear Channel commencing July 1, 2013 and ending December 31, 2022, which requires Clear Channel Airports to pay the Commission a fixed rent amount of $10.0 million (as adjusted pursuant to the lease) per lease year. The fixed rent for calendar year 2020 was $12,135,035.68.

**Top Ten Sources of Concession Revenues**

In Fiscal Year 2020-21, concession revenues, including revenues for parking and other ground transportation, were $101.3 million, a 60.3% decrease compared to the previous Fiscal Year's revenues of $255.3 million.

The following table summarizes concession revenues for Fiscal Years 2018-19 through Fiscal Year 2020-21 attributable to the Airport's largest concession revenue sources. For the purpose of this table, "Concession Revenue" is defined as fees and rentals collected by the Commission for: (i) the right to provide and operate restaurants, bars, car rental services, newsstands, gift shops, specialty shops, advertising displays, public telephones and other merchandising concessions and consumer services in the Terminal Area; (ii) the right to provide and operate courtesy vehicles, ground transportation services, hotels, service stations and other concessions and services in the groundside area; and (iii) other activities and services in the groundside area of the Terminals such as public automobile parking and traffic fines.

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## TOP TEN SOURCES OF AIRPORT CONCESSION REVENUES*

| Concessionaire/Manager | Concession Revenue Sources | Lease/Agreement Expiration Date | FY 2018-19 Concession Revenue ($ in thousands) | FY 2019-20 Concession Revenue ($ in thousands) | FY 2020-21 Concession Revenue ($ in thousands) |
|---|---|---|---|---|---|
| Clear Channel Airports | Advertising | 12/31/23(1) | $11,532 | $ 11,957 | $ 12,202 |
| Enterprise Rent-a-Car Rental, LLC (formerly EAN, LLC) | Rental Car | 8/31/25(2,3) | 14,465 | 13,541 | 4,417 |
| The Hertz Corporation | Rental Car | 8/31/25(2,4) | 9,735 | 8,641 | 3,637 |
| Avis Budget Rental Car, LLC | Rental Car | 8/31/25(2,5) | 9,838 | 9,189 | 3,313 |
| DFS Group, L.P. | Duty Free and General Merchandise | Various(6) | 32,347 | 24,348 | 2,776 |
| American Express Travel Related Services Co., Inc. | VIP Club | 11/05/24(7) | n/a | n/a | 2,255 |
| Alclear, LLC. | Travel Service | 12/31/23 (8) | n/a | 2,518 | 2,239 |
| Fox Rent A Car, Inc. | Rental Car | 8/31/20(2,9) | n/a | n/a | 896 |
| Sprint Spectrum | Wireless Network | Active Holdover(10) | n/a | n/a | 719 |
| GTE MobilNet of California | Wireless Network | Active Holdover(10) | n/a | n/a | 719 |
| T-Mobile | Wireless Network | Active Holdover(10) | n/a | n/a | 719 |
| New Cingular Wireless | Wireless Network | Active Holdover(10) | n/a | n/a | 719 |
| Tastes on the Fly San Francisco, LLC | Food and Beverage | Various(11) | 6,112 | 5,844 | 708 |
| Travelex America, Inc. | Currency Exchange | 8/31/2020(12) | 6,063 | 5,701 | n/a |
| DTG Operations Rental Car | Rental Car | 12/31/18(2,13) | 4,253 | 4,270 | n/a |
| WDFG North America, LLC (Formerly Host International Inc.) | General Merchandise | Various(14) | 2,986 | 2,699 | n/a |
| Pacific Gateway Concessions | General Merchandise | Various(15) | 3,075 | n/a | n/a |
| Sub Total | | | **$100,406** | **$88,708** | **$35,317** |
| Other Revenue(16) | | | 227,006 | 166,630 | 78,597 |
| Total Concession Revenue | | | **$327,412** | **$255,338** | **$113,914** |

* See also "–Concession Revenues." As a result of the COVID-19 pandemic, minimum annual guarantees have been waived or are otherwise not in effect. See "–Concession Revenues–*Temporary Closures and Relief as a Result of the COVID-19 Pandemic*."

(1) The fixed rent for Clear Channel in Fiscal Year 2020-21 was $12.2 million.

(2) The Commission receives multiple revenue streams from rental car companies (such as concessions rent, facilities rent, transportation and facilities fees). Revenue in this table reflects only the concession rent.

(3) Doing business as Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental. Enterprise Rent-a-Car Rental, LLC was subject only to percentage rent (not a minimum annual guarantee) in Fiscal Year 2020-21.

(4) The Hertz Corporation was subject only to percentage rent (not a minimum annual guarantee) in Fiscal Year 2020-21.

(5) Doing business as Avis Rent-A-Car and Budget Rent-A-Car. Avis Budget Rental Car, LLC was subject only to percentage rent (not a minimum annual guarantee) in Fiscal Year 2020-21.

(6) There are two concession leases for DFS Group: a duty paid lease and a duty free lease. In Fiscal Year 2020-21, both leases were subject only to percentage rent (not a minimum annual guarantee). The duty paid lease expires January 31, 2028; the duty free lease expires March 31, 2034

(7) American Express Travel Services rents space for its common use club at CAT II rate, which is based on square footage rented multiplied by category II terminal rental rate. Category rates are adjusted every year.

(8) The total minimum annual guaranteed rent for Alclear, LLC. in Fiscal Year 2020-21 was $1.6 million.

(9) Fox Rent A Car on-airport lease ceased 08/31/2020. Off-airport lease commenced September 2020. In Fiscal Year 2020-21, Fox Rent A Car, Inc. was subject only to percentage rent (not a minimum annual guarantee).

(10) These tenants are on active holdover status and paid fixed rent in Fiscal Year 2020-21.

(11) Tastes on the Fly operates various locations within the Airport, each with a different expiration date. Tastes on the Fly paid percentage rent (and was not subject to a minimum annual guarantee) in Fiscal Year 2020-21.

(12) Travelex America lease ended August 31, 2020.

(13) Doing business as Dollar Rent-A-Car and Thrifty Car Rental. DTG Operations Rental Car was not one of the top ten sources of concession revenue in Fiscal Year 2020-21.

(14) WDFG North America, LLC (Formerly Host International Inc.) operates various locations within the Airport, each with a different expiration date. WDFG North America, LLC was not one of the top ten sources of concession revenue in Fiscal Year 2020-21.

(15) In Fiscal Year 2018-19, Pacific Gateway Concessions operated various locations within the Airport, each with a different expiration date. Pacific Gateway Concessions was not one of the top ten sources of concession revenues in Fiscal Year 2019-20 or Fiscal Year 2020-21.

(16) Represents the aggregate concession revenue received from approximately 82 additional concessionaires operating 142 concessions, public parking and ground transportation operators at the Airport, including public parking revenues of approximately $96.9 million in Fiscal Year 2018-19, and approximately $65.3 million in Fiscal Year 2019-20, and approximately $34.2 million in Fiscal Year 2020-21, and TNC trip fee revenues of approximately $52.2 million in Fiscal Year 2018-19, approximately $36.9 million in Fiscal Year 2019-20, approximately $8.3 million in Fiscal Year 2020-21.

Source: Commission.

**Passenger Facility Charge**

Prior to 2001, the Airport financed its capital program primarily through the issuance of revenue bonds and commercial paper secured by a pledge of the Net Revenues of the Airport, federal grants and Airport operating revenues. In 2001, the Airport received authorization from the FAA to commence collection and use of a PFC in the amount of $4.50 per enplaning passenger to pay for certain eligible capital projects as approved by the FAA. The PFC revenues received by the Airport are subject to audit and final acceptance by the FAA and costs reimbursed with PFC revenues are subject to adjustment upon audit.

*PFC Applications*

The following is a summary of the Airport's approved PFC applications through December 31, 2021.

**SUMMARY OF AIRPORT PFC APPLICATIONS**
**As of December 31, 2021**

| Application # | Date of Application | Date of FAA Approval | Original Amount (millions) | Revised Amount (millions) | Expiration Date[(a)] | Collected[(b, g)] (millions) | Remaining (millions) |
|---|---|---|---|---|---|---|---|
| 1[(c)] | March 2001 | July 2001 | $113 | $ 0 | June 2003 | $ 0 | $ 0 |
| 2 | November 2001 | March 2002 | 224 | 224 | November 2005 | 224 | 0 |
| 3[(d)] | July 2003 | November 2003 | 539 | 609 | November 2013 | 609 | 0 |
| 5[(e)] | October 2010 | October 2013 | 610 | 742 | October 2024 | 736 | 6 |
| 6[(f)] | July 2013 | June 2015 | 141 | 0 | March 2026 | 0 | 0 |
| 7[(f)] | October 2016 | May 2017 | 320 | 0 | February 2030 | 0 | 0 |
| 8[(f)] | June 2018 | October 2018 | 537 | 537 | March 2029 | 0 | 537 |
| 9[(h)] | October 2020 | January 2021 | 209 | 209 | December 2030 | 0 | 209 |
| | TOTAL[(i)]: | | | $2,321[(i)] | | $1,569[(i)] | $752[(i)] |

(a) The Commission expects to complete collection of its current authorization in Fiscal Year 2028-29.
(b) Includes interest earnings on collections.
(c) The Airport suspended the project to be funded by PFC revenues under Application #1 in June 2003 and submitted an amendment to delete Application #1 in December 2003. The FAA approved this request in January 2004. The PFC collections under the original Application #1, totaling $112.7 million, were applied toward Application #2. As such, the $224.0 million of PFC collections under Application #2 includes $112.7 million collected under Application #1.
(d) The Airport submitted, and later withdrew, PFC Application #4 for an authorization of $70 million. The $70 million was then included in the revised authorization amount under Application #3.
(e) On November 7, 2014, the FAA approved the Airport's amendment to PFC Application #5 for an additional $131.3 million with an extended collection period through October 1, 2024.
(f) On October 4, 2018, the FAA approved the Airport's PFC Application #8, which combined PFC Application #6, as amended and PFC Application #7 for a new combined total of $537 million of collection and spending authority, with an estimated expiration date of March 1, 2029. PFC Application #8 resulted in FAA administrative amendments for PFC Applications #6 and #7 to close out and transfer the collections and projects to PFC Application #8.
(g) Preliminary. Accrual basis.
(h) On January 13, 2021, the FAA approved the Airport's PFC Application #9 for an additional $209 million with an extended collection period through December 1, 2030.
(i) Totals may not add due to rounding.
Source: Commission.

The Commission expects that its current PFC authorization will be fully collected in Fiscal Year 2028-29. The Commission intends to submit further PFC applications to the FAA that would permit it to continue collecting PFCs at a $4.50 rate and provide for increased PFC collection and use authority in the future, including requests for authorization to use PFC revenues to pay debt service associated with the Terminal 1 and Terminal 3 redevelopment projects.

The Office of Inspector General (the "OIG") of the U.S. DOT recently reviewed the FAA's administration and oversight of airport operators' compliance with the use of PFC funds. The Airport was included in the OIG's review. In December 2018, OIG reported its findings, that most public agencies comply with PFC program requirements, but FAA could use available tools more effectively to strengthen its oversight. FAA concurred or partially concurred with all of the OIG recommendations except one for FAA to monitor ongoing use of PFC-funded assets.

*Designation of PFC Collections as Revenues*

PFC collections are not included in the definition of "Revenues" under the 1991 Master Resolution. The Commission, however, has the ability but not the obligation under the 1991 Master Resolution to designate some portion or all of such collections as "Revenues" for a given Fiscal Year. These amounts so designated thus contribute to the Airport's calculation of debt service coverage for purposes of its rate covenant. The actual amount of PFC collections to be designated as "Revenues" and used to pay debt service is dependent, in part, upon the amounts permitted for such use by PFC regulations and the Airport's PFC applications. To date, the Commission has determined the amount eligible to be designated as Revenues prior to the start of each Fiscal Year. The Commission authorizes the Airport Director to adjust this amount, depending upon actual PFC collections during the Fiscal Year, Airport net revenues relative to budget, and other factors. PFC collections that are not applied as "Revenues" and used to pay debt service on related Bonds are deposited and retained in a separate account and are available to be applied for such purposes in future Fiscal Years. As of December 31, 2020, the Airport reported to the FAA a balance of $397.8 million in such account, which may be used to pay debt service on related Bonds or for other purposes. Set forth in the table below is a summary of Airport PFC collections and amounts applied to pay debt service for the ten most recent Fiscal Years. The Commission has authorized the Director to designate up to $397 million of PFCs as Revenues in Fiscal Year 2020-21 or Fiscal Year 2021-22. The Director did not designate any PFCs as Revenues in Fiscal Year 2020-21, leaving the full $397 million available to be applied to pay debt service in Fiscal Year 2021-22.

**PFC COLLECTIONS APPLIED BY THE COMMISSION FOR PAYMENT OF DEBT SERVICE ON OUTSTANDING BONDS**

| Applicable Fiscal Year | PFC Collections (millions)[(1)] | PFC Designated as Revenues (millions)[(2)] | Amount Applied to Pay Debt Service (millions)[(3)] |
|---|---|---|---|
| 2020-21 | $29.3 | $397.0 | $0.0 |
| 2019-20 | 83.7 | 523.6 | 151.8 |
| 2018-19 | 124.8 | 67.9 | 63.3 |
| 2017-18 | 115.1 | 31.7 | 4.1 |
| 2016-17 | 105.9 | 44.9 | 23.4 |
| 2015-16 | 100.2 | 58.1 | 43.1 |
| 2014-15 | 93.2 | 62.6 | 47.6 |
| 2013-14 | 88.0 | 60.2 | 35.7 |
| 2012-13 | 85.1 | 51.5 | 45.0 |
| 2011-12 | 82.3 | 88.5 | 73.0 |

(1) Includes PFC collections and related interest earned for the year. Based on Audited Financial Statements.
(2) Amount authorized to be designated as Revenues to be applied to pay debt service. Accumulated PFCs from prior years can be designated in future years.
(3) Amount actually applied to pay debt service. Accumulated PFCs from prior years can be applied to pay debt service in future years.
Source: Commission.

The Commission's receipt of PFC revenues is subject to certain risks. A shortfall in PFC revenues or a decision by the Commission not to designate PFCs as Revenues may require the Commission to increase landing fees and terminal rentals to pay its debt service on the Bonds.

*Collection of PFCs in the Event of Airline Bankruptcy*

In order to ensure continuation of the PFC program, including the trust fund status of collected PFCs, Congress amended the PFC enabling legislation effective December 12, 2003, to provide additional specific obligations for an air carrier operating under bankruptcy protection in Chapter 7 or Chapter 11. The statute provides that (i) the air carrier must segregate in a separate account an amount of PFCs equal to its average monthly liability,

(ii) PFCs are funds held in trust for each airport regardless of the ability to identify or trace precise funds, (iii) the air carrier may not pledge the PFCs to a third party, (iv) an airport is entitled to recover costs for enforcing an air carrier's compliance with the statute, (v) the air carrier may keep any interest income earned on the segregated PFCs if it is in compliance with the PFC enabling legislation, and (vi) PFCs may not be commingled with other air carrier revenues.

While the PFC enabling legislation provides that PFCs are trust funds both before and after an air carrier files for bankruptcy protection, there can be no assurance that, in the event of a bankruptcy, the air carrier will have collected, retained, segregated or properly accounted for its PFCs, or that the Airport would be able to collect from the air carrier the PFCs that the airline collected prior to the bankruptcy filing, or that any such collection would be timely.

**Operating Expenses**

Fiscal Year 2020-21 operating expenses decreased $16.7 million (1.8%) to $914.4 million from $931.1 million in Fiscal Year 2019-20. This decrease was primarily attributable to decreases in expenses for contractual services, On-Airport Hotel, light, heat and power, services provided by other City departments, materials and supplies, and general and administrative expenses. Personnel expenses increased $6.6 million primarily due to higher OPEB expenses and partially offset by lower pension expenses. Depreciation increased $19.0 million (6.1%), primarily due to the additions of capital assets related to the partial opening of Terminal 1, the Terminal Management System upgrade, and the International Terminal Baggage Handling System upgrade. Contractual services decreased $26.9 million (25.9%), primarily due to lower professional services expenses, such as parking and curbside management and shuttle bus, and fewer expenses related to debt financing. The On-Airport Hotel operating expense decreased $0.8 million (5.3%) primarily due to cost containment measures implemented and the reduction of fixed expenses in response to the impacts of COVID-19. Light, heat and power expenses decreased $0.9 million (3.3%) primarily due to lower consumption. Services provided by other City departments decreased $0.2 million (0.7%), primarily due to a decrease in legal services and partially offset by an increase in insurance expenses. Repairs and maintenance expenses increased $1.6 million (3.3%), primarily due to higher equipment maintenance costs. Materials and supplies expenses decreased $3.8 million (24.7%), primarily due to the centralization of materials and supplies procurement which resulted in better pricing. General and administrative expenses decreased $13.4 million (69.9%), primarily due to higher estimated bad debt expense related to the Airport's COVID-19 Emergency Rent Relief Program for concession tenants in Fiscal Year 2019-20. Environmental remediation expenses increased $2.0 million (59.6%), primarily due to the expenses incurred in the Superbay Hangar Fire Protection Improvements project.

*Review and Adjustment to Operating Expenditures*

Each quarter, the Airport produces a financial forecast for the operating budget. If this forecast were to project that the operating budget would be in a deficit by the end of the Fiscal Year, Airport management likely would implement cost control measures. These cost control measures have included, but are not limited to, workforce reductions or hiring freezes on positions except those that have a direct impact on safety and security, and cuts in discretionary expenditures, such as professional service contracts.

**Payments to the City**

*Annual Service Payment*

Under the Lease and Use Agreements, the Commission makes an "Annual Service Payment" to the City in part to compensate the City for certain indirect services, management and facilities that it provides to the Airport and the Commission. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements–*Lease and Use Agreements*" and "Payments from Commission to City" in APPENDIX E. The Annual Service Payment is equal to the greater of (i) $5 million or (ii) 15% of "Concession Revenues" (as defined in APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS–Payments from Commission to City"), and is paid by the Commission in quarterly installments based on estimates and reconciled at year-end. The Annual Service Payment is made only after the payment of Operation and Maintenance Expenses and debt service on outstanding revenue bonds of the Commission, including the Series 2022A-C Bonds, and certain other expenditures. See "SECURITY FOR THE SERIES 2022A-C BONDS–Flow of Funds." The amount of Annual Service Payment for each of Fiscal Years 2016-17 through 2020-21 is set forth below.

The Annual Service Payment has been grandfathered under the FAA's 1999 *Policies and Procedures Concerning the Use of Airport Revenue.* However, the grandfathered status may not continue indefinitely. The FAA or new federal legislation may change or revoke this status. The 2018 FAA Act included a provision that would require the Comptroller General of the United States to initiate within 180 days of enactment of the Act a study of (1) the legal and financial challenges related to repealing such "grandfathering" for the Airport and other airports the FAA has identified as "grandfathered"; and (2) measures that may be taken to mitigate the impact of repealing the exception. The U.S. Government Accountability Office ("GAO") published the required report, titled "Grandfathered Revenue Diversion and Potential Implications of Repeal," on September 8, 2020. GAO analyzed FAA financial data on grandfathered airports' revenue diversion for fiscal years 1995 through 2018 and worked with officials from nine grandfathered airport sponsors, including the City, and representatives from bond rating agencies, airline and airport associations, and airlines that serve grandfathered airports in developing the report. The report discusses the complicated effects that would result from a repeal of the provisions that created these revenue diversion exemptions and the significant disruptions likely to result if a repeal were to be enacted. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Federal and State Laws and Regulations–*Federal Law Prohibiting Revenue Diversion.*" Also see "CAPITAL PROJECTS AND PLANNING–Federal Grants" and APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS–Event of Default; Termination or Suspension of Lease and Use Agreement Provisions-*Commission's Right to Suspend Part of Lease and Use Agreement.*"

*Payments for Direct Services*

In addition to the Annual Service Payment, the Lease and Use Agreements permit the Commission to reimburse the City's General Fund for the cost of direct services provided by other City departments to the Airport, such as those provided by the Police Department, the Fire Department, the City Attorney, the City Treasurer, the City Controller, the City Purchasing Agent and other City departments. Set forth in the table below is a summary of the payments made by the Airport to the City for Fiscal Years 2016-17 through 2020-21. The Commission is otherwise prohibited under the Lease and Use Agreements from making any payments to the City, directly or indirectly. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Airline Agreements–*Lease and Use Agreements*" and APPENDIX E. Also see "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Federal and State Laws and Regulations–*Federal Law Prohibiting Revenue Diversion*."

**SUMMARY OF PAYMENTS MADE BY THE AIRPORT TO THE CITY**
**($ in millions)**

| | Annual | Reimbursement for Direct Services | | | | | |
|---|---|---|---|---|---|---|---|
| Fiscal Year | Service Payment | Police | Fire | Other(1) | Utility Costs | Subtotal | Total |
| 2020-21 | $14.7 | $69.4 | $26.9 | $29.0 | $48.2(2) | $173.5 | $188.2 |
| 2019-20 | 33.5 | 69.5 | 27.1 | 33.4 | 53.5(3) | 183.5 | 217.0 |
| 2018-19 | 49.1 | 65.2 | 25.0 | 29.2 | 51.9(4) | 171.3 | 220.4 |
| 2017-18 | 46.5 | 58.8 | 24.2 | 23.6 | 49.7(5) | 156.3 | 202.8 |
| 2016-17 | 45.0 | 52.2 | 22.4 | 23.7 | 49.1(6) | 147.4 | 192.4 |

(1) Represents costs of direct services provided by the City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments.
(2) Approximately $19.2 million in utility costs were recovered from Airport tenants
(3) Approximately $23.6 million in utility costs were recovered from Airport tenants.
(4) Approximately $22.8 million in utility costs were recovered from Airport tenants.
(5) Approximately $22.9 million in utility costs were recovered from Airport tenants.
(6) Approximately $22.3 million in utility costs were recovered from Airport tenants.
Source: Commission.

*Employee Benefit Plans*

Retirement System. All of the employees of the Airport are members of the San Francisco City and County Employees' Retirement System (the "Retirement System"), which is charged with administering a defined benefit pension plan that covers substantially all City employees and certain other public employees. The Retirement System was initially established by approval of City voters on November 2, 1920 and the State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election. The Retirement System is administered by the Retirement Board (the "Retirement Board") consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that the Retirement System expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the December 9, 2020 Retirement Board meeting, the Retirement Board adopted all recommended demographic assumptions from the experience study dated August 12, 2020. The most significant adjustment was the update to the new Society of Actuaries public plan mortality tables, Pub-2010, for both general and safety members. The Retirement Board also adopted lower price and wage inflation rates, from 2.75% to 2.50% and from 3.50% to 3.25%, respectively. The new assumptions are first effective for the July 1, 2020 actuarial valuation. The Retirement Board had previously voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40% at its November 2018 meeting, effective for the July 1, 2018 actuarial valuation.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

Prospective purchasers of the Series 2022A-C Bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the Series 2022A-C Bonds are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

The table on the next page shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the Fiscal Years 2015-16 through 2019-20. Information is shown for all employers in the Retirement System. "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the Fiscal Year ended June 30th prior to the July 1st valuation date. The Fund's last actuarial valuation was as of July 1, 2020 and was issued in June 2021.

**CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM**
**End of Fiscal Years 2015-16 through 2019-20**
**($ in thousands)**

| As of July 1st | Actuarial Liability | Market Value of Assets | Actuarial Value of Assets | Market Percent Funded | Actuarial Percent Funded | Employee and Employer Contribution in Prior FY | Employer Contribution Rates† in Prior FY |
|---|---|---|---|---|---|---|---|
| 2020 | $29,499,918 | $26,620,218 | $26,695,845 | 90.2% | 90.5% | $1,143,634 | 25.19% |
| 2019 | $28,798,581 | $26,078,649 | $25,247,549 | 90.6 | 87.7 | 1,026,036 | 23.31 |
| 2018 | 27,335,417 | 24,557,966 | 23,866,028 | 89.8 | 87.3 | 983,763 | 23.46 |
| 2017 | 25,706,090 | 22,410,350 | 22,185,244 | 87.2 | 86.3 | 868,653 | 21.40 |
| 2016 | 24,403,882 | 20,154,503 | 20,654,703 | 82.6 | 84.6 | 849,569 | 22.80 |

† Employer contribution rates are shown before required employer/employee cost-sharing.
Source: Retirement System Actuarial Valuation reports as of July 1, 2016, July 1, 2017, July 1, 2018, July 1, 2019 and July 1, 2020.

As shown in the table above as of July 2020, the "Market Percent Funded" ratio is slightly lower than the "Actuarial Percent Funded" ratio. The "Actuarial Percent Funded" ratio does not yet fully reflect the net asset losses from the last five fiscal years.

The actuarial accrued liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with the Retirement Board policy.

The Airport is required to contribute at the actuarially recommended rate of contribution. The Airport's required contributions for Fiscal Years 2016-17 through 2021-22 are set forth below.

**AIRPORT CONTRIBUTIONS TO THE RETIREMENT SYSTEM**

| Fiscal Year | Contribution Rate | Airport Contribution |
|---|---|---|
| 2021-22 | 24.41% | $48.3 million^α |
| 2020-21 | 26.90 | 52.6 million |
| 2019-20 | 25.19 | 46.3 million |
| 2018-19 | 23.31 | 38.3 million |
| 2017-18 | 23.46 | 38.3 million |
| 2016-17 | 21.40 | 34.1 million |

α Budgeted.
Sources: Retirement System Actuarial Valuation Reports and Commission.

Medical Benefits. Medical and COBRA benefits for eligible active Airport and City employees and eligible dependents, for retired Airport and City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the City's Health Service System (the "Health Service System") pursuant to Charter Sections 12.200 et seq. and A8.420 et seq. Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of the San Francisco Unified School District, San Francisco Community College District and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is only required to fund medical benefits for City Beneficiaries. The contributions for health care benefits made by the Airport for Fiscal Years 2016-17 through 2020-21 and budgeted for 2021-22 are set forth in the following table:

**AIRPORT CONTRIBUTIONS TO THE HEALTH SERVICE SYSTEM**[(1)]
($ in millions)

| Fiscal Year | Active Employees | Retirees | Total |
|---|---|---|---|
| 2021-22 | $33.6[†] | $17.4[†] | $51.0[†] |
| 2020-21 | 36.3 | 14.0 | 50.3 |
| 2019-20 | 35.8 | 13.3 | 49.1 |
| 2018-19 | 33.6 | 12.1 | 45.7 |
| 2017-18 | 32.1 | 11.7 | 43.8 |
| 2016-17 | 29.5 | 10.9 | 40.4 |

(1) Historical information has been restated to capture an updated comprehensive allocation of Health Service System costs, including contributions made for Fire and Police personnel allocable to the Airport, and to apply an updated methodology identifying direct and allocable costs prorated between active employees and retirees for each Fiscal Year.
† Budgeted.
Source: Commission.

The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven-member Health Service Board is composed of one member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; one member nominated by the City Controller and approved by the Health Service Board; and three members of the Health Service System, active or retired, elected from among their members.

The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the HSS Beneficiaries are funded. The Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (628) 652-4646. Audited annual financial statements for several years are also posted in the Health Service System website: https://www.sfhss.org/reports, however the information available on the Health Service System website is not incorporated in this Official Statement by reference.

Under the Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB trust fund"). Thus, Governmental Accounting Standards Board ("GASB") Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions ("GASB 45"), and GASB 75, which apply to OPEB trust funds do not apply to the Health Service Trust Fund.

Post-Employment Health Care Benefits. The Airport participates in the City's agent multiple employer defined benefit plan (the "Plan"), which operates as a cost-sharing multiple employer defined benefit plan for the Airport. Eligibility of former City employees for retiree health care benefits is governed by the Charter, as amended by Proposition B, passed by voters on June 3, 2008, and Proposition C, passed by the voters on November 8, 2011. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement after age 50 and completing five years of City service. Employees hired on or after January 10, 2009 and a spouse or dependent are potentially eligible for gradually vesting health benefits following retirement after age 50 and completing 20 years of City service (for full benefits), subject to other eligibility requirements.

The benefits provided under the Plan are currently paid through "pay-as-you-go" funding. Active City officers and employees contribute a percentage of compensation that varies depending on their hire date.

In June 2015, GASB issued GASB 75, which revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The City implemented GASB 75 in its audited financial statements for Fiscal Year 2017-18. As a result, GASB 75 is reflected in the Financial Statements attached as APPENDIX A.

As of June 30, 2021, the City reported net OPEB liabilities related to the Plan of $3.8 billion. The Airport's proportionate share of the City's net OPEB liability as of June 30, 2021 was $258.5 million. For the year ended June 30, 2021, the Airport's proportionate share of the City's OPEB expense was $36.3 million. See Note 10(b) in APPENDIX B–"FINANCIAL STATEMENTS WITH SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITORS' REPORT THEREON)."

As of June 30, 2021, the Airport had set aside $146.1 million in a separate fund (a sub-fund of the Airport's operating fund) for purposes of the OPEB obligations, and such amount is included in Unrestricted Cash and Investments in the Airport's audited financial statements for Fiscal Year 2020-21. The disposition of this fund is under management's discretion and has not been placed in a trust fund.

The Health Service System issues a publicly available financial report that includes financial statements for the health care benefits plan. 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.

**Budget Process and Budget**

The Airport budget is a part of the overall budget which is reviewed and approved according to the City's laws and policies. Starting in Fiscal Year 2012-13, the City's enterprise departments, which include the Airport, began submitting two-year budget proposals for review and approval. The Airport's proposed two-year budget is approved by the Commission before being submitted to the Mayor. The Mayor's Office reviews and may amend the Airport's proposed budget, and then incorporates the proposed budget into the overall City budget that is submitted to the Board of Supervisors for approval. Under the Charter, the Board of Supervisors may increase or decrease any proposed expenditure in the Mayor's budget so long as the aggregate changes do not cause the expenditures to exceed the total amount of revenues proposed by the Mayor. The Charter further provides that the Mayor may reduce or reject any expenditure authorized by the Board of Supervisors except appropriations for bond interest, redemption or other fixed charges, subject to reinstatement of any such expenditure by a two-thirds vote of the Board of Supervisors. The budget may be amended through a supplemental appropriation request, which is prepared by the Controller, submitted by the Mayor's Office and reviewed and approved by the Board of Supervisors.

The budget development for Fiscal Year 2021-22 focused on providing necessary funding to meet operational needs and support safety and security as we continue to recover from the COVID-19 pandemic.

The approved operating budget for the Airport for Fiscal Year 2021-22 is $1.21 billion. Budgeted total revenues in the amount of $1.21 billion include aviation revenues ($672.7 million), parking and concessions ($135.1 million), other non-aviation revenues ($81.1 million) and non-operating revenues (including federal grants) ($325.5 million). Budgeted total expenditures for Fiscal Year 2021-22 are $1.21 billion, including personnel costs ($276.7 million), non-personnel services, materials and supplies, equipment, and contribution to surety bond fund ($186.4 million), small capital outlay ($5.0 million), debt service ($521.4 million), utilities ($49.0 million), services of other departments, including Fire and Police Departments ($137.8 million), the Annual Service Payment ($23.0 million), and facilities maintenance ($15.0 million). This compares to an approved operating budget for the Airport for Fiscal Year 2020-21 of $1.23 billion.

**Risk Management and Insurance**

Under the 1991 Master Resolution, the Commission 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 Commission and to file with the Trustee each year a written summary of all insurance coverage then in effect. The Commission is not required to nor does it carry insurance or self-insure against any risks due to land movement or seismic activity.

The Airport carries aviation liability insurance coverage of $1 billion with $250 million in war perils liability, subject to a deductible of $10,000 per occurrence. Immediately following the events of September 11, 2001, insurers cancelled their coverages 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. However, the scope of the coverage is limited and the premiums are high. Due to these factors, the Commission, in consultation with the City's Director of Risk Management, has elected not to secure such coverage but to purchase war perils liability coverage as part its aviation liability program.

The Airport also carries commercial property insurance coverage of $1 billion per occurrence subject to a deductible of $500,000 per occurrence. This policy includes flood coverage up to a $10 million sub-limit. The Airport also carries business interruption and extra expenses insurance up to a $100 million pooled sub-limit. For pandemic related business interruption losses in Fiscal Year 2019-20, the Airport filed a claim with its property insurance carrier that is being evaluated. The Airport cannot predict whether any funds will be recovered as a result of the claim. In Fiscal Year 2020-21, the Airport's carrier changed its policy language to reduce the likelihood of coverage in the event of a pandemic event.

The Airport is self-insured as part of the City's workers' compensation program. The Airport carries public officials and employment practices liability coverage of $5 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 public employee dishonesty, fine arts, cyber liability, watercraft liability for Airport fire and rescue vessels, and target range liability for the San Francisco Police Department's firearm range located at the Airport.

**Investment of Airport Funds**

Under the Charter and the 1991 Master Resolution, the Revenue Fund and the accounts therein, including the Contingency Account, are held by the Treasurer. The 1991 Master Resolution further provides that moneys in all funds and accounts (including Revenues) established under the 1991 Master Resolution which are held by the Treasurer shall be invested in Permitted Investments in accordance with the policies and procedures of the Treasurer in effect from time to time. For definitions of "Revenues" and "Permitted Investments" under the 1991 Master Resolution, see APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Certain Definitions." The Proposed Amendments would modify the definition of Permitted Investments. See "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" and in Appendix H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION."

Under the Treasurer's current investment procedures, amounts in the Airport's Revenue Fund, Contingency Account, PFC Account and Construction Fund are invested in the City's larger pooled investment fund (the "City Pool"). Payments due from the Revenue Fund and the Construction Fund are made from the City Pool. Among other purposes, the City Pool serves in effect as a disbursement account for expenditures from the City's various segregated and pooled funds.

The Treasurer's investment policy is updated periodically. The objectives of the Treasurer's current investment policy, in order of priority, are preservation of capital, maintenance of liquidity and yield. The Treasurer calculated the current weighted average maturity of these investments as of October 31, 2021 to be 584 days.

Set forth in the table below are the approximate book values of amounts in the City Pool allocable to the Construction Fund, the Operating Fund, the Contingency Account, PFC Funds and the Special Revenue Fund. These amounts include certain minimum balances maintained in the City Pool for liquidity purposes. Also set forth below are the types of investments in the City Pool, and the percentage of total book value of the City Pool as of such date. As of October 31, 2021, the book value of the City Pool was approximately $12.7 billion. A number of the Airport's reserves are restricted to particular uses. Bondholders should not assume that funds other than the Contingency Account, the applicable reserve fund held under the 1991 Master Resolution, and amounts on deposit at any given time in the Revenue Fund will be available for the repayment of the Bonds.

**INVESTMENT DISTRIBUTION OF CITY POOLED INVESTMENT FUND**
(as Percentage of Book Value)
(as of October 31, 2021)

| | |
|---|---|
| U.S. Treasuries | 42.94% |
| Federal Agencies | 33.08 |
| Commercial Paper | 0.99 |
| Money Market Funds | 5.57 |
| Supranationals | 2.15 |
| Public Time Deposits | 0.32 |
| Negotiable Certificates of Deposit | 14.97 |
| TOTAL | 100.00% |

Totals may not add due to rounding.
Source: Office of the Treasurer & Tax Collector of the City and County of San Francisco.

As of June 30, 2021, the book value of the Airport's cash and investments held in the City Pool was estimated to be approximately $1.6 billion.

**BOOK VALUE OF AIRPORT FUNDS IN CITY POOLED INVESTMENT FUND**
(as of June 30, 2021)

| | |
|---|---|
| Construction Funds | $562.7 million |
| Operating Fund | 451.3 million |
| Contingency Account | 167.2 million |
| PFC Funds | 417.2 million |
| Special Revenue Fund | 0.5 million |
| TOTAL | $1,598.9 million |

Source: Commission.

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**Currently Outstanding Bonds**

The Commission had outstanding $7,877,070,000 in aggregate principal amount of Second Series Revenue Bonds as of January 1, 2022. Some of these Bonds are expected to be refunded on the date of issuance of the Series 2022A-C Bonds with certain proceeds of the Series 2022A-C Bonds and certain other available moneys of the Commission. See "PLAN OF FINANCE AND REFUNDING" and APPENDIX I – "LIST OF REFUNDED BONDS."

| Series | Dated Date | Outstanding Principal (as of 1/1/22) | Purpose |
|---|---|---|---|
| 2009D (Non-AMT/Private Activity)† | November 4, 2009 | $51,615,000 | Refunding |
| 2010A (AMT) | February 10, 2010 | 125,605,000 | Refunding |
| 2012A (AMT)† | March 22, 2012 | 208,020,000 | Refunding |
| 2012B (Non-AMT/Governmental Purpose)† | March 22, 2012 | 107,465,000 | Refunding |
| 2013A (AMT)† | July 31, 2013 | 303,940,000 | New Money |
| 2013B (Non-AMT/Governmental Purpose)† | July 31, 2013 | 87,860,000 | New Money |
| 2014A (AMT)† | September 24, 2014 | 376,310,000 | New Money |
| 2014B (Non-AMT/Governmental Purpose)† | September 24, 2014 | 97,290,000 | New Money |
| 2016A (Non-AMT/Governmental Purpose)† | February 25, 2016 | 171,700,000 | Refunding |
| 2016B (AMT)† | September 29, 2016 | 574,970,000 | New Money |
| 2016C (Non-AMT/Governmental Purpose)† | September 29, 2016 | 165,155,000 | New Money |
| 2016D (Non-AMT/Governmental Purpose)† | September 29, 2016 | 119,660,000 | Refunding |
| 2017A (AMT)† | October 31, 2017 | 339,580,000 | New Money |
| 2017B (Non-AMT/Governmental Purpose)† | October 31, 2017 | 231,985,000 | New Money |
| 2017D (AMT)$^{\Omega}$ | October 31, 2017 | 96,190,000 | Refunding |
| 2018A (AMT)$^{\Omega}$ | February 1, 2018 | 28,055,000 | Refunding |
| 2018D (AMT)† | May 30, 2018 | 722,800,000 | New Money |
| 2018E (Non-AMT/Governmental Purpose)† | May 30, 2018 | 116,275,000 | New Money |
| 2018F (Taxable)† | May 30, 2018 | 7,025,000 | New Money |
| 2018G (AMT)† | May 30, 2018 | 35,660,000 | Refunding |
| 2018B (Non-AMT/Governmental Purpose) | June 6, 2018 | 138,170,000 | New Money |
| 2018C (Non-AMT/Governmental Purpose) | June 6, 2018 | 138,170,000 | New Money |
| 2019A (AMT)† | February 7, 2019 | 1,176,215,000 | New Money |
| 2019B (Non-AMT/Governmental Purpose) $^{\Omega}$ | February 7, 2019 | 91,280,000 | New Money |
| 2019C (Taxable)† | February 7, 2019 | 21,455,000 | New Money/Refunding |
| 2019D (Non-AMT/Private Activity) $^{\Omega}$ | February 7, 2019 | 407,320,000 | Refunding |
| 2019E (AMT)† | September 10, 2019 | 773,475,000 | New Money |
| 2019F (Non-AMT/Governmental Purpose)† | September 10, 2019 | 106,925,000 | New Money |
| 2019G (Taxable)† | September 10, 2019 | 20,220,000 | New Money/Refunding |
| 2019H (AMT)† | September 10, 2019 | 198,300,000 | Refunding |
| 2020A (AMT)† | August 20, 2020 | 109,520,000 | Refunding |
| 2020B (Non-AMT/Governmental Purpose)† | August 20, 2020 | 51,575,000 | Refunding |
| 2020C (Taxable) | August 20, 2020 | 130,180,000 | Refunding |
| 2021A (AMT)† | April 21, 2021 | 195,225,000 | Refunding |
| 2021B (Non-AMT/Governmental Purpose)† | April 21, 2021 | 129,070,000 | Refunding |
| 2021C (Taxable)† | April 21, 2021 | 222,810,000 | Refunding |
| TOTAL | | $7,877,070,000 | |

† Secured by Original Reserve Account. See "SECURITY FOR THE SERIES 2022A-C BONDS–Reserve Fund; Reserve Accounts; Credit Facilities–*Original Reserve Account*."

$^{\Omega}$ Secured by 2017 Reserve Account. See "SECURITY FOR THE SERIES 2022A-C BONDS–Reserve Fund; Reserve Accounts; Credit Facilities–*2017 Reserve Account*."

Source: Commission.

Additional Bonds are expected to be a significant source of funding for the CIP. See "CERTAIN RISK FACTORS–Risks Related to the Commission's Capital Projects" and "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan."

### Credit Facilities

As of January 1, 2022, the Commission had outstanding $401,945,000 of variable rate tender option Bonds, secured by bank letters of credit, as summarized in the table below. If amounts due on the Bonds are paid under a letter of credit, the obligation of the Commission to repay such amounts would constitute "Repayment Obligations" under the 1991 Master Resolution and would be accorded the status of Bonds. See "SECURITY FOR THE SERIES 2022A-C BONDS–Additional Bonds–*Repayment Obligations*."

**CREDIT FACILITIES SUPPORTING VARIABLE RATE BONDS**
**(as of January 1, 2022)**

| | **Series 2010A** | **Series 2018B** | **Series 2018C** |
|---|---|---|---|
| Outstanding Principal Amount | $125,605,000 | $138,170,000 | $138,170,000 |
| Type | LOC[(1)] | LOC[(1)] | LOC[(1)] |
| Expiration Date | April 14, 2023 | June 3, 2022 | June 3, 2022 |
| Credit Provider | Bank of America[(2)] | Barclays[(3)] | Sumitomo[(4)] |
| Credit Provider Ratings[(5)] | | | |
| Short-Term | P-1/A-1/F1+ | P-1/A-1/F1 | P-1/A-1/F1 |
| Long-Term | Aa2/A+/AA | A1/A/A+ | A1/A/A |

(1) Letter of Credit.
(2) Bank of America, N.A.
(3) Barclays Bank PLC.
(4) Sumitomo Mitsui Banking Corporation acting through its New York Branch.
(5) As of January 1, 2022. Ratings are provided for convenience of reference only. Such rating information has been obtained from sources believed to be reliable but has not been confirmed or re-verified by the rating agencies. The Commission does not take any responsibility for the accuracy of such ratings, nor does it give any assurance that such ratings will apply for any given period of time, or that such ratings will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant. The rating information reflects the ratings of the credit provider's obligations, not the rating on the related Bonds; ratings on related Bonds may be different. Ratings for the Credit Providers' obligations are displayed as Moody's/S&P/Fitch. The Long-Term ratings provided are Moody's Issuer Rating, Standard & Poor's Long-Term Local Issuer Credit Rating and Fitch's Long-Term Issuer Default Rating. The Short-Term ratings provided are Moody's Short-Term Rating, Standard & Poor's Short-Term Local Issuer Credit Rating and Fitch's Short-Term Issuer Default Rating None of the above-referenced credit providers has provided any information for inclusion in this Official Statement or has independently verified or reviewed, made any representation regarding, or accepted any responsibility for the accuracy or completeness of this Official Statement.

Source: Commission

In addition to the credit facilities described above, the Commission has in place six irrevocable direct-pay letters of credit to support its Commercial Paper Notes. Repayment of amounts drawn on these letters of credit are secured by a lien on Net Revenues that is subordinate to the lien of the 1991 Master Resolution securing the Bonds. See "SECURITY FOR THE SERIES 2022A-C BONDS–Other Indebtedness–*Subordinate Bonds*" for additional information concerning these letters of credit.

### Interest Rate Swaps

Pursuant to the 1991 Master Resolution, the Commission may enter into one or more interest rate swaps in connection with one or more series of Bonds. An interest rate swap is an agreement between the Commission or the Trustee and a swap counterparty under which a variable rate cash flow (which may be subject to an interest rate cap) on a principal or notional amount is exchanged for a fixed rate of return on an equal principal or notional amount. The swap counterparty must be a member of the International Swaps and Derivatives Association and must be rated in one of the three top rating categories by at least one rating agency. The 1991 Master Resolution provides that, if and to the extent provided in any Supplemental Resolution authorizing the issuance of a series of Bonds, regularly scheduled swap payments may be paid directly out of the account or accounts in the Debt Service Fund established with respect to such series of Bonds, and thus on a parity with debt service on the Bonds.

*Interest Rate Swap Agreements*

The Commission is currently a party to one interest rate swap agreement (the "Swap Agreement") with Goldman Sachs Bank USA, as the swap counterparty. The obligation of the Commission to make regularly scheduled payments to the swap counterparty under the Swap Agreement is an obligation of the Commission payable from Net Revenues on a parity with payments of principal of or interest on the Bonds. The Swap Agreement is subject to termination upon the occurrence of specified events and the Commission may be required to make a substantial termination payment to the swap counterparty depending on the then-current market value of the swap transaction even if the Commission were not the defaulting party. The termination payment would be approximately equal to the economic value realized by the Commission from the termination of the Swap Agreement. Any payment due upon the termination of the Swap Agreement is payable from Net Revenues subordinate to payments of principal of or interest on the Bonds. The Swap Agreement is terminable at any time at the option of the Commission at its market value. The Commission's objective in entering into its current and past interest rate swap agreements was to secure a synthetic fixed interest rate obligation with respect to the related Bonds.

*Swap Policy*

The Commission has adopted a written Interest Rate Swap Policy (the "Swap Policy"), which establishes the Commission's policies for entering into new interest rate swap agreements. The Swap Policy is reviewed periodically by the Director and revisions are submitted to the Commission for approval. The Swap Policy prohibits the Commission from entering into interest rate swaps or other derivative instruments for speculative purposes or to create extraordinary risk or leverage with respect to the related Bonds or investments, or that would result in the Commission lacking sufficient liquidity to make payments that may be due upon termination of the Swap or that lack sufficient price transparency to permit the Director and the swap advisor to reasonably determine the market valuation of the Swap. The Swap Policy sets forth, among other things, criteria for qualified swap counterparties, maximum notional amounts of interest rate swap agreements and swap counterparty credit exposure limits.

*Risks of Interest Rate Swap Agreements*

The Commission's interest rate swap agreements, including the current Swap Agreement, entail risk to the Commission. Although the Commission intends that its interest rate swap agreements hedge various series of variable rate Bonds, the floating rate that the Commission receives under an interest rate swap agreement can materially differ from the variable rate of interest the Commission pays on its variable rate Bonds. This can reduce the effectiveness of an interest rate swap agreement as a hedge. In addition, the counterparty to any of the Commission's interest rate swap agreements may terminate the interest rate swap or swaps covered thereby upon the occurrence of specified termination events or events of default, which may include failure of the Commission or the counterparty to maintain credit ratings at required levels. If either the counterparty or the Commission terminates the interest rate swap agreement, the Commission may be required to make a termination payment to the counterparty (even if such termination is due to an event affecting the counterparty, including the counterparty's failure to maintain credit ratings at required levels), and any such payment could materially adversely impact the Commission's financial condition. The valuation of the interest rate swaps is volatile, and will vary based on a variety of factors, including current interest rates. Also see "CERTAIN RISK FACTORS–LIBOR Considerations" herein.

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The table below summarizes the interest rate swap agreement to which the Commission was a party as of January 1, 2022.

**SUMMARY OF INTEREST RATE SWAP AGREEMENT**

| | |
|---|---|
| Associated Bonds: | Series 2010A-1/A-2 |
| Effective Date: | February 1, 2010 |
| Outstanding Notional Amount: | $125,587,000 |
| Counterparty: | Goldman Sachs Bank USA[3] |
| Counterparty Credit Ratings (Moody's/S&P/Fitch)[1]: | A1/A+/A+ |
| Fixed Rate Payable by Commission: | 3.925% |
| Market Value to Commission[2]: | ($18,490,388.01) |
| Expiration Date: | May 1, 2030 |

(1) As of January 1, 2022. Ratings are provided for convenience of reference only. Such rating information has been obtained from sources believed to be reliable but has not been confirmed or re-verified by the rating agencies. The Commission takes no responsibility for the accuracy of such ratings, or gives any assurance that such ratings will apply for any given period of time, or that such ratings will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant. The ratings provided are Moody's Issuer Rating, S&P's Long-Term Local Issuer Credit Rating and Fitch's Long-Term Issuer Default Rating.

(2) The market values of the swaps were calculated as of December 31, 2021 by an independent third-party consultant to the Commission who does not have an interest in the Swap Agreement.

(3) Guaranteed by The Goldman Sachs Group, which is rated A2/BBB+/A as of January 1, 2022.

Source: Commission.

**Debt Service Requirements**

The table on the following page presents the annual debt service requirements for the Series 2022A-C Bonds and the Outstanding Bonds, based upon monthly deposits.

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## DEBT SERVICE SCHEDULE[1]

| Fiscal Year Ending June 30 | Debt Service on Outstanding Bonds[2] | Series 2022A Bonds | | Series 2022B Bonds | | Series 2022C Bonds | | Total Series 2022A-C Debt Service[3] | Aggregate Debt Service[3] |
|---|---|---|---|---|---|---|---|---|---|
| | | Principal | Interest | Principal | Interest | Principal | Interest | | |
| 2022 | $350,849,025 | - | $4,499,127 | - | $4,375,598 | - | $1,966,606 | $10,841,331 | $361,690,356 |
| 2023 | 389,396,943 | $470,833 | 11,425,412 | - | 11,071,000 | - | 4,950,895 | 27,918,140 | 417,315,083 |
| 2024 | 506,240,995 | 3,728,333 | 12,161,485 | - | 11,206,112 | - | 5,047,830 | 32,143,760 | 538,384,756 |
| 2025 | 505,754,312 | 13,029,167 | 14,191,963 | $4,192,500 | 11,226,900 | - | 5,610,052 | 48,250,581 | 554,004,893 |
| 2026 | 488,241,596 | 36,845,000 | 13,690,083 | 24,615,833 | 11,017,275 | - | 5,648,825 | 91,817,017 | 580,058,613 |
| 2027 | 493,998,531 | 34,433,333 | 11,847,833 | 21,933,333 | 9,786,483 | - | 5,648,825 | 83,649,809 | 577,648,340 |
| 2028 | 496,067,685 | 24,231,667 | 10,126,167 | 20,784,167 | 8,689,817 | - | 5,648,825 | 69,480,642 | 565,548,327 |
| 2029 | 418,205,850 | 21,269,167 | 8,914,583 | 12,836,667 | 7,650,608 | $8,167,500 | 5,648,825 | 64,487,350 | 482,693,201 |
| 2030 | 385,257,962 | 23,868,333 | 7,851,125 | 2,912,500 | 7,008,775 | 46,003,333 | 5,437,859 | 93,081,926 | 478,339,888 |
| 2031 | 415,035,397 | 12,404,167 | 6,657,708 | - | 6,863,150 | 30,369,167 | 4,244,427 | 60,538,619 | 475,574,016 |
| 2032 | 444,297,635 | - | 6,037,500 | - | 6,863,150 | 22,700,000 | 3,427,352 | 39,028,002 | 483,325,638 |
| 2033 | 494,988,550 | - | 6,037,500 | - | 6,863,150 | 3,824,167 | 2,806,961 | 19,531,778 | 514,520,328 |
| 2034 | 436,872,875 | - | 6,037,500 | - | 6,863,150 | 23,061,667 | 2,690,209 | 38,652,526 | 475,525,401 |
| 2035 | 436,872,227 | - | 6,037,500 | - | 6,863,150 | 23,770,833 | 1,981,014 | 38,652,497 | 475,524,724 |
| 2036 | 438,320,285 | - | 6,037,500 | - | 6,863,150 | 23,097,500 | 1,220,321 | 37,218,471 | 475,538,756 |
| 2037 | 461,442,119 | - | 6,037,500 | - | 6,863,150 | 13,820,833 | 460,648 | 27,182,132 | 488,624,251 |
| 2038 | 541,166,638 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 554,067,288 |
| 2039 | 541,166,463 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 554,067,113 |
| 2040 | 542,073,758 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 554,974,408 |
| 2041 | 546,585,624 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 559,486,274 |
| 2042 | 546,933,854 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 559,834,504 |
| 2043 | 546,907,662 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 559,808,312 |
| 2044 | 546,801,692 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 559,702,342 |
| 2045 | 546,643,433 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 559,544,083 |
| 2046 | 546,520,061 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 559,420,711 |
| 2047 | 546,381,261 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 559,281,911 |
| 2048 | 545,688,668 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 558,589,318 |
| 2049 | 541,245,222 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 554,145,872 |
| 2050 | 500,037,711 | - | 6,037,500 | - | 6,863,150 | - | - | 12,900,650 | 512,938,361 |
| 2051 | 279,835,550 | 21,875,000 | 6,037,500 | 24,866,667 | 6,863,150 | - | - | 59,642,317 | 339,477,867 |
| 2052 | 18,997,868 | 109,375,000 | 5,031,250 | 124,333,333 | 5,719,292 | - | - | 244,458,875 | 263,456,743 |
| 2053 | 18,805,107 | - | - | - | - | - | - | - | 18,805,107 |
| 2054 | 18,633,040 | - | - | - | - | - | - | - | 18,633,040 |
| 2055 | 18,442,853 | - | - | - | - | - | - | - | 18,442,853 |
| 2056 | 18,251,157 | - | - | - | - | - | - | - | 18,251,157 |
| 2057 | 18,044,263 | - | - | - | - | - | - | - | 18,044,263 |
| 2058 | 14,911,080 | - | - | - | - | - | - | - | 14,911,080 |
| 2059 | 22,805 | - | - | - | - | - | - | - | 22,805 |
| **Total[3]** | **$14,605,937,759** | **$301,530,000** | **$227,146,736** | **$236,475,000** | **$231,878,010** | **$194,815,000** | **$62,439,477** | **$1,254,284,224** | **$15,860,221,983** |

(1) Net debt service. Does not include interest amounts expected to be paid from Bond proceeds.
(2) Excludes debt service on the Refunded Bonds. Includes credit facility and other ancillary fees with respect to variable rate bonds. In calculating the debt service for Bonds issued at variable rates, the Commission has made assumptions about interest rates, swap payments and ancillary fees.
(3) Various totals may not add due to rounding.

**Historical Debt Service Coverage**

The following table reflects historical Net Revenues and the calculation of debt service coverage on the Bonds based on such Net Revenues for Fiscal Years 2016-17 through 2020-21.

**HISTORICAL DEBT SERVICE COVERAGE**
**(Fiscal Year)**
**($ in thousands)**

| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| Net Revenues[1] | $466,015 | $493,304 | $476,653 | $385,832 | $311,233 |
| PFCs Treated as Revenues | 23,363 | 4,068 | 63,260 | 151,810 | - |
| Transfer from the Contingency Account[2] | 95,221 | 132,000 | 155,164 | 166,213 | 167,295 |
| TOTAL AVAILABLE FOR DEBT SERVICE | $584,599 | $629,372 | $695,076 | $703,855 | $478,528 |
| Total Annual Debt Service[3] | $404,555 | $405,341 | $436,459 | $479,168 | $290,261 |
| Historical Debt Service Coverage per the 1991 Master Resolution[4] | 144.5% | 155.3% | 159.3% | 146.9% | 164.9% |
| Historical Debt Service Coverage Excluding Transfer | 121.0% | 122.7% | 123.7% | 112.2% | 107.2% |

(1) Using the definition of Net Revenues contained in the 1991 Master Resolution, but excluding PFCs treated as "Revenues" pursuant to the 1991 Master Resolution. See "–Passenger Facility Charge." For Fiscal Year 2020-21, the calculation of Net Revenues excluded $296.1 million of revenue from the CARES and CRRSAA grant reimbursements received by the Airport, which are not includable as Revenue, and excluded $296.1 million of operating expenses that were reimbursed using the CARES and CRRSAA grant funds. In addition, this calculation excluded $57.0 million of operating expenses that were paid using proceeds of the Series 2021ABC Bonds that were issued to reimburse the Airport for prior years' Bond interest expense on capital projects; Bond proceeds are not includable as Revenue.
(2) Represents the Transfer from the Contingency Account to the Revenues Account in each such Fiscal Year. See "SECURITY FOR THE SERIES 2022A-C BONDS–Contingency Account."
(3) Annual Debt Service net of accrued and capitalized interest.
(4) Net Revenues plus Transfer divided by total Annual Debt Service. Must not be less than 125% pursuant to the 1991 Master Resolution. See "SECURITY FOR THE SERIES 2022A-C BONDS–Rate Covenant."
Source: Commission.

**SFOTEC**

The San Francisco Terminal Equipment Company, LLC ("SFOTEC") is a consortium of airlines that was formed to use, operate and maintain certain Airport-owned equipment and systems related to handling flights and passengers at the ITC. This equipment includes computer check-in systems with baggage and boarding pass printers, baggage handling systems, passenger boarding bridges, systems for delivering preconditioned air to aircraft and ground power for aircraft. SFOTEC also manages the daily assignment of the ITC joint use gates, holdrooms, ticket counters and baggage systems for the airlines (including some domestic airlines) operating in the ITC in accordance with the Lease and Use Agreements and with Airport-approved protocols.

The Airport and SFOTEC have entered into an agreement continuing through June 30, 2022, pursuant to which SFOTEC is obligated to maintain and repair certain systems as well as operate and schedule the use of such equipment; pay the associated fees related to equipment support, utility and custodial costs; and provide nondiscriminatory access to such equipment for all ITC carriers, whether or not they are members of SFOTEC. The costs of operating and maintaining the equipment are shared by all airline users of the equipment. The user fees for airlines that are members of SFOTEC are determined pursuant the terms of the SFOTEC Members Agreement. Nonmember airlines are subject to a separate rate based on use.

## REPORT OF THE AIRPORT CONSULTANT

### General

The Commission has retained LeighFisher, as recognized experts in their field, to prepare a report on traffic, revenues, expenses, the Capital Improvement Plan and financial analyses in connection with the issuance of the Series 2022A-C Bonds. The Airport Consultant has consented to the Report of the Airport Consultant, dated January 14, 2022, being included as APPENDIX A. This Report should be read in its entirety for an explanation of the assumptions and methodology used therein.

The Report of the Airport Consultant is divided into four sections. The first section provides general background information with respect to the Commission and the Airport; the second section describes the economic base for air traffic, airline service at the Airport and the air traffic scenarios; the third section provides a summary of the Capital Improvement Plan and funding sources; and the fourth section describes the financial framework of the Airport, including the 1991 Master Resolution, the Annual Service Payment, the Lease and Use Agreements and various other agreements with Airport users, as well as provides the Airport Consultant's projections of Net Revenues demonstrating compliance by the Commission with the rate covenant provisions contained in the 1991 Master Resolution in connection with the Series 2022A-C Bonds, and future Bond issuances planned during the projection period.

In the preparation of the projections in its Report, the Airport Consultant has made certain assumptions with respect to conditions that may occur and the course of action that management expects to take in the future. The Airport Consultant has relied upon Commission staff for representations about its plans and expectations and for disclosure of significant information that might affect the realization of projected results. Commission staff has reviewed these assumptions and concur that they provide a reasonable basis for the projections. While the Commission and the Airport Consultant believe these assumptions to be reasonable for the purpose of the projections, they are dependent upon future events, and actual conditions may differ from those assumed in the analysis. To the extent actual future factors differ from those assumed by the Airport Consultant or provided to the Airport Consultant by others, the actual results could vary materially from those projected. The Airport Consultant has no responsibility to update its Report for events and circumstances occurring after the date of its Report. The projections are based on assumptions that may not be realized and actual results may differ materially from the projections. See "CERTAIN RISK FACTORS–Uncertainties of Projections, Forecasts and Assumptions."

### Projection of Debt Service Coverage

The following table reflects the projection of Net Revenues and the calculation of debt service coverage on the Bonds (including the Series 2022A-C Bonds and excluding the Refunded Bonds) based on such Net Revenues for Fiscal Year 2021-22 through Fiscal Year 2027-28 under the moderate aviation activity recovery scenario, as set forth in the Report of the Airport Consultant attached hereto as APPENDIX A. Such projection reflects the impact on revenues and expenses associated with the Series 2022A-C Bonds as well as other Bond issues expected to be undertaken during the projection period. The moderate aviation activity recovery scenario does not reflect the impact on Commission finances of capital projects that are in the conceptual planning stage or any other projects that may be undertaken in the future (as described in the Report of the Airport Consultant), including projects in the Recommended ADP described under "CAPITAL PROJECTS AND PLANNING–Airport Development Plan" and those described under "CAPITAL PROJECTS AND PLANNING–Other Anticipated Capital Needs." Any additional future capital projects may be financed by future Bond issues.

**PROJECTION OF DEBT SERVICE COVERAGE – MODERATE RECOVERY SCENARIO**
**(Fiscal Year)**
**($ in thousands)**

| | 2021-22[1] | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|---|---|---|---|---|---|---|---|
| Net Revenues[2] | $407,369 | $482,312 | $653,746 | $712,613 | $764,349 | $826,215 | $839,668 |
| Transfer from the Contingency Account* | 88,899 | 99,554 | 143,911 | 157,421 | 169,163 | 184,751 | 193,657 |
| TOTAL AVAILABLE FOR DEBT SERVICE | $496,269 | $581,866 | $797,657 | $870,034 | $933,511 | $1,010,966 | $1,033,325 |
| Debt Service Requirement[3] | $355,598 | $398,217 | $575,645 | $629,683 | $676,651 | $739,005 | $774,628 |
| Projected Debt Service Coverage per the Resolution | 140% | 146% | 139% | 138% | 138% | 137% | 133% |
| Projected Debt Service Coverage Excluding Transfer | 115% | 121% | 114% | 113% | 113% | 112% | 108% |

(1) Estimated based on three months of data. Final results may differ. See "FINANCIAL STATEMENTS – Delayed Audited Financial Statements."
(2) Includes certain PFC revenues projected to be designated as Revenues by the Commission and, as to Fiscal Year 2021-22, federal relief grant funding, as described in the Report of the Airport Consultant.
(3) Cash basis. Includes projected debt service on outstanding Bonds, Series 2022A-C Bonds and future Bonds and excludes debt service on the Refunded Bonds as described in the Report of the Airport Consultant.
* Transfer reflects lesser of Contingency Account balance or 25% of Debt Service.
Source LeighFisher, Report of the Airport Consultant.

The Report of the Airport Consultant and the projection of Net Revenues and debt service coverage included therein incorporated assumptions of the debt service on the Series 2022-A-C Bonds, the Commission's outstanding variable rate Bonds and Bonds to be issued during each of the projected years based upon projections provided in January 2022 by Public Financial Management, Inc., co-Municipal Advisor of the Commission. The Report of the Airport Consultant assumes that the aggregate principal amount of the Series 2022A-C Bonds is $759 million and that they have an all-in true interest cost of 3.26%. The Report of the Airport Consultant will not be updated to reflect the final terms of the Series 2022A-C Bonds.

In addition, the projection is based on other assumptions that may not be realized and actual results may differ materially from the projections. The Report of the Airport Consultant should be read in its entirety for an explanation of the assumptions and methodology used in developing the projections. Also see "CERTAIN RISK FACTORS–Uncertainties of Projections, Forecasts and Assumptions."

## AIRLINE INFORMATION

*The Commission cannot and does not assume any responsibility for the accuracy or completeness of any information contained or referred to herein regarding the business operations or financial condition of any of the airlines serving the Airport.*

Each of the principal domestic airlines serving the Airport, or their respective parent corporations, and foreign airlines serving the Airport with American Depository Receipts ("ADRs") registered on a national exchange are subject to the information requirements of the Securities Exchange Act of 1934, and in accordance therewith files reports and other information with the SEC. Certain information, including financial information, concerning such domestic airlines or their respective parent corporations and such foreign airlines, is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected at the Public Reference Room of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549; and the offices of The New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005 (for certain airlines whose stock or whose parent's stock is traded on the New York Stock Exchange). Copies of such reports and statements can be obtained from the Public Reference Room, at prescribed rates or from the SEC website at: http://www.sec.gov (the information on such web site is not incorporated by reference herein). In addition, each airline is required to file periodic reports of financial operating statistics with the U.S. DOT. Such reports can be inspected at the Bureau of Transportation Statistics, Research and Innovative Technology Administration, Department of Transportation, 1200 New Jersey Avenue, SE, Washington, D.C. 20590.

Airlines owned by foreign governments, or foreign corporations operating airlines (unless such airlines have ADRs registered on a national exchange), are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the U.S. DOT.

## LITIGATION MATTERS

There is no litigation pending concerning the validity of the 1991 Master Resolution or the Series 2022A-C Bonds or the issuance or delivery thereof, the existence of the Commission, the title of the officers thereof who executed or will execute the Series 2022A-C Bonds to their respective offices, or the pledge of Net Revenues to the payment of the Series 2022A-C Bonds.

In the regular course of the Airport's business, the Commission and the City are parties to a variety of pending and threatened lawsuits and administrative proceedings with respect to the Airport's operations and other matters, in addition to those specifically discussed herein. The Commission does not believe that any such lawsuits or proceedings will have a material adverse effect on the Airport's business operations or financial condition.

### Airlines for America

In 1999, the Commission adopted the QSP to enhance Airport safety and security. The HCAO, as amended by the HAO, requires firms subject to the QSP to offer QSP employees and their dependents premium health insurance coverage at no cost to the employee, or make a financial contribution to the City to establish and administer a medical reimbursement account for the employee. The QSP, HCAO and HAO are described under "SAN FRANCISCO INTERNATIONAL AIRPORT — Social Responsibility." The City's Office of Labor Standards Enforcement ("OLSE") has the authority to investigate alleged violations of the HCAO and make determinations of violation and order financial penalties and other remedies, subject to administrative appeal before a hearing officer appointed by the City Controller.

On March 31, 2021, plaintiff Airlines for America, a trade association and lobbying group that represents major North American airlines, filed a complaint seeking declaratory and injunctive relief to stop the implementation and enforcement of the HAO. The primary basis of the challenge is federal preemption under the Airline Deregulation Act, the Employee Retirement Income Security Act of 1974, and the Railway Labor Act. The City has filed its answer. The case has been bifurcated, with initial discovery and motion practice focusing on the City's defense that it acted as a 'market participant' in enacting the HAO and that the HAO is thus not subject to preemption. The parties have agreed to file cross-motions for summary judgment on the market participant issue. Opening briefs on those motions were timely filed on December 31, 2021, and those motions are scheduled to be argued on March 17, 2022.

### Sky Chefs

From its two facilities in Burlingame and San Jose, California, Sky Chefs, Inc. ("Sky Chefs"), a subsidiary of LSG Sky Chefs USA Inc., prepares, assembles, and delivers food, beverages, and dry goods to approximately 14 airlines operating at the Airport under authority of an operating permit with the Airport effective April 2010. As with all other aviation support service provider permits, Sky Chefs' permit is revocable by the Airport Director for any or no reason on 30 days' notice, and with as little as three days' notice upon an event of default. Compliance with the QSP is a material requirement of the permit, and the QSP requires covered employers to comply with the HCAO minimum health coverage standards.

In July 2021, OLSE issued an Amended Determination of Violation ("DOV"), finding that Sky Chefs violated the HCAO, as amended by the HAO, by failing to provide HAO-compliant health care plans or make in-lieu financial contributions to a City operated medical reimbursement account for Sky Chefs' San Jose employees. Sky Chefs filed an administrative appeal of the DOV, the City affirmed the DOV, and Sky Chefs filed a petition for writ of mandate seeking to have the DOV and the City's decision affirming the DOV vacated. As of January 14, 2022, Sky Chefs remains out of compliance with the HCAO, as amended by the HAO as to their San Jose employees.

## RATINGS

Moody's has assigned a rating of "A1" (stable outlook) and Fitch Ratings, Inc. ("Fitch") has assigned a rating of "A+" (stable outlook) to the Series 2022A-C Bonds.

A rating reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Series 2022A-C Bonds. An explanation of the significance of each rating may be obtained from the rating agencies at their respective addresses, as follows: Moody's, 7 World Trade Center, at 250 Greenwich Street, New York, New York 10007; and Fitch, One State Street Plaza, New York, New York 10004. Other Bonds of the Commission have received ratings from other rating agencies. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that a rating will apply for any given period of time, or that the rating will not be revised downward or withdrawn if, in the judgment of the agency providing such rating, circumstances so warrant. The Commission undertakes no responsibility to maintain any rating or to oppose any revision or withdrawal of a rating. A downward revision or withdrawal of a rating may have a material adverse effect on the marketability or market price of the Series 2022A-C Bonds.

## UNDERWRITING

### Purchase of Series 2022A-C Bonds

Citigroup Global Markets Inc., on its own behalf and as representative of the other underwriters identified on the cover hereof (such other underwriters, together with Citigroup Global Markets Inc., the "Underwriters") has entered into a Bond Purchase Contract with the Commission (the "Bond Purchase Contract") that commits the Underwriters to purchase the Series 2022A-C Bonds, subject to the terms and conditions set forth in the Bond Purchase Contract. The Bond Purchase Contract provides that the Underwriters will purchase all of the Series 2022A-C Bonds if any such Series 2022A-C Bonds are purchased.

The Series 2022A-C Bonds are being purchased through negotiation by the Underwriters at a purchase price equal to $836,177,197.12 (representing the principal amount of the Series 2022A-C Bonds, plus original issue premium equal to $104,585,156.85 and less an underwriters' discount equal to $1,227,959.73) pursuant to the Bond Purchase Contract.

The Underwriters may offer and sell the Series 2022A-C Bonds to certain dealers and others at prices lower than the public offering prices set forth on the inside cover. The initial public offering prices may be changed from time to time by the related Underwriters. See "CERTAIN RELATIONSHIPS" below.

### Distribution Agreements

*The following paragraph has been provided by and is being included in this Official Statement at the request of the respective underwriters. The Commission does not assume any responsibility for the accuracy or completeness of such statements or information.*

Citigroup Global Markets Inc. ("Citigroup"), an underwriter of the Series 2022A-C Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, Citigroup may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, Citigroup will compensate Fidelity for its selling efforts.

UBS Financial Services Inc. ("UBS FSI"), an underwriter of the Series 2022A-C Bonds, has entered into a distribution and service agreement with its affiliate UBS Securities LLC ("UBS Securities") for the distribution of certain municipal securities offerings. Pursuant to such agreement, UBS FSI will share a portion of its underwriting compensation with UBS Securities. UBS FSI and UBS Securities are each subsidiaries of UBS Group AG.

Wells Fargo Corporate & Investment Banking (which may be referred to elsewhere as "CIB," "Wells Fargo Securities" or "WFS") is the trade name used for the corporate banking, capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"), a member of the National Futures Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, N.A. Municipal Finance Group, a separately identifiable department of WFBNA, registered with the U.S. Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934.

WFBNA, acting through its Municipal Finance Group, one of the underwriters of the Series 2022A-C Bonds, has entered into an agreement (the "WFA Distribution Agreement") with its affiliate, Wells Fargo Clearing Services, LLC (which uses the trade name "Wells Fargo Advisors") ("WFA"), for the distribution of certain municipal securities offerings, including the Series 2022A-C Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2022A-C Bonds with WFA. WFBNA has also entered into an agreement (the "WFSLLC Distribution Agreement") with its affiliate Wells Fargo Securities, LLC ("WFSLLC"), for the distribution of municipal securities offerings, including the Series 2022A-C Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC's expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

## CERTAIN RELATIONSHIPS

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, advisory, investment management, principal investment, hedging, financing, brokerage services, providing credit and liquidity facilities, and providing swaps and other derivative products. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, such services for the Commission for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Commission.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

In addition, the Underwriters may currently be serving as underwriters, remarketing agents, dealers or letter of credit providers in connection with the Commission's other outstanding obligations, including the Commission's Commercial Paper Notes. For a description of certain relationships of the Underwriters to the Commission, see "SECURITY FOR THE SERIES 2022A-C BONDS–Other Indebtedness–*Subordinate Bonds*" and "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Credit Facilities."

## TAX MATTERS

### Series 2022A Bonds and Series 2022B Bonds

In the opinion of Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel to the Commission, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2022A Bonds and Series 2022B Bonds (the "Series 2022AB Bonds") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2022A Bond for any period that such Series 2022A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2022A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. In the further opinion of Special Tax Counsel, interest on the Series 2022B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel observes that interest on the Series 2022A Bonds is a specific preference item for purposes of the federal alternative minimum tax. Special Tax Counsel is also of the opinion that interest on the Series 2022AB Bonds is exempt from State of California personal income taxes. Special Tax Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on the Series 2022AB Bonds. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in APPENDIX G hereto. The following discussion summarizes certain United States federal income tax considerations generally applicable to U.S. Holders (as defined in the Series 2022C Bonds discussion, below) of the Series 2022AB Bonds that acquire their Series 2022AB Bonds in the initial offering, and does not address tax considerations applicable to any investors in the Series 2022AB Bonds other than investors that are U.S. Holders.

To the extent the issue price of any maturity of the Series 2022AB Bonds is less than the amount to be paid at maturity of such Series 2022AB Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2022AB Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2022AB Bonds is the first price at which a substantial amount of such maturity of the Series 2022AB Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2022AB Bonds accrues daily over the term to maturity of such Series 2022AB Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2022AB Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2022AB Bonds. Beneficial Owners of the Series 2022AB Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2022AB Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2022AB Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2022AB Bonds is sold to the public.

Series 2022AB Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2022AB Bonds. The Commission has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2022AB Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2022AB Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2022AB Bonds. The opinion of Special Tax Counsel assumes the accuracy of these representations and compliance with these covenants. Special Tax Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Special Tax Counsel's attention after the date of issuance of the Series 2022AB Bonds may adversely affect the value of, or the tax status of interest on, the Series 2022AB Bonds. Accordingly, the opinion of Special Tax Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Special Tax Counsel is of the opinion that interest on the Series 2022AB Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2022AB Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Special Tax Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2022AB Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2022AB Bonds. Prospective purchasers of the Series 2022AB Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Special Tax Counsel expresses no opinion.

The opinion of Special Tax Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Special Tax Counsel's judgment as to the proper treatment of the Series 2022AB Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Special Tax Counsel cannot give and has not given any opinion or assurance about the future activities of the Commission, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Commission has covenanted, however, to comply with the requirements of the Code.

Unless separately engaged, Special Tax Counsel is not obligated to defend the Commission or the Beneficial Owners regarding the tax-exempt status of the Series 2022AB Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Commission and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Commission legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2022AB Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2022AB Bonds, and may cause the Commission or the Beneficial Owners to incur significant expense.

**Series 2022C Bonds**

In the opinion of Special Tax Counsel, interest on the Series 2022C Bonds is exempt from State of California personal income taxes. Special Tax Counsel observes that interest on the Series 2022C Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Special Tax Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Series 2022C Bonds. Investors are urged to obtain independent tax advice regarding the Series 2022C Bonds based upon their particular circumstances. A complete copy of the proposed forms of opinion of Special Tax Counsel is set forth in Appendix G.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the Series 2022C Bonds that acquire their Series 2022C Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Furthermore, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2022C Bonds as part of a hedge, straddle or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2022C Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Series 2022C Bonds pursuant to this offering for the issue price that is applicable to such Series 2022C Bonds (i.e., the price at which a substantial amount of the Series 2022C Bonds are sold to the public) and who will hold their Series 2022C Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Series 2022C Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Taxable Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Series 2022C Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Series 2022C Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Series 2022C Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Series 2022C Bonds in light of their particular circumstances.

*U.S. Holders*

*Interest.* Interest on the Series 2022C Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Series 2022C Bonds is less than the amount to be paid at maturity of such Series 2022C Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2022C Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Series 2022C Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Series 2022C Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Series 2022C Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Series 2022C Bond.

*Sale or Other Taxable Disposition of the Series 2022C Bonds.* Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the Commission) or other disposition of a Series 2022C Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Series 2022C Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Series 2022C Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2022C Bond (generally, the purchase price paid by the U.S. Holder for the Series 2022C Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Series 2022C Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Series 2022C Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Series 2022C Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

*Defeasance of the Series 2022C Bonds*. If the Commission defeases any Series 2022C Bond, the Series 2022C Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a U.S. Holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Series 2022C Bond.

*Information Reporting and Backup Withholding*. Payments on the Series 2022C Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Series 2022C Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Series 2022C Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2022C Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

*Non-U.S. Holders*

*Interest.* Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," payments of principal of, and interest on, any Series 2022C Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation described in Section 881(c)(3)(C) of the Code and (2) a bank which acquires such Series 2022C Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Taxable Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

*Disposition of the Series 2022C Bonds*. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA,")—U.S. Holders and Non-U.S. Holders," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the Commission or a deemed retirement due to defeasance of the Series 2022C Bond) or other disposition of a Series 2022C Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the Commission) or other disposition and certain other conditions are met.

*Information Reporting and Backup Withholding*. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA,")—U.S. Holders and Non-U.S. Holders," under current U.S. Treasury Regulations, payments of principal and interest on any Series 2022C Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Series 2022C Bond or a financial institution holding the Series 2022C Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

*Foreign Account Tax Compliance Act ("FATCA") —U.S. Holders and Non-U.S. Holders*

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Series 2022C Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Series 2022C Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Series 2022C Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

## CONSIDERATIONS FOR ERISA AND OTHER U.S. BENEFIT PLAN INVESTORS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain fiduciary obligations and prohibited transaction restrictions on employee pension and welfare benefit plans subject to Title I of ERISA ("ERISA Plans"). Section 4975 of the Code imposes essentially the same prohibited transaction restrictions on tax-qualified retirement plans described in Section 401(a) and 403(a) of the Code, which are exempt from tax under Section 501(a) of the Code, other than governmental and church plans as defined herein ("Qualified Retirement Plans"), and on Individual Retirement Accounts ("IRAs") described in Section 408(b) of the Code (collectively, "Tax-Favored Plans"). Certain employee benefit plans such as governmental plans (as defined in Section 3(32) of ERISA) ("Governmental Plans"), and, if no election has been made under Section 410(d) of the Code, church plans (as defined in Section 3(33) of ERISA) ("Church Plans"), are not subject to ERISA requirements. Additionally, such Governmental and Church Plans are not subject to the requirements of Section 4975 of the Code but may be subject to applicable federal, state or local law ("Similar Laws") which is, to a material extent, similar to the foregoing provisions of ERISA or the Code. Accordingly, assets of such plans may be invested in the Series 2022A-C Bonds without regard to the ERISA and Code considerations described below, subject to the provisions of Similar Laws.

In addition to the imposition of general fiduciary obligations, including those of investment prudence and diversification and the requirement that a plan's investment be made in accordance with the documents governing the plan, Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving assets of ERISA Plans and Tax-Favored Plans and entities whose underlying assets include plan assets by reason of ERISA Plans or Tax-Favored Plans investing in such entities (collectively, "Benefit Plans") and persons who have certain specified relationships to the Benefit Plans ("Parties In Interest" or "Disqualified Persons"), unless a statutory or administrative exemption is available. The definitions of "Party in Interest" and "Disqualified Person" are expansive. While other entities may be encompassed by these definitions, they include, most notably: (1) fiduciary with respect to a plan; (2) a person providing services to a plan; (3) an employer or employee organization any of whose employees or members are covered by the plan; and (4) the owner of an IRA. Certain Parties in Interest (or Disqualified Persons) that participate in a prohibited transaction may be subject to a penalty (or an excise tax) imposed pursuant to Section 502(i) of ERISA (or Section 4975 of the Code) unless a statutory or administrative exemption is available. Without an exemption an IRA owner may disqualify his or her IRA.

Certain transactions involving the purchase, holding or transfer of the Series 2022A-C Bonds might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Commission were deemed to be assets of a Benefit Plan. Under final regulations issued by the United States Department of Labor (the "Plan Assets Regulation"), the assets of the Commission would be treated as plan assets of a Benefit Plan for the purposes of ERISA and Section 4975 only of the Code if the Benefit Plan acquires an "equity interest" in the Commission and none of the exceptions contained in the Plan Assets Regulation is applicable. An equity interest is defined under the Plan Assets Regulation as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is little guidance on this matter, it appears that the Bonds should be treated as debt without substantial equity features for purposes of the Plan Assets Regulation. This determination is based upon the traditional debt features of the Bonds, including the reasonable expectation of purchasers of the Series 2022A-C Bonds that the Series 2022A-C Bonds will be repaid when due, traditional default remedies, as well as the absence of conversion rights, warrants and other typical equity features.

However, without regard to whether the Series 2022A-C Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Series 2022A-C Bonds by or on behalf of a Benefit Plan could be considered to give rise to a prohibited transaction if the Commission or the issuing and paying agent, or any of their respective affiliates, is or becomes a Party in Interest or a Disqualified Person with respect to such Benefit Plan.

Most notably, ERISA and the Code generally prohibit the lending of money or other extension of credit between an ERISA Plan or Tax-Favored Plan and a Party in Interest or a Disqualified Person, and the acquisition of any of the Series 2022A-C Bonds by a Benefit Plan would involve the lending of money or extension of credit by the Benefit Plan. In such a case, however, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the plan fiduciary making the decision to acquire a Series 2022A-C Bond. Included among these exemptions are: Prohibited Transaction Class Exemption ("PTCE") 96-23, regarding transactions effected by certain "in-house asset managers"; PTCE 90-1, regarding investments by insurance company pooled separate accounts; PTCE 95-60, regarding transactions effected by "insurance company general accounts"; PTCE 91-38, regarding investments by bank collective investment funds; and PTCE 84-14, regarding transactions effected by "qualified professional asset managers." Further, the statutory exemption in Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provides for an exemption for transactions involving "adequate consideration" with persons who are Parties in Interest or Disqualified Persons solely by reason of their (or their affiliate's) status as a service provider to the Benefit Plan involved and none of whom is a fiduciary with respect to the Benefit Plan assets involved (or an affiliate of such a fiduciary). There can be no assurance that any class or other exemption will be available with respect to any particular transaction involving the Bonds, or that, if available, the exemption would cover all possible prohibited transactions.

By acquiring a Series 2022A-C Bond (or interest therein), each purchaser and transferee (and if the purchaser or transferee is a plan, its fiduciary) is deemed to represent and warrant that either (i) it is not acquiring the Bond (or interest therein) with the assets of a Benefit Plan, Governmental plan or Church plan; or (ii) the acquisition and holding of the Series 2022A-C Bond (or interest therein) will not give rise to a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws. A purchaser or transferee who acquires Bonds with assets of a Benefit Plan represents that such purchaser or transferee has considered the fiduciary requirements of ERISA, the Code or Similar Laws and has consulted with counsel with regard to the purchase or transfer.

Because the Commission, the Trustee, the Underwriters or any of their respective affiliates may receive certain benefits in connection with the sale of the Series 2022A-C Bonds, the purchase of the Series 2022A-C Bonds using plan assets of a Benefit Plan over which any of such parties has investment authority or provides investment advice for a direct or indirect fee may be deemed to be a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code or Similar Laws for which no exemption may be available. Accordingly, any investor considering a purchase of Bonds using plan assets of a Benefit Plan should consult with its counsel if the Commission, the Trustee or the Underwriters or any of their respective affiliates has investment authority or provides investment advice for a direct or indirect fee with respect to such assets or is an employer maintaining or contributing to the Benefit Plan.

Any ERISA Plan fiduciary considering whether to purchase the Series 2022A-C Bonds on behalf of an ERISA Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and Section 4975 of the Code to such an investment and the availability of any of the exemptions referred to above. Persons responsible for investing the assets of Tax-Favored Plans that are not ERISA Plans should seek similar counsel with respect to the prohibited transaction provisions of the Code and the applicability of Similar Laws.

## VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2022A-C Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Co-Municipal Advisors on behalf of the Commission relating to escrow sufficiency, will be verified by AW Smith, LLC, independent certified public accountants (the "Verification Agent"). Such verification shall be based solely upon information and assumptions supplied to the Verification Agent by the Co-Municipal Advisors. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

## APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance and sale of the Series 2022A-C Bonds are subject to the approval of Squire Patton Boggs (US) LLP and The Law Office of Monica M. Baranovsky, Co-Bond Counsel to the Commission. Certain legal matters will be passed upon for the Commission by the City Attorney, by Nixon Peabody LLP, Disclosure Counsel, and by Orrick, Herrington & Sutcliffe LLP, Special Tax Counsel to the Commission, and for the Underwriters by Hawkins Delafield & Wood LLP, Underwriters' Counsel. Co-Bond Counsel expect to deliver separate opinions at the time of issuance of the Series 2022A-C Bonds each substantially in the forms of opinions of Co-Bond Counsel set forth in APPENDIX G—"PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL AND SPECIAL TAX COUNSEL," which Co-Bond Counsel opinions will not address any of the tax aspects of the Series 2022A-C Bonds. Special Tax Counsel expects to deliver an opinion on the tax aspects of the Series 2022A-C Bonds at the time of issuance of the Series 2022A-C Bonds in substantially the form of the opinion of Special Tax Counsel set forth in APPENDIX G—"PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL AND SPECIAL TAX COUNSEL."

Co-Bond Counsel and Special Tax Counsel are not passing upon and undertake no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## PROFESSIONALS INVOLVED IN THE OFFERING

The Commission has retained Backstrom McCarley Berry & Co., LLC, PFM Financial Advisors LLC and Robert Kuo Consulting, LLC to serve as Co-Municipal Advisors with respect to the issuance of the Series 2022A-C Bonds.

The Co-Municipal Advisors, Co-Bond Counsel, Disclosure Counsel, Special Tax Counsel and Underwriters' Counsel will receive compensation with respect to the Series 2022A-C Bonds, which compensation is contingent upon the sale and delivery of the Series 2022A-C Bonds.

## FINANCIAL STATEMENTS

The audited financial statements of the Commission for Fiscal Years 2020-21 and 2019-20 prepared in accordance with GASB guidelines, are included as APPENDIX B attached hereto. The financial statements referred to in the preceding sentence have been audited by KPMG LLP, independent certified accountants, whose report with respect thereto also appears in APPENDIX B. KPMG LLP, the Commission's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. KPMG LLP also has not performed any procedures relating to this Official Statement.

The 1991 Master Resolution requires the Commission to have its financial statements audited annually by independent certified public accountants with knowledge and experience in the field of governmental accounting and auditing, and it is the policy of the City to select the independent auditor periodically through a competitive selection process. KPMG LLP has been reappointed as independent auditor for a four-year term beginning with the Fiscal Year 2015-16 audit pursuant to a regular request for proposals process conducted by the City. The City has exercised the option to renew the agreement with KPMG LLP for an additional three years beginning with the Fiscal Year 2019-20 audit.

The 1991 Master Resolution provides that the audited financial statements prepared by the Commission each Fiscal Year are required to be provided to the Trustee within 120 days after the end of each such year (by October 28 following the end of the Fiscal Year). The Commission did not meet this deadline for certain years, including for Fiscal Year 2017-18, Fiscal Year 2018-19 and Fiscal Year 2019-20. The Commission's audited financial statements for Fiscal Year 2017-18 were not completed until January 25, 2019 as a result of the City's transition to a new financial management software system and the implementation of GASB 75. The Commission's audited financial statements for Fiscal Year 2018-19 were not completed until November 27, 2019 as a result of a delay in calculations required under GASB 75. The Commission's audited financial statements for Fiscal Year 2019-20 were not completed until November 13, 2020 as a result of remote working conditions due to COVID-19 and a delay in calculations required under GASB 75. The Commission's audited financial statements for Fiscal Year 2020-21 were not completed until January 7, 2021 as a result of remote working conditions due to COVID-19 and a delay in calculations required under GASB 75.

## CONTINUING DISCLOSURE

The Commission will covenant for the benefit of the Holders and Beneficial Owners (as defined in the Continuing Disclosure Certificate) of the Series 2022A-C Bonds to provide certain financial information and operating data relating to the Commission (the "Annual Disclosure Report") by not later than 270 days following the end of each Fiscal Year, and to provide notices of certain enumerated events. The Annual Disclosure Report and notices of these enumerated events will be filed by the Commission with the means of the Electronic Municipal Market Access site ("EMMA") maintained by the Municipal Securities Rulemaking Board. The specific nature of the information to be contained in the Annual Disclosure Report or the notices of enumerated events is summarized in APPENDIX F– "SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the Underwriters of the Series 2022A-C Bonds in complying with SEC Rule 15c2-12(b)(5).

The Commission believes that it has complied in all material respects with its undertakings to provide Annual Disclosure Reports and notices of enumerated events. However, the Commission has become aware of certain facts that it does not consider to be material but that are disclosed below for the benefit of the Holders and Beneficial Owners of its Bonds.

On October 12, 2017, Moody's raised its long-term jointly supported rating on the Commission's Second Series Variable Rate Revenue Refunding Bonds Issue 37C (Non-AMT/Private Activity). The Commission did not make the filing with respect to the rating change until January 4, 2018.

In October, 2020, S&P lowered its rating on the SFO Fuel Bonds. SFO Fuel made a timely filing disclosing the rating change that was linked to the CUSIP numbers for the SFO Fuel Bonds. While the Commission also made a timely filing disclosing the rating change, the Commission's filing was not linked to the correct CUSIP numbers.

The Commission has enhanced its continuing disclosure filing procedures to help ensure that information that is filed on EMMA in the future contains all required information and is linked to the appropriate CUSIP numbers.

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## MISCELLANEOUS

This Official Statement has been duly authorized, executed and delivered by the Commission.

The summaries and descriptions of provisions of the 1991 Master Resolution, the Swap Agreement, the Continuing Disclosure Certificate, the Lease and Use Agreements, the purchase contract pursuant to which the Underwriters are purchasing the Series 2022A-C Bonds, and the Reserve Account Credit Facilities and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of such documents may be obtained from the Trustee or, during the offering period, from the Underwriters. The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

So far as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact.

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

By: /s/ Ivar C. Satero
Ivar C. Satero
Airport Director

## APPENDIX A

## REPORT OF THE AIRPORT CONSULTANT

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Appendix A

**REPORT OF THE AIRPORT CONSULTANT**

on the proposed issuance of

SAN FRANCISCO INTERNATIONAL AIRPORT
SECOND SERIES REVENUE BONDS
Series 2022A (AMT), Series 2022B (Non-AMT/Governmental Purpose), and
Series 2022C (Federally Taxable)

Prepared for

Airport Commission of the
City and County of San Francisco, California

Prepared by

LeighFisher
San Francisco, California

January 14, 2022

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Leigh|Fisher

January 14, 2022

Mr. Larry Mazzola, President
Airport Commission of the
City and County of San Francisco
San Francisco International Airport
P.O. Box 8097
San Francisco, California 94128

Re: Report of the Airport Consultant
Airport Commission of the City and County of San Francisco
San Francisco International Airport
Second Series Revenue Bonds, Series 2022A (AMT),
Series 2022B (Non-AMT/Governmental Purpose), and Series 2022C (Federally Taxable)

Dear Mr. Mazzola:

We are pleased to submit this Report of the Airport Consultant (the Report) on certain aspects of the proposed issuance of Second Series Revenue Bonds, Series 2022A (AMT), Series 2022B (Non-AMT/Governmental Purpose), and Series 2022C (Federally Taxable) (collectively, the 2022 Bonds) by the Airport Commission (the Airport Commission or the Commission) of the City and County of San Francisco (the City) with an aggregate principal amount of approximately $749.2 million.* The Commission intends to use the net proceeds of the 2022 Bonds to repay all of its outstanding Commercial Paper Notes and to refund and restructure certain currently outstanding Second Series Revenue Bonds, as well as to fund the Bond reserve account, pay capitalized interest, and pay costs of issuance. Currently outstanding Second Series Revenue Bonds, the 2022 Bonds, and future Second Series Revenue Bonds are defined herein as "Bonds". Bonds issued by the Commission are not general indebtedness of the City, but are special limited obligations of the Commission payable solely from net revenues received by the Commission from the operation of San Francisco International Airport (the Airport or SFO). The Commission has no taxing power. This letter and the accompanying attachment and exhibits constitute the Report.

The City owns and operates the Airport through its Airport Commission as a financially self-sufficient enterprise. Located approximately 14 miles south of downtown San Francisco, the Airport is the largest airport serving the San Francisco Bay Area and serves as a major connecting hub for United Airlines. The region's expanding population base, strong economy, advanced levels of educational attainment, and relatively high per capita income contribute to historically strong demand for air travel. In the five years from Fiscal Year (FY)** 2014 to FY 2019, enplaned passengers at the Airport increased from 23.0 million to 28.6 million, a compound annual growth rate of 4.5%.

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*Preliminary, subject to change.
**The City's Fiscal Year ends June 30.

**THE COVID-19 PANDEMIC**

Historical patterns of passenger and cargo traffic at SFO and other airports around the world were drastically disrupted by the COVID-19 pandemic beginning in early 2020. Since then, work-at-home requirements, mandated closures of offices and businesses, and other restrictions imposed to contain the pandemic caused serious economic contraction, unemployment, and financial hardship. This economic dislocation, combined with travel restrictions, public health concerns about the contagion, and social distancing requirements, resulted in drastic and unprecedented reductions in airline travel and associated passenger-related revenues at SFO and nearly all other U.S. airports beginning in March 2020.

At the Airport, passenger traffic declined by 59% in March 2020 and 97% in April 2020 (which was the trough) compared to the same months in 2019 with the rate of decline slowly improving over succeeding months. During FY 2020, enplaned passengers fell to 20.2 million from 28.6 million in FY 2019, and fell further to 6.9 million in FY 2021 (a reduction of 75.8% from FY 2019 levels), resulting from the impact of the COVID-19 pandemic. During the first five months of FY 2022 (July 2021 to November 2021), enplaned passenger numbers have recovered significantly, but are still 47% below the same period in FY 2019.

Airlines serving SFO adjusted their networks to largely focus on domestic and leisure travel given the shift in the profile of air travelers based on the recovery of leisure travel in contrast with business and international travel, sectors which are still lagging the general recovery in air travel. In reaction to the pandemic and the resulting significant decline in passengers and passenger-related revenues, the Commission implemented a number of financial and operational measures, including:

- Reducing expenses where operationally possible
- Deferring and reducing non-critical capital expenditures
- Preparing and implementing plans to apply COVID-19 relief funds received from the federal government, including CARES Act, ACRGP and ARPA grant funds (described below)
- Providing temporary financial relief to nonairline tenants, including temporarily deferring or suspending payments due to the Commission from concessionaires
- Close monitoring of the Commission's liquidity levels in relation to cash flow needs
- Refunded and restructured certain outstanding Bonds as part of the Series 2020 Refunding Bond and Series 2021 Refunding Bond transactions to lower annual debt service in the near term
- Requiring mask wearing for anyone entering an Airport facility or using Airport transportation
- Increasing the cleaning of all touched public spaces, equipment, public restrooms, holdroom seating in terminals, and transportation buses and the AirTrain
- Adding physical distancing reminder signs and clear plastic barriers throughout all facilities

In reaction to the pandemic, the U.S. Congress signed into law three separate acts that included measures to provide economic relief to U.S. airports – (1) the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) in March 2020, (2) the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 (CRRSA) in December 2020, and (3) the American Rescue Plan Act (ARPA) in March 2021. In total, the Commission was awarded grants totaling $495 million, of which $29.7 million is for relief for concessionaires operating at the Airport. Such grants (other than those earmarked for concessionaire relief) may be used for reimbursement of operating expenses, debt service, and/or capital expenditures and must be used within four years. Federal grants provided under the CARES Act, CRRSA Act, and ARPA are collectively referred to in this report as COVID-19 relief grants. As described in the attachment, the Commission has developed a plan for utilizing these COVID-19 relief grants to offset operation and maintenance (O&M) expenses.

Given the unprecedented nature of, and continuing uncertainty regarding, the COVID-19 pandemic and its impact on the aviation industry and worldwide economies, this Report does not include a forecast of aviation activity, revenues, expenses, airline cost per enplaned passenger, or debt service coverage. Rather, the Report presents a hypothetical scenario of enplaned passengers showing recovery to FY 2019 activity levels at the Airport over approximately a five year period (i.e., by FY 2025). Additionally, two alternative scenarios were prepared showing recovery to FY 2019 levels by FY 2024 and FY 2026, respectively. These are indicative of possible paths for traffic recovery. Revenues were extrapolated from the indicative traffic recovery scenarios and are calculated as a range of projections.

The level of uncertainty regarding the recovery of traffic to its pre-pandemic levels remains extremely high and dependent upon numerous variables, including among other things, the level of success of governments in the United States and around the world in controlling the virus, the emergence of mutations of the virus (such as the Delta variant, and the Omicron variant which emerged in November 2021), the potential for breakthroughs in COVID-19 treatments, the continued deployment of vaccines on a large scale basis and the willingness for people to get vaccinated, the medium-term and long-term changes to the economy brought about from the pandemic, the resilience of the U.S. airline industry, the duration of travel restrictions, and the potential for a structural shift in industry and consumer behaviors. The COVID-19 pandemic has had and will continue to have material adverse effects on passenger traffic and Airport operations and financial performance for the foreseeable future.

## AIRPORT CAPITAL IMPROVEMENT PLAN

Airport Commission staff periodically develops and updates a plan for the redevelopment, improvement, and expansion of Airport facilities, which is reviewed by the signatory airlines and approved by the Airport Commission. The plan is submitted to the Airport Commission periodically and approved based on anticipated facility needs, current and expected future airline traffic, available funding sources, airline feedback, and project priority. The Commission-approved plan is included in the City's two-fiscal-year capital budget, which is approved by the City's Board of Supervisors.

On June 2, 2020, the Airport Commission approved an amended capital improvement plan (Capital Improvement Plan) totaling $7.8 billion, which reflected the combination of two distinct categories of projects:

- The "Ascent Program – Phase 1", which represents $7.3 billion of capital spending. The Ascent Program – Phase 1 encompasses projects that address aging infrastructure around the Airport, as well as anticipated passenger and airline growth-related needs of the Airport.

- The "Infrastructure Projects Plan", which represents an additional $571 million of spending on support systems, miscellaneous airfield improvements, energy and efficiency improvements, and equipment projects which are in addition to the Ascent Program.

While the Airport Director temporarily suspended certain elements of the Ascent Program – Phase 1 because of the impact of the pandemic (e.g., the Terminal 3 West project) – reducing the active CIP expenditure total to $5.9 billion – it was assumed for purposes of this Report that those suspended projects would still be completed at a future date, and the associated project costs are reflected in the financial analysis described in the attachment.

The scope, phasing, and timing of implementation of projects in the CIP are subject to further modification depending on aviation activity trends and other Airport operational factors. Commission staff expects to prepare an updated Capital Improvement Plan for approval by the Airport Commission in the first half of calendar year 2022.

As of November 4, 2021, approximately $5.6 billion of the $7.8 billion total of the CIP has been funded, leaving approximately $2.3 billion of capital spending remaining to be funded.

Funding sources for the CIP include Commission Bonds, Commercial Paper for short-term funding needs, AIP grants, Airport cash, and other miscellaneous sources. Bonds are by far the largest funding source for the CIP, equivalent to approximately 90% of the total CIP spending.

| ($ in millions) | Prior funding [A] | 2022 Bond proceeds [B] | Future funding for FY 2023 to FY 2025 [C] | Total [D=A+B+C] |
|---|---|---|---|---|
| Ascent Program - Phase 1 | | | | |
| Project costs | $ 5,231 | $ 70 | $ 1,608 | $ 6,908 |
| Program reserves | - | - | 361 | 361 |
| Subtotal - Ascent | $ 5,231 | $ 70 | $ 1,969 | $ 7,270 |
| Infrastructure Projects Plan | 331 | 8 | 232 | 571 |
| Capital Improvement Plan total | $ 5,561 | $ 78 | $ 2,201 | $ 7,840 |

Note: Reflects the CIP as approved by the Commission on June 2, 2020, and funding status as of November 4, 2021. Prior funding amounts include $279.3 million of Commercial Paper issued through November 2021, which is expected to be refunded with 2022 Bond proceeds (in addition to approximately $78 million of Commercial Paper issued in November 2021 and December 2021, which is also expected to be refunded with 2022 Bond proceeds).

The program reserves total includes approximately $55 million previously allocated for Ascent Program projects.

The Ascent Program – Phase 1 includes the following projects among others, several of which have already been completed and are in service:

- ***Terminal 1 projects:*** Redevelopment of Terminal 1, including a new architectural building envelope (encompassing the Terminal 1 Center and Terminal 1 North segments of the building), construction of a new 25-gate Boarding Area B (19 replacement gates and 6 new gates), a new consolidated baggage handling system and checked baggage screening system, secure connectors to Boarding Areas A and C, a sterile corridor to the International Terminal, and the relocation of certain taxilanes adjacent to the building. The majority of this project is substantially complete, except for the Terminal 1 North element which is still underway.

- ***Terminal 3 redevelopment projects:*** Comprehensive renovation of a portion of Terminal 3 known as Terminal 3 West, including seismic stability improvements and building system upgrades, Boarding Area F gate capacity enhancements, and a sterile corridor to the International Terminal.

- ***International Terminal refresh projects:*** Upgrades and improvements to parts of the International Terminal to increase operational efficiency.

- ***On-Airport hotel:*** Construction of a new 351-room four-star hotel on Airport property near the International Terminal (the SFO Hotel). The SFO Hotel opened in October 2019.

- ***New long-term public parking garage:*** Development of a second long-term parking facility with 3,600 spaces, comprised of a new garage with 3,000 spaces and improvements to an existing parking area with 600 surface spaces (Lot DD), to accommodate expected growth in Airport parking demand. This project was completed and opened for service in February 2019.

- ***AirTrain extension***: Construction of an extension to the AirTrain System from the existing Airport Rental Car Center to the long-term parking facilities, including construction of a new AirTrain station at the existing Lot DD, and construction of a new AirTrain station adjacent to the SFO Hotel. This project has been completed.

- ***Courtyard 3 connector***: The construction of a secure passenger connector between Terminal 2 and Terminal 3, and development of a new office block above the connector for use by Commission staff and third-party tenants. The connector portion of this project has been completed.

- ***Security improvements:*** Strengthening of Airport-wide security with various improvements, including implementation of an enhanced perimeter intrusion detection system, CCTV systems, and other security system upgrades.

- ***Energy improvement program (Net Zero):*** Implementation of energy efficiency improvements and on-site renewable energy systems related to various projects in the Capital Improvement Plan.

In addition, the Ascent Program – Phase 1 includes other projects related to various aspects of the Airport including the terminal, airfield, and landside functions, as well as a reserve (the Ascent Program Reserve) of $739 million that was established in 2017, of which approximately $306 million remains unapplied to projects as of the date of this Report. The Ascent Program Reserve (the use of which has been temporarily suspended by the Airport Director as part of the temporary project suspensions) could be applied to unanticipated needs of projects within the Ascent Program – Phase 1, as they arise. The Airport Commission uses the Ascent Program Reserve only after all other cost mitigation methods have been considered. The financial projections described later in the Report assume the full utilization of the Ascent Program Reserve through FY 2025.

The Infrastructure Projects Plan component of the Capital Improvement Plan includes $571 million of total spending, primarily related to support systems, miscellaneous airfield improvements, energy and efficiency improvements, and equipment.

The scope, phasing, and timing of implementation of projects in the Capital Improvement Plan are subject to further modification depending on aviation activity trends and other Airport operational factors. Commission staff expects to prepare an updated Capital Improvement Plan for approval by the Airport Commission in the first half of calendar year 2022.

## THE 2022 BONDS AND FUTURE BONDS

The City (acting through the Airport Commission) intends to issue the 2022 Bonds to:

- Refund outstanding Commercial Paper balances previously issued to finance a portion of the projects in the Capital Improvement Plan and to make certain debt service deposits
- Refund certain of the Commission's previously issued Bonds
- Pay issuance costs associated with the 2022 Bonds
- Make deposits to the debt service reserve account, and
- Fund capitalized interest associated with a portion of the 2022 Bonds

Proceeds of the 2022 Bonds will be used to refinance a portion of the costs of the following projects, among others: redevelopment of Terminal 1; rehabilitation of Runway 10L-28R; net zero energy improvements; International Terminal renovations; and the Courtyard 3 Connector.

Subsequent to the issuance of the 2022 Bonds, this Report assumes the issuance of approximately \$2.5 billion in principal amount of additional Bonds, to fund approximately \$2.1 billion of capital costs to complete the funding of the Capital Improvement Plan (as well as to fund \$48 million of deposits to the Commission's Contingency Account). Those additional Bonds anticipated to be issued through FY 2025 (subsequent to the issuance of the 2022 Bonds) are collectively referred to as the Future Bonds.

Our study was undertaken to evaluate the ability of the Airport Commission to generate sufficient Net Revenues to meet the requirements of the Bond Resolution (further discussed below), taking into account Annual Debt Service on the current outstanding Bonds, the 2022 Bonds, and the Future Bonds. The projection period extends to FY 2028, which reflects the full impact on revenues and expenses of the entire Capital Improvement Plan, and is three full Fiscal Years after the expiration of the capitalized interest period for the 2022 Bonds.

Any Bonds that may be issued in addition to those identified herein are not reflected in the financial projections described in this Report. Also, the Airport Commission may issue Second Series Revenue Refunding Bonds during the projection period. The impact of any associated debt service changes related to the issuance of refunding bonds is not reflected in the financial analysis discussed in this Report.

## THE BOND RESOLUTION*

The 2022 Bonds are being issued under the terms and conditions of Resolution No. 91-0210 adopted by the Airport Commission on December 3, 1991, as amended and supplemented (collectively, the

*References in this Report to the Bond Resolution, the Lease and Use Agreements, and various leases and agreements entered into by the City and the Airport Commission are not intended to be comprehensive or definitive. Capitalized terms have the same meaning as defined in the Bond Resolution, except as otherwise noted herein.

Bond Resolution), authorizing the issuance of San Francisco International Airport Second Series Revenue Bonds. The Bonds are secured by an irrevocable pledge of the Net Revenues of the Airport Commission. The Airport Commission has covenanted in the Bond Resolution not to issue any debt with a pledge of or lien on Net Revenues senior to that of the Bonds.

As defined in the Bond Resolution, Net Revenues are Revenues less Operation and Maintenance Expenses. Revenues include substantially all rentals, fees, and charges associated with possession, management, supervision, operation, and control of the Airport as determined in accordance with generally accepted accounting principles (GAAP), but do not include grants-in-aid and, among other revenues, revenues derived from passenger facility charges (PFCs) unless designated as such by the Airport Commission. Since 2002, when the Airport Commission was first authorized to apply PFC revenues to the payment of debt service, the Airport Commission has designated a portion of its PFC revenues as Revenues each year for the purpose of paying part of its Annual Debt Service. The Airport Commission expects to continue to designate certain PFC revenues as Revenues on an annual basis during and beyond the projection period considered in this Report. (The Commission did not apply PFC revenues as Revenues during FY 2021.)

Operation and Maintenance Expenses are defined to include substantially all expenses incurred for the operation and maintenance of the Airport, as determined in accordance with GAAP. Operation and Maintenance Expenses do not include, among other costs, depreciation, amortization, debt service on Bonds or commercial paper, or expenses for which the Commission is paid or reimbursed from sources other than the Revenues of the Airport Commission.

### Rate Covenant

The Airport Commission has covenanted in Section 6.04(a) of the Bond Resolution (the Rate Covenant) that, so long as any of the Bonds are outstanding, it shall establish and at all times maintain rates, rentals, charges, and fees for the use of the Airport and for services rendered by the Airport Commission such that:

1. Net Revenues in each Fiscal Year will be at least sufficient (a) to make all required payments and deposits in such Fiscal Year into the Revenue Bond Account ….and (b) to make the Annual Service Payment to the City; and

2. Net Revenues, together with any Transfer, in each Fiscal Year will be at least equal to 125% of aggregate Annual Debt Service with respect to the [Bonds] for such Fiscal Year.

A Transfer is defined as (a) the amount deposited on the last Business Day of any Fiscal Year from the Contingency Account into the Revenues Account, plus (b) any amounts withdrawn from the Contingency Account during such Fiscal Year for certain specified purposes, less (c) any amounts deposited in the Contingency Account from Revenues during such Fiscal Year.

As of June 30, 2021, the balance in the Contingency Account was approximately $167.2 million in cash, before accrued interest earnings of approximately $90,000 were added to the account. For purposes of this Report, it was assumed that the Contingency Account balance will increase gradually during the projection period through a combination of interest earnings retained in the account and

Future Bond proceeds used to fund deposits to the Contingency Account. The lesser of the Contingency Account balance or 25% of Annual Debt Service is used as the amount of the Transfer for the purpose of projecting compliance with the Rate Covenant in this Report.

### Additional Bonds

To issue additional Bonds that are not refunding Bonds, the Airport Commission must meet the requirements of Section 2.11 of the Bond Resolution, which states that the Trustee must be provided with a certificate of either an Airport Consultant or an Independent Auditor, with specific requirements for each. The certificate of the Airport Consultant must state, among other things, that the Airport Commission is expected to be able to produce Net Revenues, together with any Transfer, at least sufficient to meet the requirements of the Rate Covenant in each Fiscal Year during the required projection period. For purposes of the certificate, the Transfer amount used for any given Fiscal Year of the projection period may not exceed 25% of Maximum Annual Debt Service. The Airport Commission will meet this requirement of the Bond Resolution prior to issuing the 2022 Bonds.

In addition to the 2022 Bonds, this Report assumes the issuance of three series of Future Bonds during the projection period with a total principal amount of approximately $2.5 billion to fund elements of the Capital Improvement Plan, as described more fully later in the Report.

The financial analysis section of this Report includes the projected effects of the 2022 Bonds and the Future Bonds on Revenues, Operation and Maintenance Expenses, Debt Service, and Net Revenues of the Airport Commission.

The amount and timing of these Future Bond issues reflect the assumption that the full Capital Improvement Plan as adopted by the Airport Commission in June 2020 will be implemented through FY 2025. Such Future Bond issue amounts and timing are subject to change as aviation activity levels, facility needs, and the Airport operating environment evolve over time, and depending on financial market conditions.

## THE AIRLINE LEASE AND USE AGREEMENTS

The City (acting through the Airport Commission) entered into agreements with certain airlines serving the Airport that account for substantially all of the airline traffic at the Airport, which were originally scheduled to expire on June 30, 2021. The Commission and the Signatory Airlines reached an agreement to extend the term of the Lease and Use Agreements by two years, to June 30, 2023, without material changes to the other terms and conditions of the Agreements. (The preferential use gate allocations in effect as of June 30, 2021 are maintained through the end of the extended term.)

Under these agreements, the airlines have agreed to pay terminal rentals and landing fees calculated under a residual airline rate-making methodology. Under a residual rate-making methodology, the airlines agree to pay the amounts necessary to enable the Airport Commission to fully recover its net Airport-related costs as defined in the agreements.

The Commission is in negotiations for a successor lease and use agreement with the airlines, and expects them to conclude before the end of the current agreement (as amended) in June 2023. For purposes of this Report, it was assumed that the residual airline rate-making methodology currently in effect would remain in effect beyond FY 2023, under the terms of successor agreements with the airlines, although there is no assurance that the airlines and the Commission will reach agreement on such terms.

## PASSENGER FACILITY CHARGE PROGRAM

The Airport Commission is currently authorized to impose a $4.50 PFC at the Airport pursuant to approvals from the Federal Aviation Administration (FAA).

In FY 2019, PFC revenues totaled $121.2 million on a cash basis, including restricted interest income, before falling to $99.7 million in FY 2020 and $23.1 million in FY 2021, resulting from the pandemic. The Airport Commission's PFC collection and spending authorization as of the date of this Report totals $2.3 billion at the $4.50 level, and with an expiration date no later than December 1, 2030.

As of September 30, 2021, a total of approximately $1.6 billion in PFC revenues (including restricted interest income) had been collected, including $429.6 million of PFC revenues collected but not yet expended. Based on the traffic projection included in this Report, the Airport Commission is not expected to collect the full authorized amount before the end of the projection period described in the Report (FY 2028). The Airport Commission intends to submit further PFC applications and application amendment requests to the FAA for increased PFC collection and use authority in the future, including requests for authorization to collect and use PFC revenues to pay debt service associated with the Terminal 1 and Terminal 3 redevelopment projects.

## SCOPE OF STUDY

As noted earlier, our study was undertaken to evaluate the ability of the Airport enterprise to generate sufficient Net Revenues to meet the requirements of the Rate Covenant, taking into account Annual Debt Service on the Outstanding Bonds, the 2022 Bonds, and the anticipated Future Bonds to be issued to complete the Capital Improvement Plan (CIP) for the Airport.

In conducting the study, we reviewed and analyzed:

- Historical airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the San Francisco Bay Area, historical trends in airline traffic, and other key factors that may affect future airline traffic

- The impact of the COVID-19 pandemic on the economies of the Bay Area and the nation, as well as the impact on aviation activity at the Airport and throughout the aviation system

- Debt service requirements on all current Outstanding Bonds, and estimated debt service requirements on the 2022 Bonds and the Future Bonds that are expected to be issued during the projection period (net of estimated debt service savings associated with Bonds that are expected to be refunded as part of this financing transaction)

- Historical relationships among Revenues, Operation and Maintenance Expenses, PFC revenues, and airline traffic at the Airport and other factors that may affect future Revenues and Operation and Maintenance Expenses

- Audited financial statements of the Airport Commission for FY 2019, FY 2020, and FY 2021, and estimated financial results for FY 2022 based on three months of preliminary data for the first quarter of FY 2022

- The Airport Commission's FY 2022 annual budget and internal airline rates and charges model, as well as other considerations related to the business operations of the Airport

- The Airport Commission's approved Capital Improvement Plan for the Airport, and its estimates of project costs and implementation schedules for projects included in the Capital Improvement Plan

- The Airport Commission's policies and contractual arrangements relating to the use and occupancy of Airport facilities, including the calculation of airline rentals, fees, and charges; the operation of concession privileges; and the leasing of buildings and grounds

- The Airport Commission's approved PFC program, PFC-eligible enplaned passengers, and historical PFC revenues (including restricted interest income)

We also identified key factors upon which the future financial results of the Airport may depend and, with Airport Commission management, formulated assumptions about those factors. On the basis of those assumptions, we assembled the financial projections presented in the exhibits provided at the end of this Report:

| Exhibit | |
|---|---|
| A-1 | Airport Capital Improvement Plan Costs |
| A-2 | Airport Capital Improvement Plan Sources of Funding |
| B | PFC Revenues and Application of PFC Revenues |
| C | Sources and Uses of Bond Funds |
| D | Annual Debt Service Requirements |
| E | Operation and Maintenance Expenses |
| F | Revenues |
| F-1 | Landing Fees |
| F-2 | Terminal Area Rentals |
| F-3 | Airline Payments per Enplaned Passenger |
| G | Application of Revenues |
| H | Rate Covenant Compliance |
| I | Summary of Financial Projections |

## SUMMARY OF PROJECTED RESULTS

As indicated in Exhibit H and further discussed in the Report, it is projected that the Airport Commission would meet the requirements of the Rate Covenant in each Fiscal Year of the projection period under the moderate aviation activity recovery scenario.

The table summarizes historical and projected enplaned passengers, Net Revenues, Transfers, debt service on Bonds issued under the terms of the Bond Resolution (including the 2022 Bonds and the anticipated Future Bonds), debt service coverage (including Transfers), and airline cost per enplaned passenger.

### SUMMARY OF PROJECTIONS- MODERATE RECOVERY SCENARIO

| | Historical | Historical | Historical | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
| Enplaned passengers | 28,622 | 20,215 | 6,925 | 16,263 | 21,067 | 25,728 | 29,655 | 31,946 | 32,701 | 33,237 |
| *Percentage change* | | -29.4% | -65.7% | 134.9% | 29.5% | 22.1% | 15.3% | 7.7% | 2.4% | 1.6% |
| Net Revenues (a) | $ 539,913 | $ 537,642 | $311,233 | $407,369 | $ 482,312 | $653,746 | $712,613 | $764,349 | $ 826,215 | $ 839,668 |
| Transfer (b) | 155,164 | 166,213 | 167,295 | 88,899 | 99,554 | 143,911 | 157,421 | 169,163 | 184,751 | 193,657 |
| Total amount available | $ 695,076 | $ 703,855 | $478,528 | $496,269 | $ 581,866 | $797,657 | $870,034 | $933,511 | $1,010,966 | $1,033,325 |
| Debt Service on Bonds - cash basis (c) | 436,459 | 479,168 | 290,261 | 355,598 | 398,217 | 575,645 | 629,683 | 676,651 | 739,005 | 774,628 |
| Debt Service Coverage | 159% | 147% | 165% | 140% | 146% | 139% | 138% | 138% | 137% | 133% |
| Passenger airline payments | $ 506,733 | $ 485,392 | $431,751 | $622,836 | $ 483,060 | $593,548 | $682,367 | $763,511 | $ 814,257 | $ 861,502 |
| Airline cost per enplaned passenger | $ 17.70 | $ 24.01 | $ 62.35 | $ 38.30 | $ 22.93 | $ 23.07 | $ 23.01 | $ 23.90 | $ 24.90 | $ 25.92 |

Note: The Fiscal Year of the City ends June 30. Amounts in thousands, except the airline cost per enplaned passenger, percentages and ratios. Totals may not add due to rounding.

*(a)* Net Revenues reflect the designation and application of a portion of the Commission's PFC cash balances and PFC revenues as Revenues.

*(b)* For purposes of the projected years shown in this table, the Transfer was assumed to be the lesser of the balance in the Contingency Account as of the end of the Fiscal Year, or 25% of annual debt service on the Bonds for that Fiscal Year.

*(c)* Debt service is expressed on a "cash basis" (reflecting the timing of the actual cash payments to the bondholders).

Source for projections: LeighFisher.

## ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS

The hypothetical financial projections described in this Report are based on information and assumptions that were provided by, or reviewed with and agreed to by, Airport management. Accordingly, the projections reflect the Airport Commission's expected course of action during the projection period in the eventuality that aviation activity recovers from the COVID-19 pandemic in the manner described and, in Airport management's judgment, present fairly the expected financial results of the Airport enterprise under that hypothetical aviation activity recovery scenario.

The key factors and assumptions that are significant to the projections are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Projections." The attachment should be read in its entirety for an understanding of the projections and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the projections. However, any projection is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the projected and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, expressed or implied, with respect to the information, assumptions, projections, opinions, or conclusions disclosed in the Report. We have no responsibility to update this Report for events and circumstances occurring after the date of the Report.

* * * * *

We appreciate the opportunity to serve as the Airport Consultant for the Airport Commission of the City and County of San Francisco on this proposed financing.

Respectfully submitted,

LeighFisher

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**BACKGROUND, ASSUMPTIONS, AND RATIONALE
FOR THE FINANCIAL PROJECTIONS**

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

AIRPORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SECOND SERIES REVENUE BONDS
Series 2022A (AMT), Series 2022B (Non-AMT/Governmental Purpose),
and Series 2022C (Federally Taxable)

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# INTRODUCTION

## THE AIRPORT COMMISSION

The City and County of San Francisco (the City), through its Airport Commission (the Airport Commission, or the Commission), owns and operates San Francisco International Airport (the Airport) as a financially self-sufficient enterprise.

The Airport Commission was created in 1970 pursuant to an amendment to the City Charter. Under the City Charter, the Airport Commission has control over the "construction, management, supervision, maintenance, extension, operation, use and control of all property, as well as the real, personal and financial assets which are under the Commission's jurisdiction." The City Charter further provides that "subject to the approval, amendment or rejection of the Board of Supervisors [of the City and County of San Francisco] of each issue, the Commission shall have exclusive authority to plan and issue revenue bonds for airport-related purposes." Bonds issued by the Commission are not general indebtedness of the City, but are special limited obligations of the Commission payable solely from Net Revenues received by the Commission from the operation of the Airport. The Commission has no taxing power.

The Airport Commission consists of five members who are appointed for four-year terms by the Mayor of San Francisco. All appointments are subject to rejection by a two-thirds vote of the Board of Supervisors and any member may be removed by a three-fourths vote of the Board of Supervisors, but only for official misconduct. Under the City Charter, the Airport Director is appointed by the Mayor from a list of candidates submitted by the Commission. The Airport Director is empowered to appoint or remove senior management staff. The City Attorney serves as the legal advisor to the Commission.

## THE AIRPORT

The Airport is located 14 miles south of downtown San Francisco, in San Mateo County, adjacent to the San Francisco Bay. The Airport occupies approximately 2,383 acres on a 5,171-acre site; the remaining 2,788 acres are undeveloped tidelands. Figure 1 shows the layout of the Airport from an aerial view, and Table 1 provides a summary of key Airport facilities.

Figure 1
**Aerial View**
San Francisco International Airport

Table 1
**Airport Facilities Profile**
San Francisco International Airport

| Terminal gate positions | Gates (a) | Primary airlines |
|---|---|---|
| **Domestic terminals (3.2 million sq. ft.) (b)** | | |
| Terminal 1 | | |
| Boarding Area B (c) | 22 | American, jetBlue, Southwest |
| Terminal 2 | | |
| Boarding Area C | 9 | Delta |
| Boarding Area D | 15 | Alaska |
| | 24 | |
| Terminal 3 | | |
| Boarding Area E | 13 | United (domestic) |
| Boarding Area F | 21 | United (domestic) |
| | 34 | |
| **International Terminal (2.5 mill. sq. ft.) (d)** | | |
| Boarding Area A | 13 | Foreign-flag, others (e) |
| Boarding Area G | 12 | Foreign-flag, United (international) |
| | 25 | |
| Total gates | 105 | |
| Widebody capable gates (all terminals) | 46 | |

| Airfield (approx. 1,700 acres) | Length (feet) | ILS category |
|---|---|---|
| Runway 10L-28R | 11,870 | III |
| Runway 10R-28L | 11,381 | I (f) |
| Runway 1R-19L | 8,650 | I |
| Runway 1L-19R | 7,650 | No Instrument Landing System approach |

| Cargo facilities | |
|---|---|
| Number of cargo buildings | 11 |
| Total space | 1.1 million square feet |

(a) Reflects gates that are in use on a common use basis or are preferentially allocated. Includes one gate in Boarding Area A that has apron-level boarding, accessed by bus. Gate count and airline allocation as of November 5, 2021.
(b) Terminals 1, 2, and 3 also handle flights to and from Canada, and flights to Mexico.
(c) As of November 16, 2021, four gates in Boarding Area B are capable of accepting international flights.
(d) All international flights requiring customs and immigration arrive at either the International Terminal or the four gates in Boarding Area B capable of accessing the Federal Inspection Station (FIS).
(e) Including Alaska (international arrivals), jetBlue (international arrivals), Hawaiian, Sun Country.
(f) Runway 28L has available standard Instrument Landing System Category I approaches and Special Authorization Category II approaches that require special aircrew and aircraft certification requirements.

Source: San Francisco Airport Commission, November 2021.

## Airfield Facilities

The runway and taxiway system at the Airport occupies approximately 1,700 acres and provides four intersecting runways, three of which are equipped with an instrument landing system (ILS) for arrivals. The east-west runways are 11,870 and 11,381 feet long, respectively. The north-south runways are 8,650 and 7,650 feet long, respectively. Each of the four runways is 200 feet wide. The current runway system can accommodate the arrivals and departures at the maximum loads of all commercial aircraft currently in service, including large aircraft such as the Airbus A380. The Airport runways are built on Bay tidelands that were filled during and after World War II and, as a result, the runways continue to settle at various rates, requiring periodic repair and maintenance.

## Terminal Facilities

The Airport has 105 operational contact gates, 46 of which can accommodate widebody aircraft. The domestic passenger terminal complex at the Airport consists of approximately 3.2 million square feet of total space divided among three terminals in a five-pier configuration. The domestic terminals (which also accommodate flights to Mexico and Canada) are located around two-thirds of the outer perimeter of the roadway that encircles the central parking garage, as follows:

- Terminal 1 comprises Boarding Area B (22 gates)
- Terminal 2 comprises Boarding Area C (9 gates) and Boarding Area D (15 gates)
- Terminal 3 comprises Boarding Area E (13 gates) and Boarding Area F (21 gates)

The International Terminal Complex (ITC) straddles the main Airport entrance roadway and consists of 2.5 million square feet configured as a main hall and two piers (Boarding Areas A and G, which include 13 gates and 12 gates, respectively). In addition to serving as the point of departure and arrival for flights requiring Federal Inspection Services (FIS) clearance, the ITC is also used for certain domestic flights.

As of July 2021, the three domestic terminals have 83 food and beverage and retail outlets. The ITC has 45 such outlets (including 12 duty free stores). Some of these locations are temporarily closed because of the COVID-19 pandemic.

## Parking

The Airport Commission owns the short- and long-term public parking facilities at the Airport. Table 2 provides details of the number of spaces currently available in these parking facilities. The Domestic Parking Garage, which is adjacent to the domestic terminal complex, provides approximately 5,030 short-term public parking spaces. Two parking garages, located adjacent to the ITC, provide 2,980 short-term parking spaces. Two long-term parking garages and an adjacent surface lot located approximately 1.5 miles from the terminal complex provide an additional 7,296 spaces. A total of 9,115 employee parking spaces are also provided.

Table 2
**Parking Facilities**
San Francisco International Airport

| Automobile Parking | Spaces |
|---|---|
| Public parking | |
| Domestic Parking Garage | 5,030 |
| Garage A and Garage G | 2,980 |
| Long-Term Garages and surface lot | 7,296 |
| Total public parking spaces | 15,306 |
| Employee parking | 9,115 |
| Total parking spaces | 24,421 |

Source: San Francisco Airport Commission, November 2021.

Additionally, several independent companies offer parking facilities off Airport property and provide Airport access to their patrons via shuttle buses. The capacity of these off-Airport parking facilities is estimated to be more than 8,000 spaces.

## Airport Access

Access to the Airport is provided by a roadway system and by the San Francisco Bay Area Rapid Transit (BART) District rail system.

The Airport is located on the east side of the Bayshore Freeway (U.S. Highway 101) between Millbrae Avenue to the south and Interstate 380 (I-380) to the north. The Bayshore Freeway is a major north-south artery that serves the San Francisco Peninsula, providing direct access to the Airport via four exits—Millbrae Avenue, Terminal Access Road, San Bruno Avenue, and North Access Road.

I-380, north of the Airport, connects with the North Access Road and the Terminal Access Road. I-380 is an east-west freeway that serves as a connector between the Bayshore Freeway and Interstate 280 (I-280), the other major north-south freeway serving the Peninsula.

BART is an automated rapid transit system serving Alameda, Contra Costa, and San Francisco counties, as well as northern San Mateo County. A total of 50 BART stations are located along five lines. BART operation was extended directly to the Airport in 2003.

### AirTrain System

The AirTrain system provides transportation for travelers and others around and among key Airport facilities. The nine-station AirTrain system operates on two lines (Red and Blue). Both lines connect to all Airport terminals, garages, and the Airport BART station, while the Blue line also connects to the consolidated rental car facility and certain support facilities. Three AirTrain stations are located adjacent to the domestic terminal complex atop the Domestic Parking Garage. These stations are accessed from their terminals via pedestrian “skybridges” over the loop road. AirTrain stations are also located in the ITC and in the adjacent parking facilities. One AirTrain station connects directly with the Airport BART station.

### Consolidated Rental Car Facility

The Commission developed a consolidated rental car facility at the Airport which opened in 1998. The facility is a five-level structure containing approximately 1.5 million square feet, approximately 5,000 parking spaces, a quick turnaround area, a rental car operator staging area, rental car fueling and cleaning facilities, ticket counter space, and administrative offices. Companies representing nine rental car brands currently operate from the consolidated rental car facility.

### Aircraft Maintenance and Cargo Facilities

Several airlines operate maintenance and cargo facilities at the Airport. United Airlines’ Maintenance Operations Center at the Airport encompasses approximately 3 million square feet and is one of the country’s largest private aircraft maintenance facilities. Additionally, American Airlines operates a major maintenance facility at the Airport, and several other airlines operate line maintenance facilities.

There are 11 cargo facilities at the Airport, providing approximately 1.1 million square feet of warehouse and office space. Services offered by cargo tenants include refrigeration/cooler facilities, dangerous goods handling, valuable goods handling, and bonded storage.

## AIRLINE TRAFFIC AND ECONOMIC ANALYSIS

### AIRPORT SERVICE REGION

The development of the economic base of an airport service region is important to passenger traffic growth over the long term. This is particularly true where the industries in the region rely on the airport for passenger and cargo service. As shown in Table 3 and on Figure 2, the region served by the Airport consists of the 14-county San Jose-San Francisco-Oakland Combined Statistical Area (the San Francisco CSA or the Bay Area).* The San Francisco CSA, the fifth most populous in the United States, is a national and international travel destination as well as a center of business and trade in California and the nation.

Table 3
**San Francisco CSA Population in 2020**

| MSA | County | Population | Percent of total |
|---|---|---|---|
| San Francisco-Oakland-Berkeley MSA | Alameda | 1,662,323 | 17.3% |
| | Contra Costa | 1,152,333 | 12.0 |
| | San Francisco | 866,606 | 9.0 |
| | San Mateo | 758,308 | 7.9 |
| | Marin | 257,332 | 2.7 |
| Subtotal—San Francisco MSA | | 4,696,902 | 48.9% |
| San Jose-Sunnyvale-Santa Clara MSA | Santa Clara | 1,907,105 | 19.8 |
| | San Benito | 64,055 | 0.7 |
| Subtotal—San Jose MSA | | 1,971,160 | 20.5% |
| Stockton MSA | San Joaquin | 767,967 | 8.0 |
| Modesto MSA | Stanislaus | 550,081 | 5.7 |
| Santa Rosa-Petaluma MSA | Sonoma | 489,819 | 5.1 |
| Vallejo MSA | Solano | 446,935 | 4.7 |
| Santa Cruz-Watsonville MSA | Santa Cruz | 269,925 | 2.8 |
| Merced MSA | Merced | 279,252 | 2.9 |
| Napa MSA | Napa | 135,965 | 1.4 |
| Total Airport Service Region | | 9,608,006 | 100.0% |

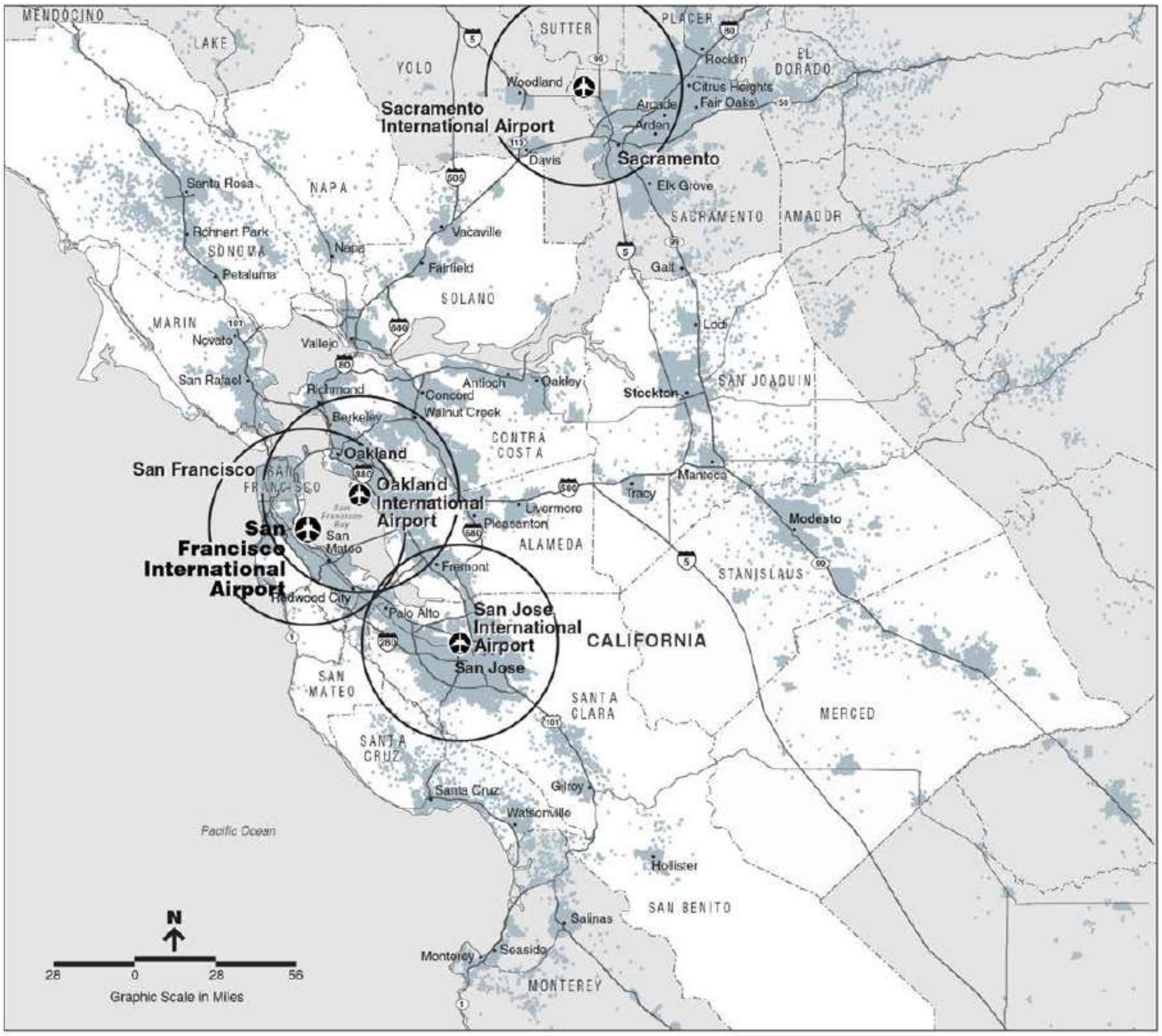
CSA = Combined Statistical Area; MSA = Metropolitan Statistical Area

Source U.S. Department of Commerce, Bureau of the Census, www.census.gov, accessed October 2021.

*In March 2020, the Office of Management and Budget released revised delineations of Metropolitan Statistical Areas (MSAs). The Merced and Modesto MSAs, consisting of Merced and Stanislaus counties, respectively, were added to the San Francisco-Oakland-Berkeley CSA.

Figure 2

**Airport Service Region**




**LEGEND**

- Airport service region (San Francisco Combined Statistical Area CSA)
- Population density: 1 dot represents 100 people
- 30 mile diameter (15 mile radius from airport center)
- County boundary
- Passenger air carrier service

Note: Road miles shown are from SFO to the airports in each of the cities listed.

Source: Google Maps, www.google.com.

**Large-hub Airports**


| Road miles from SFO to: | |
|---|---|
| Los Angeles | 386 |
| Monterey | 107 |
| Sacramento | 103 |
| Santa Rosa | 84 |
| Stockton | 83 |
| Napa | 54 |
| Vallejo | 43 |
| San Jose | 34 |
| Oakland | 32 |

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According to the U.S. Department of Commerce, Bureau of the Census, the population of the San Francisco CSA was 9.6 million in 2020, accounting for 24% of California's total population of 39.4 million. The San Francisco-Oakland-Berkeley Metropolitan Statistical Area (MSA) includes the City of San Francisco (equivalent to San Francisco County), which accounted for 9.0% of the population of the San Francisco CSA, as shown in Table 3. Because economic growth and activity within this area is an important determinant of passenger demand at the Airport, statistics for the San Francisco CSA were used to evaluate airline traffic trends at the Airport.*

The COVID-19 pandemic that began in February 2020 has, in the near-term, disturbed the historical relationship between economic and passenger traffic growth.

- In 2020, regional and state lockdowns and social distancing policies combined with an increasing trend in COVID-19 cases resulted in a 3.4% decrease in U.S. real GDP (adjusted for inflation) and a 61% decrease in U.S. passenger traffic between 2019 and 2020.**
- In 2021, the availability and rapid distribution of approved COVID-19 vaccines contributed to a significant decrease in new COVID-19 cases in the United States, notwithstanding the increase in new cases caused by the Delta variant in July through mid-September and the Omicron variant in December. During the summer of 2021, U.S. passenger traffic approached 2019 levels, driven by pent-up domestic demand, the success of COVID-19 vaccines in reducing the spread of the coronavirus, and the establishment of airline and airport health safety procedures. By late November 2021, 59% of the U.S. population had been fully vaccinated, 70% had received at least one dose, and 19% of the fully vaccinated had received booster doses.*** During the first 9 months of 2021 (January through September), U.S. real GDP increased 5.7% and 1.7%, respectively, compared with the same period in 2020 and 2019, while U.S. passenger traffic increased 60% from the same period in 2020 but remained 36% lower than 2019 levels.
- The outlook for 2022 is uncertain but improved by several factors, including increasing trends in U.S. employment, federal spending, and GDP growth, the reopening of U.S. businesses, federal government and corporate mandates for employee vaccinations, the easing of international travel restrictions in November 2021, the availability of COVID-19 booster doses, and the development of treatments such as the COVID-19 antiviral pill.

The continued restoration of the relationship between economic and passenger traffic growth will depend on the growth in the U.S. economy, the national COVID-19 vaccination program and the availability of treatments, the reopening of international borders, and restored consumer confidence in air travel.

---

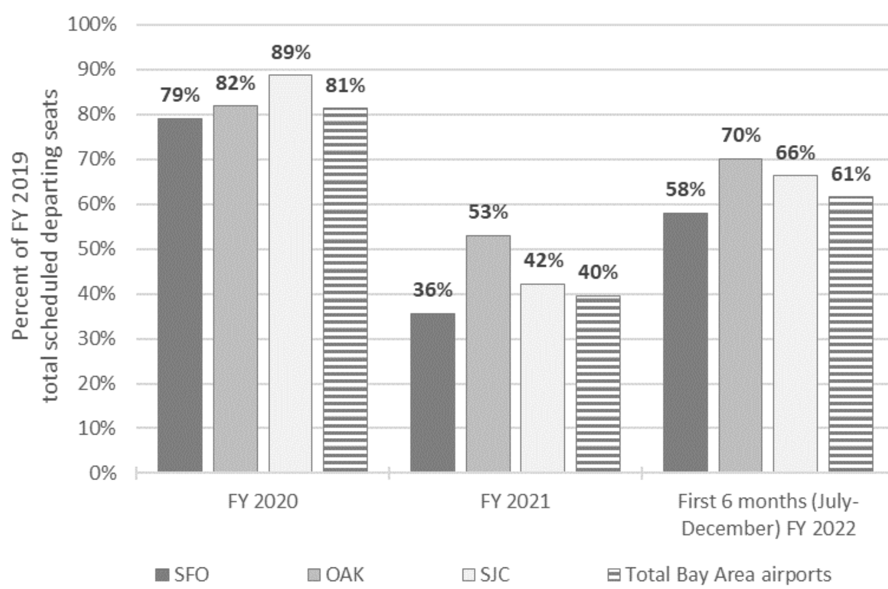
* Data are presented for the most recent period available and, for internet sources, dated when accessed. Published airline schedule data for July 2021 (unless otherwise noted) are used throughout this Report to represent the peak month of passenger airline activity, which includes daily and seasonal service, and to be consistent with previous Reports of the Airport Consultant, which reported July data. Published airline schedules represent the number of flights airlines expected to provide rather than the actual number flown.
** U.S. Bureau of Economic Analysis, Table 1.1.6. Real Gross Domestic Product, Chained Dollars, November 24, 2021, www.bea.gov. U.S. Department of Transportation, Schedule T100 and TSA Throughput Passengers, online database, accessed November 2021.
*** U.S. Department of Health and Human Services, Centers for Disease Control and Prevention, COVID Data Tracker, www.covid.cdc.gov, accessed November 23, 2021.

## AIRLINE SERVICE AT BAY AREA AIRPORTS

The Bay Area is served by three primary passenger-service airports – San Francisco (SFO), Oakland (OAK), and Mineta San Jose (SJC) international airports. SFO is the busiest airport in the Bay Area and Northern California and accounted for 65%, 63%, and 58% of total scheduled departing seats (domestic and international) at Bay Area airports in FY 2019, FY 2020, and FY 2021, respectively. OAK and SJC are medium-hub airports and provide primarily short- and medium-haul domestic service.*

During the COVID-19 pandemic, scheduled departing seats at the three Bay Area airports decreased and remained below 2019 levels, as shown on Figure 3. In FY 2020, SFO's scheduled departing seats accounted for 79% of 2019 levels, less than that for the other Bay Area airports, and included the impact of the first 3 months of the pandemic. FY 2021 included 12 months of COVID-19 impacts including reduced passenger traffic related to international air travel restrictions. As a result, in FY 2021, SFO's scheduled departing seats decreased further and accounted for 36% of 2019 levels. During the first 6 months of FY 2022 (July through December), SFO's scheduled departing seats increased to 58% of 2019 levels, in response to strong summer demand and the easing of international travel restrictions in November 2021.

Figure 3
**Percent of 2019 Total Scheduled Departing Seats**
Bay Area Airports




Note: Includes domestic and international scheduled departing seats.
Source: OAG Worldwide Aviation Ltd, online database, accessed January 2022.

***Domestic Airline Service.*** As shown in Table 4, SFO dominates long-haul domestic service, with 80%, 79%, and 78%, respectively, of long-haul domestic scheduled departing seats in the Bay Area in

* The San Francisco CSA also includes three non-hub airports (enplane less than 0.05% of nationwide passenger boardings) with limited commercial passenger airline service in July 2021: Merced Regional Airport, Charles M. Shultz Sonoma County Airport and Sacramento Stockton Metropolitan Airport.

FY 2019, FY 2020, and FY 2021. OAK and SJC provide primarily short- and medium-haul domestic service. SFO's percent of its 2019 total scheduled domestic seats increased from 40% of its 2019 levels in FY 2021 to 63% during the first 6 months of FY 2022 as an increasing percentage of the U.S. population was vaccinated and consumer confidence in air travel increased.

Table 4

**Domestic Departing Seats By Length of Haul**

Bay Area Airports

| | Percent of domestic scheduled departing seats by segment | | | Percent of FY 2019 domestic scheduled departing seats | | |
|---|---|---|---|---|---|---|
| Length of haul (miles) | FY 2019 | FY 2020 | FY 2021 | FY 2020 | FY 2021 | First 6 months (July-December) FY 2022 |
| Long-haul (more than 1,500) | | | | | | |
| SFO | 80% | 79% | 78% | 79% | 38% | 67% |
| OAK | 10 | 10 | 13 | 84 | 50 | 63 |
| SJC | 11 | 11 | 9 | 81 | 35 | 74 |
| Subtotal--Long-haul | 100% | 100% | 100% | 79% | 39% | 67% |
| Medium-haul (501-1,500) | | | | | | |
| SFO | 50% | 48% | 46% | 81% | 46% | 63% |
| OAK | 22 | 22 | 27 | 83 | 61 | 73 |
| SJC | 28 | 29 | 27 | 89 | 50 | 69 |
| Subtotal--Medium-haul | 100% | 100% | 100% | 83% | 51% | 67% |
| Short-haul (0-500) | | | | | | |
| SFO | 47% | 46% | 42% | 82% | 36% | 55% |
| OAK | 26 | 25 | 32 | 83 | 51 | 76 |
| SJC | 27 | 29 | 26 | 94 | 39 | 64 |
| Subtotal--Short-haul | 100% | 100% | 100% | 86% | 41% | 63% |
| Domestic total | | | | | | |
| SFO | 59% | 58% | 55% | 80% | 40% | 63% |
| OAK | 19 | 19 | 24 | 83 | 54 | 73 |
| SJC | 21 | 23 | 21 | 90 | 42 | 68 |
| Total Domestic | 100% | 100% | 100% | 83% | 43% | 66% |

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed January 2022.

***International Airline Service.*** SFO is the Bay Area's international gateway and dominates international service with 89%, 90%, and 84%, respectively, of Bay Area international scheduled departing seats in FY 2019, FY 2020, and FY 2021, as shown in Table 5. OAK and SJC provide limited international service. SFO's scheduled international seats increased from 24% of its 2019 levels in FY 2021 to 44% during the first 6 months of FY 2022 reflecting continued international service to coastal leisure destinations in Mexico and Latin America and the easing of international air travel restrictions in November 2021.

In recent years, prior to the onset of the pandemic, limited long-haul and international service was added at OAK and SJC, as discussed in the section "International Gateway" that follows. Historically, each airport has drawn passengers primarily from its closest surrounding geographical area for short- and medium-haul service, while SFO has captured most of the demand for longer domestic trips and international service from the entire Bay Area.

Table 5
**International Departing Seats By Length of Haul**
Bay Area Airports

| Length of haul (miles) | Percent of international scheduled departing seats by segment FY 2019 | FY 2020 | FY 2021 | Percent of FY 2019 international scheduled departing seats FY 2020 | FY 2021 | First 6 months (July-December) FY 2021 |
|---|---|---|---|---|---|---|
| Long-haul (more than 1,500) | | | | | | |
| SFO | 90% | 91% | 85% | 76% | 24% | 44% |
| OAK | 5 | 4 | 8 | 59 | 37 | 36 |
| SJC | 5 | 5 | 8 | 71 | 39 | 48 |
| Subtotal--Long-haul | 100% | 100% | 100% | 75% | 25% | 44% |
| Medium-haul (501-1,500) | | | | | | |
| SFO | 81% | 83% | 78% | 75% | 24% | 47% |
| OAK | 4 | 2 | -- | 36 | -- | 4 |
| SJC | 15 | 14 | 22 | 71 | 36 | 44 |
| Subtotal--Medium-haul | 100% | 100% | 100% | 73% | 24% | 44% |
| International total | | | | | | |
| SFO | 89% | 90% | 84% | 76% | 24% | 44% |
| OAK | 5 | 4 | 7 | 58 | 34 | 33 |
| SJC | 6 | 6 | 9 | 71 | 38 | 47 |
| Total International | 100% | 100% | 100% | 75% | 25% | 44% |

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed November 2021.

## AIRPORT ROLE

The Airport's role as one of the primary international gateways in the United States and the world is related to the strength of the San Francisco CSA economy, the location of global companies in the San Francisco CSA and Northern California, its proximity to expanding markets in Asia and the South Pacific, and its wide reach to markets in Canada, Europe, Mexico, and the Middle East. SFO's ranking among world and U.S. airports reflects its standing as a global and national transportation hub. SFO is the only airport in the San Francisco CSA and Northern California with substantial levels of international service and connecting traffic.

### Large-Hub Origin-Destination Airport

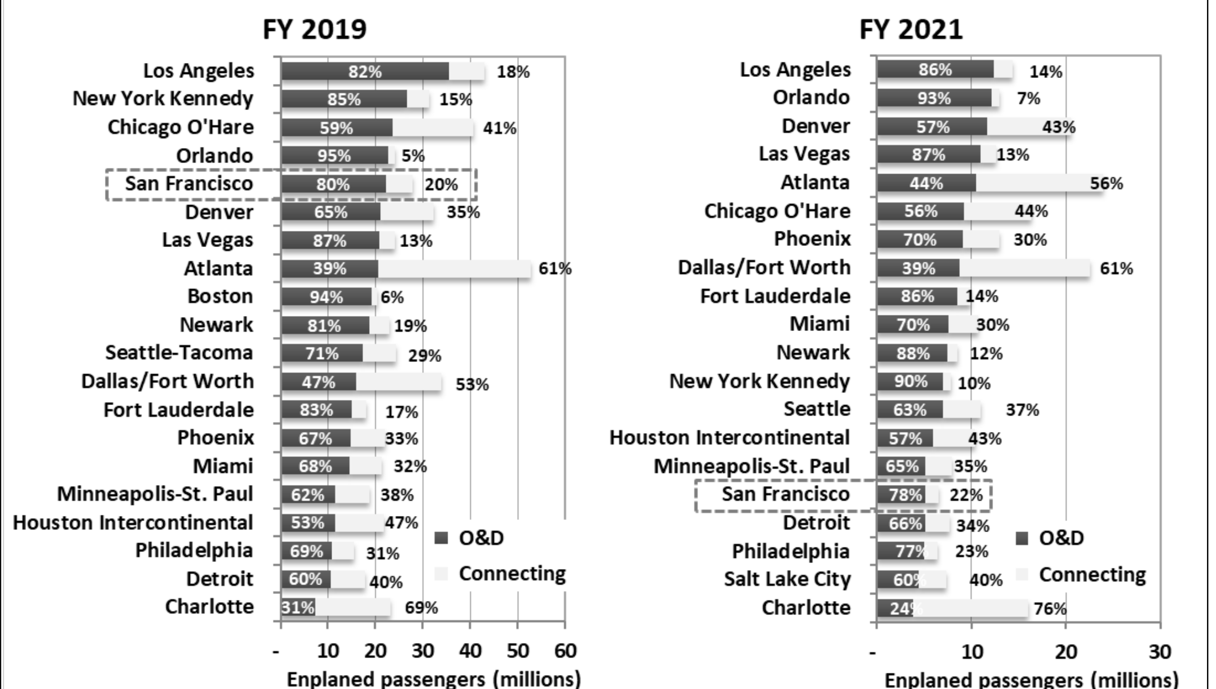
Due to the impacts of the pandemic on passenger traffic, SFO is the nineteenth busiest airport in the United States in terms of total enplaned passengers in FY 2021, down from eleventh in FY 2020 and seventh in FY 2019, according to the U.S. Department of Transportation (DOT).*

SFO's O&D ranking has also been impacted by the pandemic and the associated restrictions on international and corporate business travel. In FY 2021, the Airport ranked sixteenth among U.S. airports in terms of domestic and international revenue origin-destination (O&D) passengers, down from eleventh in FY 2020 and fifth in FY 2019, as shown on Figure 4. Notwithstanding the decreases in passenger traffic related to the pandemic, SFO's large O&D passenger base reflects, in part, the

*Data reported to the U.S. DOT excludes nonrevenue passengers and may differ from data reported by the airlines to the Airport.

San Francisco CSA's population of 9.6 million in 2020, which is the fifth most populous CSA in the nation (following the New York, Los Angeles, Chicago, and Washington DC/Baltimore CSAs).

Figure 4
**Revenue Enplaned Passengers**
**at the 20 Busiest U.S. Airports in FY 2019 and FY 2021**
Ranked by origin-destination passengers




Notes: For the Fiscal Year ended June 30.
O&D = Origin-Destination passengers
Due to reporting anomalies, O&D passengers include passengers making a connection from one international flight to another international flight on foreign-flag airlines.
The percent of O&D passengers for SFO in FY 2021 (78%) excludes non-revenue passengers and differs from the estimate in Table 9 (81.0%) which is based on total (revenue and non-revenue) enplaned passengers.

Sources: U.S. Department of Transportation, *Air Passenger Origin-Destination Survey,* reconciled to Schedule T100, and Schedule T100, accessed December 2021.

## Role as a Connecting Hub

In addition to its role as a large O&D airport, the Airport serves as a major connecting hub for United as discussed in the following section. In FY 2021, SFO ranked fifteenth among U.S. airports in terms of domestic and international revenue connecting passengers, down from thirteenth in FY 2019 and FY 2020. In FY 2021, connecting passengers accounted for 22% of SFO's revenue enplaned passengers (up from 20% FY 2019 but less than 26% in FY 2020) and 43% of United's passengers at the Airport (up from 36% and 37% in FY 2019 and FY 2020, respectively).

## United Airlines Network Strategy

SFO plays an important role in United's system as a domestic connecting hub and international gateway and ranked fifth among United's seven U.S. connecting hubs in FY 2019 through the first 6 months of FY 2022 in terms of scheduled departing seats, as shown in Table 6. During the first 6 months of FY 2022 (July 2021 through December 2021), United Airlines had recovered 59.3% of its 2019 scheduled departing seats at SFO, compared with 85.3% systemwide.

Table 6
**Scheduled Departing Seats at United Airlines Connecting Hubs**
Ranked by 2019 seats

| Connecting hub | FY 2019 | FY 2020 | FY 2021 | July - December FY 2019 | July - December FY 2022 |
|---|---|---|---|---|---|
| | In millions | | | | |
| Chicago O'Hare | 22.5 | 17.9 | 10.8 | 11.6 | 9.0 |
| Houston-Bush | 20.3 | 16.3 | 11.3 | 10.2 | 9.3 |
| Newark | 18.1 | 14.3 | 7.9 | 9.1 | 7.5 |
| Denver | 16.8 | 14.9 | 12.2 | 8.3 | 9.0 |
| **San Francisco** | **15.3** | **12.2** | **5.4** | **8.0** | **4.7** |
| Washington Dulles | 9.3 | 7.8 | 5.0 | 4.8 | 4.4 |
| Los Angeles | 7.4 | 5.6 | 3.2 | 3.8 | 2.9 |
| Subtotal--connecting hubs | 109.7 | 89.1 | 55.8 | 55.8 | 46.8 |
| Other airports | 69.2 | 56.7 | 35.8 | 35.3 | 30.9 |
| Total system | 178.9 | 145.7 | 91.6 | 91.1 | 77.7 |
| | Percent of total | | | | |
| Chicago O'Hare | 12.6% | 12.3% | 11.7% | 12.7% | 11.6% |
| Houston-Bush | 11.4 | 11.2% | 12.4 | 11.2 | 12.0 |
| Newark | 10.1 | 9.8% | 8.6 | 10.0 | 9.7 |
| Denver | 9.4 | 10.2% | 13.3 | 9.1 | 11.6 |
| **San Francisco** | **8.6** | **8.3%** | **5.9** | **8.7** | **6.1** |
| Washington Dulles | 5.2 | 5.3% | 5.5 | 5.3 | 5.6 |
| Los Angeles | 4.1 | 3.9% | 3.5 | 4.2 | 3.7 |
| Subtotal--connecting hubs | 61.3% | 61.1% | 60.9% | 61.3% | 60.3% |
| Other airports | 38.7 | 38.9 | 39.1 | 38.7 | 39.7 |
| Total system | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| | Percent of 2019 seats | | | | |
| Chicago O'Hare | | 79.7% | 47.8% | | 77.7% |
| Houston-Bush | | 80.3 | 55.7 | | 91.5 |
| Newark | | 79.2 | 43.8 | | 82.2 |
| Denver | | 89.0 | 72.7 | | 108.1 |
| **San Francisco** | | **79.4** | **35.4** | | **59.3** |
| Washington Dulles | | 83.1 | 53.8 | | 90.9 |
| Los Angeles | | 76.5 | 43.3 | | 76.4 |
| Subtotal--connecting hubs | | 81.2 | 50.9 | | 83.9 |
| Other airports | | 81.9 | 51.7 | | 87.6 |
| Total system | | 81.5 | 51.2 | | 85.3 |

Note: For Fiscal Years ended June 30

Sources: OAG Worldwide Ltd, OAG Analyser database, accessed January 2022.

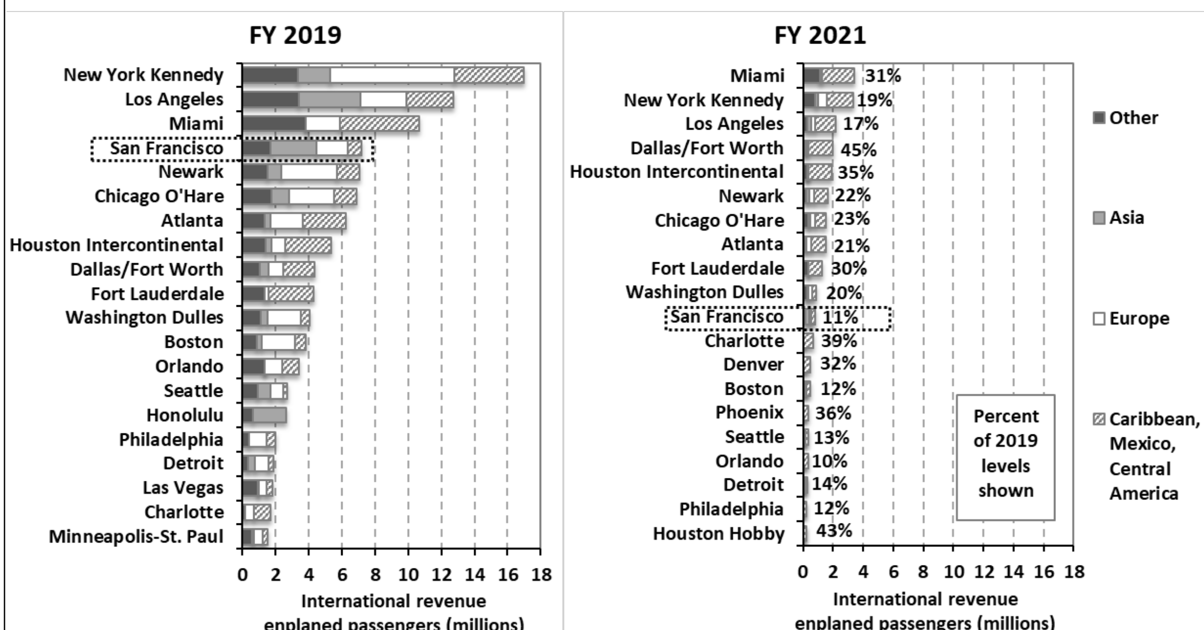
United's seven U.S. connecting hubs (including SFO) accounted for more than 60% of its systemwide departing seats in FY 2019 through the first 6 months of FY 2022. As shown in Table 6, United's Denver hub experienced the largest change in its share of systemwide seats, increasing from 9.4% in FY 2019 to 11.6% during the first 6 months of FY 2022. The increasing role of United's

Denver hub during the pandemic reflects the faster recovery in domestic passengers than international, Denver's large share of domestic seats (96% in FY 2019 and FY 2020 and 97% in FY 2021—the largest domestic share of United's connecting hubs), its central geographic location with an average flight stage length of less than 1,000 miles which provides for more potential connecting opportunities, and competitive pressures from Southwest and Frontier for domestic service at Denver.

## International Gateway

According to Airports Council International, SFO was the 50th busiest airport in the world in 2020 in terms of total passengers, down from its ranking of 23rd in 2019 due to impact of the pandemic on passenger traffic, particularly international traffic. International gateway airports with large numbers of international passengers like SFO were disproportionately affected by the closure of country borders, quarantine requirements, and other restrictions on international air travel. In FY 2021, SFO was the eleventh busiest U.S. gateway airport in the United States, in terms of international revenue enplaned passengers, down from its fourth place ranking in FY 2019, as shown on Figure 5.

Figure 5
**International Revenue Enplaned Passengers**
**at the 20 Busiest U.S. Gateway Airports in FY 2019 and FY 2021**
*Ranked by total international passengers*




Source: U.S. Department of Transportation, Schedule T100, accessed December 2021.

***International Regions Served.*** In FY 2021, SFO enplaned 0.8 million international revenue enplaned passengers, down from 7.2 million in FY 2019 due to the closure of country borders and restrictions on international travel related to the pandemic. In FY 2019, Asia and Europe accounted for 65% of SFO's international passengers, with the Caribbean, Mexico, and Central America accounting for an additional 11%. In FY 2021, the share of SFO's international passengers to Asia and

Europe decreased to 48%, while the share of passengers to the Caribbean, Mexico, and Central America increased to 33%, reflecting less restrictive travel policies by the countries in those regions and increased demand for leisure beach destinations. Airports with higher than average shares of international passengers to the Caribbean, Mexico, and Central America in FY 2019 such as Charlotte, Dallas/Fort Worth, Fort Lauderdale, Houston Hobby, Houston Intercontinental, Miami, and Phoenix, recovered to higher than average percentages of 2019 international passenger levels in FY 2021.

***West Coast Gateways.*** SFO is one of three West Coast gateways, in addition to Los Angeles (LAX) and Seattle (SEA) international airports, that play an important strategic role in U.S. airline networks by providing access to expanding markets in Asia and the South Pacific and facilitating connections to domestic and other international destinations. In July 2021, SFO provided an average of 44 daily international departures, down from 115 in July 2019, as shown in Table 7.

Table 7

**West Coast International Passenger Airline Service**

July 2019 and July 2021

Ranked by July 2019 seats

| | Number of international destinations served | | Average daily departures | | | Average daily departing seats | | |
|---|---|---|---|---|---|---|---|---|
| Airport | July 2019 | July 2021 | July 2019 | July 2021 | Percent of 2019 | July 2019 | July 2021 | Percent of 2019 |
| **Primary international gateways** | | | | | | | | |
| Los Angeles LAX | 88 | 64 | 187 | 98 | 52% | 45,521 | 21,201 | 47% |
| **San Francisco** | **52** | **37** | **115** | **44** | **38%** | **27,951** | **9,623** | **34%** |
| Seattle | 25 | 16 | 66 | 20 | 31% | 10,273 | 4,030 | 39% |
| Subtotal--primary gateways | | | 367 | 162 | 44% | 83,744 | 34,854 | 42% |
| **Other airports** | | | | | | | | |
| Portland | 9 | 4 | 14 | 3 | 17% | 1,978 | 351 | 18% |
| San Diego | 9 | 3 | 12 | 2 | 18% | 1,934 | 379 | 20% |
| San Jose | 10 | 7 | 10 | 4 | 44% | 1,554 | 781 | 50% |
| Oakland | 13 | 5 | 7 | 3 | 45% | 1,520 | 538 | 35% |
| Sacramento | 4 | 5 | 4 | 4 | 98% | 604 | 653 | 108% |
| Fresno | 2 | 4 | 3 | 3 | 113% | 524 | 570 | 109% |
| Ontario | 2 | 4 | 2 | 2 | 89% | 485 | 301 | 62% |
| Sana Ana (Orange County) | 3 | 2 | 2 | 2 | 91% | 305 | 286 | 94% |
| Palm Springs | 2 | 2 | 1 | -- | 23% | 149 | 37 | 25% |
| Fairfield (Travis AFB) | 1 | -- | -- | -- | 100% | 15 | 11 | 76% |
| Subtotal--other airports | | | 55 | 23 | 43% | 469 | 334 | 71% |
| All airports | | | 424 | 185 | 44% | 92,812 | 38,761 | 42% |

Note: The airports listed serve many of the same destinations; therefore, the number of destinations served aren't additive. Totals may not add due to rounding.

Source: OAG Worldwide Ltd, OAG Analyser database, accessed November 2021.

SFO, LAX, and SEA serve as the primary West Coast gateways because of their geographical locations, passenger demand characteristics, international facility infrastructure, and established international routes.

- SFO is United's primary West Coast gateway and complements its other connecting hubs and gateways. In July 2021, United accounted for 38% of international departing seats at SFO and provided service to 17 international destinations with an average of 16 daily international departures (compared with 39 in July 2019).

- Since 2013, Delta has developed SEA as a West Coast focus gateway and connecting hub. In July 2021, Delta accounted for 33% of international departing seats at SEA and provided service to 7 international destinations with an average of 7 daily international departures (compared with 20 in July 2019).

- At LAX, five U.S. airlines provided international service in July 2021, together accounting for 32% of international departing seats:

  - American: An average of 4 daily international departures to 7 international destinations
  - Delta: An average of 10 daily international departures to 9 international destinations
  - United: An average of 13 daily international departures to 14 international destinations
  - Alaska: An average of 10 daily international departures to 9 international destinations
  - jetBlue: An average of 3 daily international departures to 4 international destinations

Limited international service is also provided at nine West Coast airports in Fresno, Oakland, Ontario, Palm Springs, Portland, Sacramento, San Diego, San Jose, and Santa Ana. U.S. mainline, foreign-flag, and low-cost carrier (LCC)* service is provided from these nine airports primarily to airports in Canada and Mexico. In July 2021, service was provided to Asia from Ontario and San Diego and to Europe from Portland. Airline service at these nine West Coast airports is focused primarily on point-to-point O&D travel and typically generates lower-than-average airline yields.

### Primary Bay Area Airport

As described in section "Airline Service at Bay Area Airports", SFO is the busiest airport in the Bay Area and Northern California, as shown on Figure 7. In FY 2021, SFO accounted for 54% of all Bay Area outbound domestic O&D passengers, down from 57% in FY 2019 due to the impact of the pandemic on passenger traffic and the availability of low cost airline service to domestic and international leisure markets at OAK and SJC.

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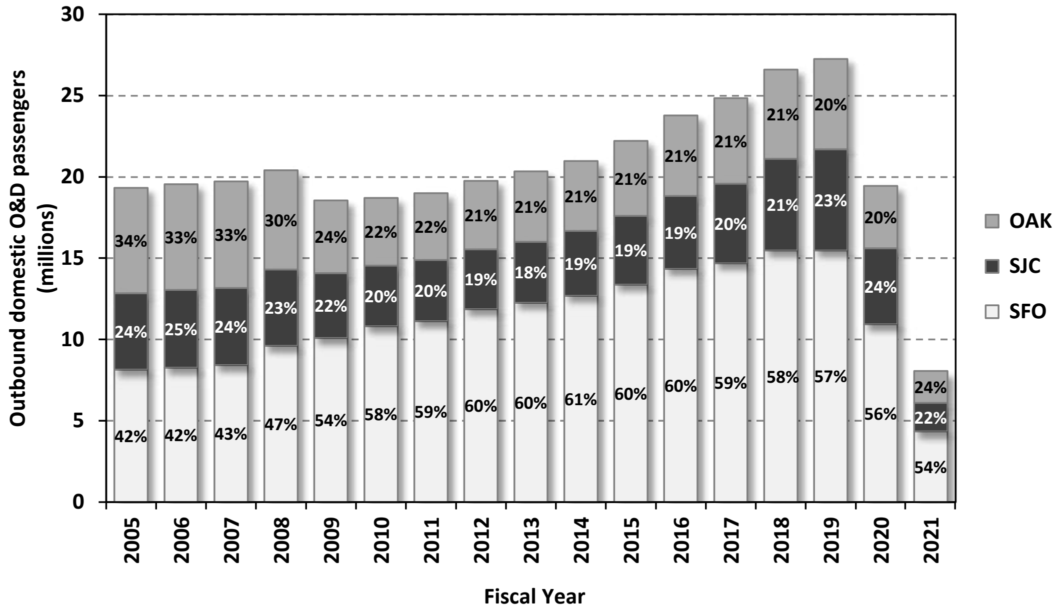
*A "low-cost carrier" is an airline that operates under a generally recognized low-cost business model, which may include a single passenger class of service, use of standardized aircraft utilization, in-flight services, use of smaller and less expensive airports, and lower employee wages and benefits.

Figure 6
**Origin-Destination Domestic Passenger Trends at Bay Area Airports**




Notes: For Fiscal Years ended June 30.
O&D = Origin-Destination passengers

Source: U.S. Department of Transportation, *Air Passenger Origin-Destination Survey,* reconciled to Schedule T100, accessed November 2021.

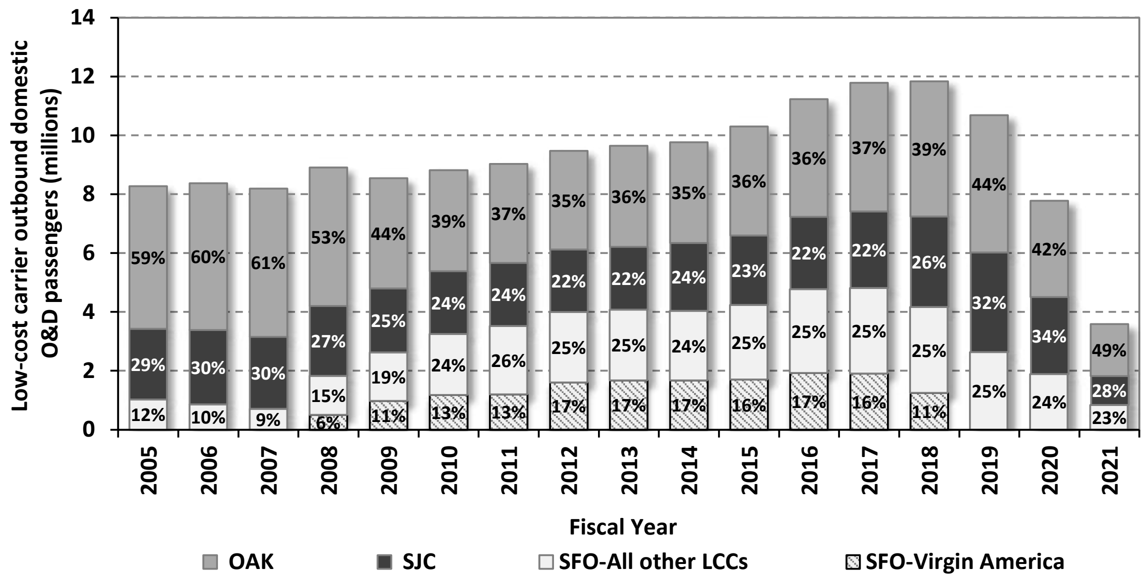
## Low-Cost Carrier Service

SFO's LCC service is competitive with that provided at OAK and SJC, reflecting the introduction and development of LCC service at SFO by jetBlue, Southwest, and Virgin America since FY 2007. Southwest Airlines, the busiest U.S. LCC (in terms of numbers of passengers), provides service at all three Bay Area airports and connects SFO to its domestic network. Frontier, jetBlue and Sun Country also provide LCC service at SFO.

SFO accounted for 23% of LCC passengers at Bay Area Airports in FY 2021, down from its 2019 share of 25%, as shown on Figure 7. In FY 2021, LCC passengers at SFO accounted for 29% of their 2019 levels, compared with 38% for OAK and 32% for SJC.

Figure 7

**Low-Cost Carrier Shares of Domestic Origin-Destination Passengers at Bay Area Airports**




Notes: For Fiscal Years ended June 30.
O&D = Origin-Destination passengers
Includes the LCC activity of Frontier, jetBlue, Southwest, Sun Country, and Virgin America.
Data for Virgin America in FY 2018 are for July 2017 through April 2018 when it was rebranded as Alaska Airlines following their merger. The decrease in SFO's share of LCC domestic O&D passengers in the Bay Area since FY 2018 reflects the classification of Virgin America's activity as Alaska Airlines (which is not an LCC).

Source: U.S. Department of Transportation, *Air Passenger Origin-Destination Survey,* reconciled to Schedule T100, accessed November 2021.

In addition to LCC domestic service, in July 2019, LCC international service was provided by six foreign-flag airlines at SFO, including French Bee, Interjet, Norwegian Air, Thomas Cook, WestJet, and XL Airways.* Each of these airlines ceased service at SFO during the pandemic and as of December 2021, only French Bee had resumed service.

Notwithstanding these trends in LCC service, industry analysts suggest that the distinction between major network airlines and traditional LCCs is less clear than it once was. As LCCs have increased service at airports in major metropolitan areas and have faced increased labor costs (e.g., unionized labor and maturing crews with increased pay), the cost base of traditional LCCs has trended upwards. At the same time, the network carriers have been striving to adopt some of the practices and operational efficiencies of LCCs, resulting in a general downward trend in network airline costs.

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* International Civil Aviation Organization (ICAO), List of Low-Cost-Carriers (LCCs), June 13, 2017. ICAO defines an LCC as "an air carrier that has a relatively low-cost structure in comparison with other comparable carriers and offers low fares and rates. Such an airline may be independent, the division or subsidiary of a major network airline or, in some instances, the ex-charter arm of an airline group."

## ECONOMIC BASIS FOR AIRLINE TRAFFIC

The economy of the San Francisco CSA is an important determinant of long-term passenger demand at the Airport. The development of the economic base of an airport service region is important to passenger traffic growth. This is particularly true where the industries in the region rely on the airport for passenger and cargo service. The San Francisco CSA, the fifth most populous in the United States, is a national and international travel destination as well as a center of business and trade in California and the nation.

The economic infrastructure and strengths of the San Francisco CSA are reflected in the diversity of its industries, including the high technology businesses in Silicon Valley and businesses in the energy, financial, healthcare, professional, education, and transportation sectors throughout the Bay Area.

The following sections present a discussion of the economic basis for airline traffic at the Airport, including:

- Primary metrics related directly to passenger traffic, including historical and projected population, employment, and per capita personal income of the San Francisco CSA
- Secondary factors providing descriptive information about the San Francisco CSA economy such as major employers, industry clusters, the housing market, and the visitor industry
- A summary of the economic outlook for the United States, California, and the San Francisco CSA

## POPULATION, NONAGRICULTURAL EMPLOYMENT, AND PER CAPITA PERSONAL INCOME

Table 8 presents comparative historical and projected trends in population, nonagricultural employment, and per capita personal income in the San Francisco CSA, the State of California (the State), and the United States in 2000, 2005, and from 2010 through 2021 as available. Also presented are projected growth rates between 2020 and 2028.

**Population**. As shown in Table 8, from 2010 through 2019, the population of the San Francisco CSA increased an average of 0.8% per year, faster than for five of the most populous metropolitan areas in the country, the State of California (an average increase of 0.6% per year), and the nation (an average increase of 0.7% per year). The California Department of Transportation (Caltrans) projects population in the San Francisco CSA and the State to increase an average of 0.5% and 0.3%, respectively, between 2019 and 2028, slower than the rate for the nation by the U.S. Census Bureau (an average of 0.7% per year).*

* Caltrans manages six primary programs: Aeronautics, Highway Transportation, Mass Transportation, Transportation Planning, Administration, and the Equipment Service Center. Caltrans' Transportation Economics Branch (formerly the Economic Analysis Branch) manages the California Economic Forecasts project.

Table 8

**Historical and Projected Socioeconomic Trends**

San Francisco CSA, State of California, and United States

| | Population (thousands) | | | Nonagricultural employment (thousands) | | | Per capita personal income (2018 dollars) | | |
|---|---|---|---|---|---|---|---|---|---|
| | San Francisco CSA | State of California | United States | San Francisco CSA | State of California | United States | San Francisco CSA | State of California | United States |
| Historical | | | | | | | | | |
| 2000 | 8,342 | 33,988 | 282,162 | 4,025 | 14,587 | 132,011 | $66,974 | $50,214 | $46,099 |
| 2010 | 8,943 | 37,320 | 309,327 | 3,637 | 14,283 | 130,345 | 63,134 | 51,332 | 48,295 |
| 2015 | 9,491 | 38,904 | 320,739 | 4,245 | 16,052 | 141,825 | 77,482 | 59,655 | 53,387 |
| 2016 | 9,571 | 39,149 | 323,072 | 4,384 | 16,481 | 144,336 | 80,728 | 61,107 | 53,715 |
| 2017 | 9,623 | 39,338 | 325,122 | 4,487 | 16,827 | 146,608 | 83,968 | 62,234 | 54,705 |
| 2018 | 9,649 | 39,437 | 326,838 | 4,579 | 17,173 | 148,908 | 87,579 | 63,555 | 55,758 |
| 2019 | 9,648 | 39,438 | 328,330 | 4,664 | 17,430 | 150,905 | 90,273 | 65,309 | 56,738 |
| 2020 | 9,608 | 39,368 | 331,449 | 4,314 | 16,141 | 142,185 | 97,128 | 70,192 | 59,510 |
| 2021 | n.a. | n.a. | n.a. | 4,338 | 16,350 | 145,318 | n.a. | n.a. | n.a. |
| Projected | | | | | | | | | |
| 2028 | 10,082 | 40,502 | 350,872 | 4,885 | 18,263 | 150,345 | 117,123 | 76,972 | 66,131 |
| | Percent increase (decrease) | | | | | | | | |
| 2015-2016 | 0.8% | 0.6% | 0.7% | 3.3% | 2.7% | 1.8% | 4.2% | 2.4% | 0.6% |
| 2016-2017 | 0.5 | 0.5 | 0.6 | 2.4 | 2.1 | 1.6 | 4.0 | 1.8 | 1.8 |
| 2017-2018 | 0.3 | 0.3 | 0.5 | 2.0 | 2.1 | 1.6 | 4.3 | 2.1 | 1.9 |
| 2018-2019 | (0.0) | 0.0 | 0.5 | 1.9 | 1.5 | 1.3 | 3.1 | 2.8 | 1.8 |
| 2019-2020 | (0.4) | (0.2) | 1.0 | (7.5) | (7.4) | (5.8) | 7.6 | 7.5 | 4.9 |
| 2020-2021 | n.a. | n.a. | n.a. | 0.6 | 1.3 | 2.2 | n.a. | n.a. | n.a. |
| | Compound annual percent increase (decrease) | | | | | | | | |
| 2000-2010 | 0.7% | 0.9% | 0.9% | (1.0%) | (0.2%) | (0.1%) | (0.6%) | 0.2% | 0.5% |
| 2010-2019 | 0.8 | 0.6 | 0.7 | 2.8 | 2.2 | 1.6 | 4.1 | 2.7 | 1.8 |
| 2019-2028 | 0.5 | 0.3 | 0.7 | 0.5 | 0.5 | (0.0) | 2.9 | 1.8 | 1.7 |

n.a. = Not available; CSA = Combined Statistical Area, consisting of 14 counties as shown in Table 3.

Sources: Historical: U.S. Department of Commerce, Bureau of the Census, www.census.gov; U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov; U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed October 2021. Adjusted to constant 2018 dollars using the U.S. Department of Labor, Consumer Price Index for Urban Consumers (1982-84 = 100), www.bls.gov.
Projected growth rates for San Francisco CSA and California: California Department of Transportation, *California County-Level Economic Forecast 2020-2050, The California Economic Forecast,* October 2020.
Projected growth rates for the United States: U.S. Department of Commerce, Bureau of the Census, *2017 National Population Projections*, September 2018, www.census.gov; U.S. Department of Labor, Bureau of Labor Statistics, *Employment Projections: 2020-2030*, September 2021, www.bls.gov; IHS Markit as reported by Federal Aviation Administration, *FAA Aerospace Forecast, Fiscal Years 2021–2041*, March 2021, www.faa.gov.

**Nonagricultural Employment**. Nonagricultural employment in the San Francisco CSA increased an average of 2.8% per year between 2010 and 2019, faster than that for six of the most populous metropolitan areas, the State of California (an average increase of 2.2% per year), and the nation (an average increase of 1.6% per year) as shown in Table 8. Caltrans projects nonagricultural employment in the San Francisco CSA and the State to increase an average of 0.5% per year, between 2019 and 2028, faster than the growth rate for the nation forecast by the U.S. Department of Labor.

**Gross Domestic Product**. In 2019 (the most recent year available for CSAs), Gross Domestic Product (GDP) for the San Francisco CSA was $1,086 billion (in 2019 dollars) and accounted for 36% of California GDP and 5% of U.S. GDP. When ranked among countries, the San Francisco CSA economy was the 17th largest in the world in terms of GDP.

**Per Capita Personal Income**. Per capita income (in constant dollars) in the San Francisco CSA increased an average of 4.1% between 2010 and 2019, averaging 4.1% per year, faster than the State of California (an average increase of 2.7% per year), and the nation (an average increase of 1.8% per year). Caltrans projects per capita personal income (in constant dollars) in the San Francisco CSA and the State to increase an average of 2.9% and 1.8% per year, respectively, between 2019 and 2028, faster than for the nation (an average increase of 1.7% per year).

**Educational Attainment**. The San Francisco CSA's higher-than-average per capita income reflects the higher-than-average levels of education attained by Bay Area residents. In 2019 (the most recent year available), 44.5% of the San Francisco CSA residents over the age of 25 had earned a Bachelor's degree or higher, greater than that for 9 of the 10 most populous U.S. metropolitan areas, the State of California (35.0%), and the nation (33.1%), according to the U.S. Department of Commerce, Bureau of the Census.

**Comparative Socioeconomic Trends**. Table 9 presents comparative socioeconomic trends for the 10 most populous U.S. metropolitan areas in 2010 and 2020 (the most recent year available). The San Francisco CSA ranked first among the 10 CSAs in terms of:

- Per capita income—an average of $97,128 in 2020, followed by the New York CSA with an average per capita income of $81,669 in 2020, 16% lower than the San Francisco CSA.

- Per capita income growth—an average increase of 4.4% per year between 2010 and 2020, followed by the Washington, D.C. CSA with per capita income growth averaging 3.3% per year and an average per capita income 26% lower than the San Francisco CSA in 2020.

The San Francisco CSA ranked second among the 10 CSAs in terms of nonagricultural employment growth between 2010 and 2020—an average increase of 1.7% per year, equal to that for the Atlanta CSA but lower than that for the Dallas-Fort Worth CSA (an average increase of 2.2% per year).

Table 9

**Comparative Socioeconomic Trends for the 10 Most Populous U.S. Metropolitan Areas**

*Ranked by 2020 population*

| Combined Statistical Area | Population (thousands) 2010 | Population (thousands) 2020 | Population CAGR 2010-2020 | Total employment (thousands) 2010 | Total employment (thousands) 2020 | Total employment CAGR 2010-2020 | Per capita personal income (2020 dollars) 2010 | Per capita personal income (2020 dollars) 2020 | Per capita personal income CAGR 2010-2020 | Percent of population with bachelor's degree or higher |
|---|---|---|---|---|---|---|---|---|---|---|
| New York | 22,287 | 22,492 | 0.1% | 9,623 | 9,988 | 0.4% | $ 65,473 | $ 81,669 | 2.2% | 41.4% |
| Los Angeles | 17,906 | 18,630 | 0.4 | 6,725 | 7,450 | 1.0 | 49,297 | 63,560 | 2.6 | 32.5% |
| Washington, D.C. | 9,087 | 9,865 | 0.8 | 4,503 | 4,753 | 0.5 | 51,964 | 72,130 | 3.3 | 46.7% |
| Chicago | 9,850 | 9,770 | (0.1) | 4,322 | 4,487 | 0.4 | 63,964 | 66,930 | 0.5 | 38.5% |
| **San Francisco** | **8,943** | **9,608** | **0.7** | **3,637** | **4,314** | **1.7** | **63,134** | **97,128** | **4.4** | **44.5%** |
| Boston | 7,912 | 8,294 | 0.5 | 3,434 | 3,588 | 0.4 | 62,056 | 76,481 | 2.1 | 43.6% |
| Dallas-Fort Worth | 6,834 | 8,186 | 1.8 | 2,974 | 3,714 | 2.2 | 47,951 | 60,637 | 2.4 | 35.3% |
| Houston | 6,127 | 7,341 | 1.8 | 2,568 | 2,991 | 1.5 | 55,141 | 59,490 | 0.8 | 33.0% |
| Philadelphia | 7,075 | 7,214 | 0.2 | 3,163 | 3,201 | 0.1 | 52,893 | 67,290 | 2.4 | 36.9% |
| Atlanta | 6,072 | 6,929 | 1.3 | 2,472 | 2,924 | 1.7 | 50,732 | 56,920 | 1.2 | 38.3% |
| State of California | 37,320 | 39,368 | 0.5 | 14,283 | 16,141 | 1.2 | 51,332 | 70,192 | 3.2 | 35.0% |
| United States | 309,327 | 331,449 | 0.7 | 130,345 | 142,185 | 0.9 | 48,295 | 59,510 | 2.1 | 33.1% |

CSA = Combined Statistical Area

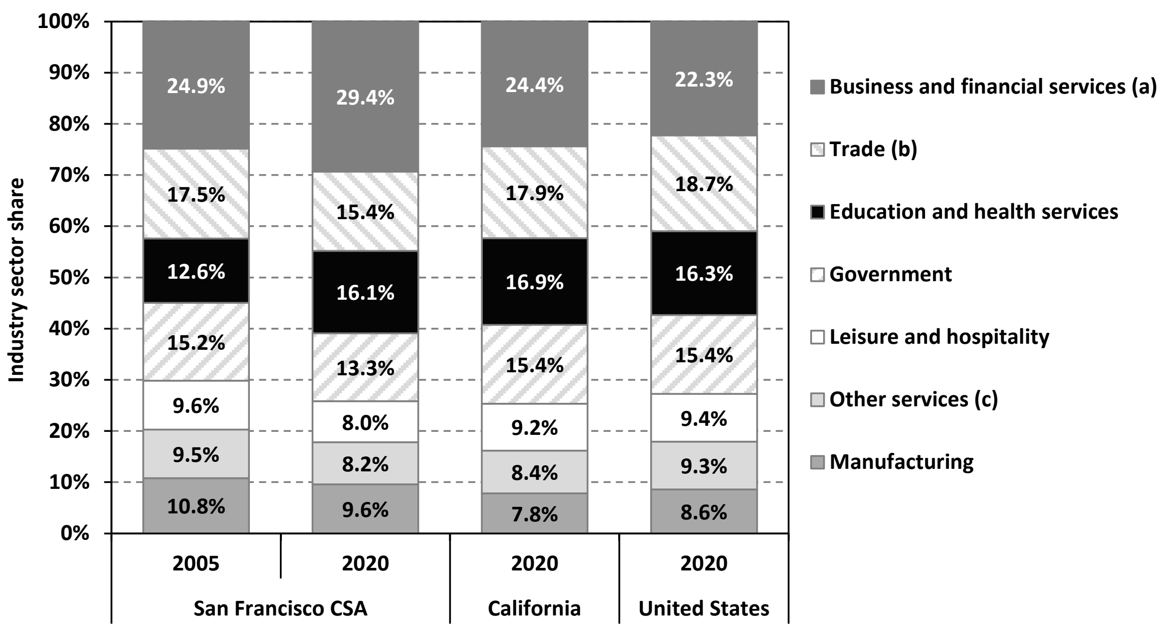
Sources: U.S. Department of Commerce, Bureau of the Census, www.census.gov, U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed November 2021. Adjusted to constant 2020 dollars using the U.S. Department of Labor, Consumer Price Index for Urban Consumers (1982-84 = 100), www.bls.gov.

In addition to the metrics summarized in Table 9, the San Francisco CSA economy is supported by:

- The diversity of economic activity among the Bay Area's major employers, including 12 listed on the Fortune 500 list of largest U.S. companies
- The availability of venture capital funds for new and expanding businesses—In 2020, the Bay Area accounted for 22.7% of venture capital transactions in the United States, with 39.4% of venture capital funding invested in Bay Area headquartered companies.*
- A diverse visitor industry reflecting the popularity of the San Francisco CSA as a U.S. and overseas travel destination and a leading business and conference destination

**Nonagricultural Employment by Industry Sector**. Figure 8 shows a comparative distribution of nonagricultural employment by industry sector for the San Francisco CSA in 2005 and 2020 as well as for the State and the nation in 2020.

Figure 8
**Comparative Distribution of Nonagricultural Employment**




*(a)* Includes professional, technical, and business services, financial activity, and information.
*(b)* Includes transportation and public utilities.
*(c)* Includes mining, construction, and other services.

Note: Percentages may not sum to 100.0% due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed November 2021.

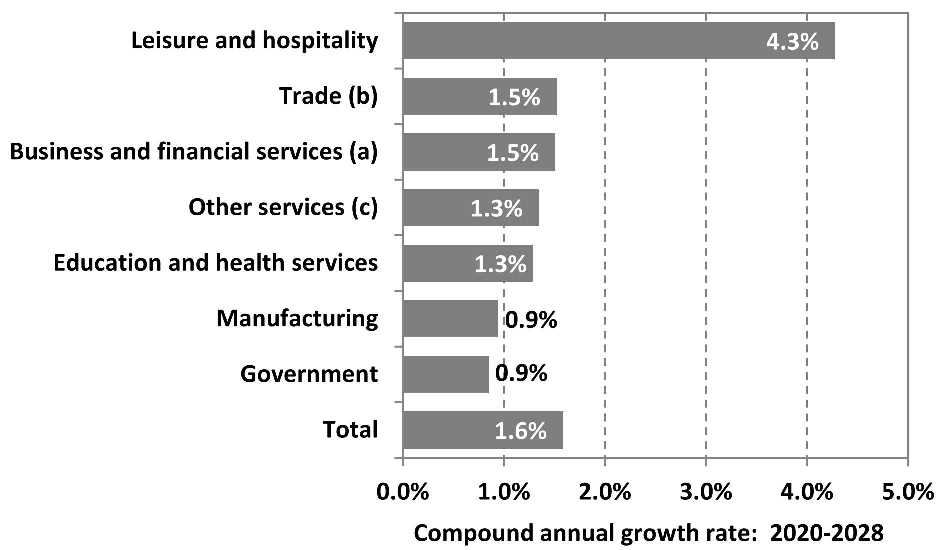
Between 2005 and 2020, the education and health services and business and financial services sectors in the San Francisco CSA experienced the strongest growth, increasing an average of 2.5% and 2.0% per year, respectively, more than twice the overall growth rate for all sectors (0.9%). The

* Pitchbook, "2021 U.S. Venture Capital Outlook," December 11, 2020, www.pitchbook.com.

San Francisco CSA's business and financial services sector (inclusive of technology) accounted for the largest share of employment in 2020 with 29.4%, more than the share for the State (24.4%) and the nation (22.3%). The share of leisure and hospitality employment decreased from 9.6% in 2005 to 8.0% in 2020, reflecting the impact of the pandemic and the related governmental actions put in place to slow the spread of the disease, including the mandated closure of businesses and offices, work-at-home requirements, prohibitions of public gatherings, quarantines, and travel restrictions. The largest four sectors—business and financial services, trade, education and health services, and government—accounted for 74.2% of the San Francisco CSA's nonagricultural employment in 2020.

Caltrans projects San Francisco CSA employment to increase in all sectors between 2020 and 2028, as shown on Figure 9. The leisure and hospitality sector is projected to have the fastest growth as the sector recovers from the pandemic and the economic recession. Trade and business and financial services are projected to be the second fastest growing sectors, each with forecast growth of 1.5% per year, followed by education and health and other services each with forecast growth of 1.3% per year. Overall, employment is forecast to increase an average of 1.6%, per year between 2020 and 2028.

Figure 9
**Forecasts of Nonagricultural Employment by Sector**
San Francisco CSA



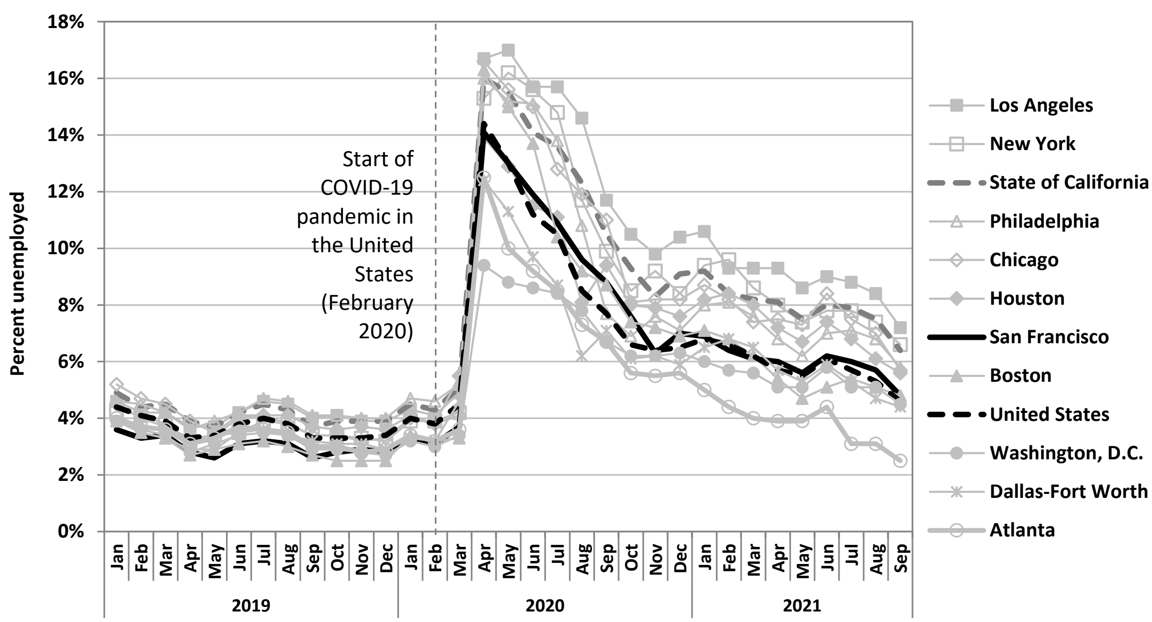

*(a)* Includes professional, technical, and business services, financial activity, and information.
*(b)* Includes transportation and public utilities.
*(c)* Includes mining, construction, and other services.

Source: California Department of Transportation, *California County-Level Economic Forecast 2020-2050, The California Economic Forecast*, October 2020, www.dot.ca.gov.

**Unemployment Rates**. In addition to the employment trends cited above, the unemployment rate is also indicative of the general economic climate. Figure 10 shows comparative monthly unemployment rates in the San Francisco CSA, the State, and the nation as a whole, and the ten most populous metropolitan areas in the country from January 2019 through September 2021. During this period, unemployment rates for the San Francisco CSA have closely followed trends in the nation and remained generally lower than five of the ten most populous metropolitan areas since the COVID-19 pandemic started.

In its October 2021 report, the San Francisco Federal Reserve Bank reported that during mid-August through September "the overall price level moved up notably, driven by increases in transportation and input costs. Conditions in the labor market tightened further as modest increases in employment were accompanied by strong upward wage pressures in almost all sectors. Activity in the residential real estate market expanded at a strong pace, while commercial real estate activity was largely subdued."*

Figure 10
**Monthly Unemployment Rate Trends**
**for the 10 Most Populous U.S. Metropolitan Areas and the United States**




Notes: Data are not seasonally adjusted.

Source: U.S. Department of Labor, Bureau of the Labor Statistics, www.bls.gov, accessed November 2021.

**Bay Area Major Employers**. Table 10 lists the top 20 private sector employers in the San Francisco Bay Area (based on the number of Bay Area employees). The table indicates a diversity of

*Federal Reserve Bank, The Beige Book, Summary of Commentary on Current Economic Conditions, October 20, 2021, www.federalreserve.gov.

economic activity, as well as a strong presence of health care and high-technology employers. Many of the companies listed are involved in national and international operations that rely on airline travel. Of these 20 employers, 12 are listed on the Fortune 500 list of largest U.S. companies, ranked based on 2020 revenues (the most recent available).

While not shown in Table 10, the Bay Area contains a substantial amount of public sector employment, including the City and County of San Francisco (31,000 employees), the University of California San Francisco and Berkeley campuses (27,700 and 25,500 employees, respectively), and the State of California (15,200 employees).

Table 10
**Major Private Sector Employers in the San Francisco Bay Area**

| Company | Type of business | Employment |
|---|---|---|
| Kaiser Permanente | Health care | 46,749 |
| Apple Inc. *(a)* | Consumer electronics | 25,000 |
| Alphabet (Google) *(a)* | Information technology | 23,000 |
| Sutter Health | Health care | 18,710 |
| Cisco Systems Inc. *(a)* | Information technology | 15,792 |
| Stanford University | Higher education | 15,576 |
| Meta (Facebook) *(a)* | Social media | 15,407 |
| Safeway | Retail grocer | 14,999 |
| Stanford Healthcare | Health care | 14,143 |
| Wells Fargo & Co. *(a)* | Financial services | 12,533 |
| Genentech Inc. | Biotechnology | 10,023 |
| Tesla Motors Inc. *(a)* | Automotive, energy storage | 10,000 |
| Salesforce*(a)* | Information technology | 9,450 |
| PG&E Corp. *(a)* | Utility | 9,300 |
| Applied Materials *(a)* | Semiconductors | 8,487 |
| Allied Universal | Security services | 8,487 |
| Intel Corp. *(a)* | Information technology | 7,975 |
| Oracle Corp. *(a)* | Information technology | 7,656 |
| United Airlines *(a)* | Airline | 6,153 |
| John Muir Health | Health care | 6,012 |

Note: Includes employers in Alameda, Contra Costa, Marin, Monterey, San Benito, San Francisco, San Mateo, Santa Clara, and Santa Cruz counties, and the City of Palo Alto. List of employers may vary from year to year due to incomplete reporting.

*(a)* Ranked in 2021 Fortune 500 list of largest U.S. companies (based on 2020 revenue).

Source: San Francisco Business Times, 2021 Bay Area Book of Lists; and Silicon Valley Business Journal, 2020-2021 Book of Lists. Fortune Magazine, Fortune 500 Companies, 2021, www.fortune.com.

## Industry Clusters

The economy of the Bay Area is driven, in part, by companies that export goods and services nationally and globally, thereby generating new investment and job creation that will, in turn, help to spur air travel demand. The Bay Area is home to several "industry clusters," which are a coalescence of companies in the same industry operating in the same region. Industry clusters draw competitive advantage from their proximity to customers, suppliers, competitors, and a skilled workforce, and from a shared base of sophisticated knowledge about a given industry.

The industries in the San Francisco Bay Area are diverse. In addition to the high technology businesses in Silicon Valley, the Bay Area economy is supported by businesses in the energy, financial, healthcare, professional, and transportation sectors. The San Francisco Center for Economic Development describes six key industry clusters in the Bay Area, each of which is a substantial user of air travel:

- **Information Technology and Software.** The Bay Area is home to more than 6,700 information technology (IT) and computer software companies (e.g., Cisco, Apple, Salesforce, and Oracle), together supporting a workforce of nearly 273,000.

- **Social and Digital Media.** Closely related to IT and software, the field of online social and digital media supports more than 300 companies with substantial employment in the Bay Area (e.g., Google, Facebook, LinkedIn, Twitter, and Pixar). San Francisco State University is considered an educational leader in the area of digital media as well.

- **Life Sciences and Biotechnology.** The Bay Area is a global leader in life sciences and biotech—home to nearly 1,400 companies (e.g., Applied Biosystems, Chiron Corporation, Genentech, and Gilead Sciences) employing a workforce of more than 90,000—supported by industry-leading programs at Stanford University and University of California campuses at Berkeley, Santa Cruz, and San Francisco, as well as numerous private research centers.

- **Environmental and "Clean" Technology.** The Bay Area is home to more than 635 clean technology companies (e.g., Amyris Biotechnologies, Clean Edge, and Tesla Motors)—one of the nation's largest concentrations of environmental and clean technology companies. Moreover, the region is a leading adopter of clean and sustainable energy practices.

- **Professional Services.** The Bay Area is home to a myriad of companies falling under the umbrella of professional services: financial advisory, management consulting, legal services, and other specialized and high value-added businesses.

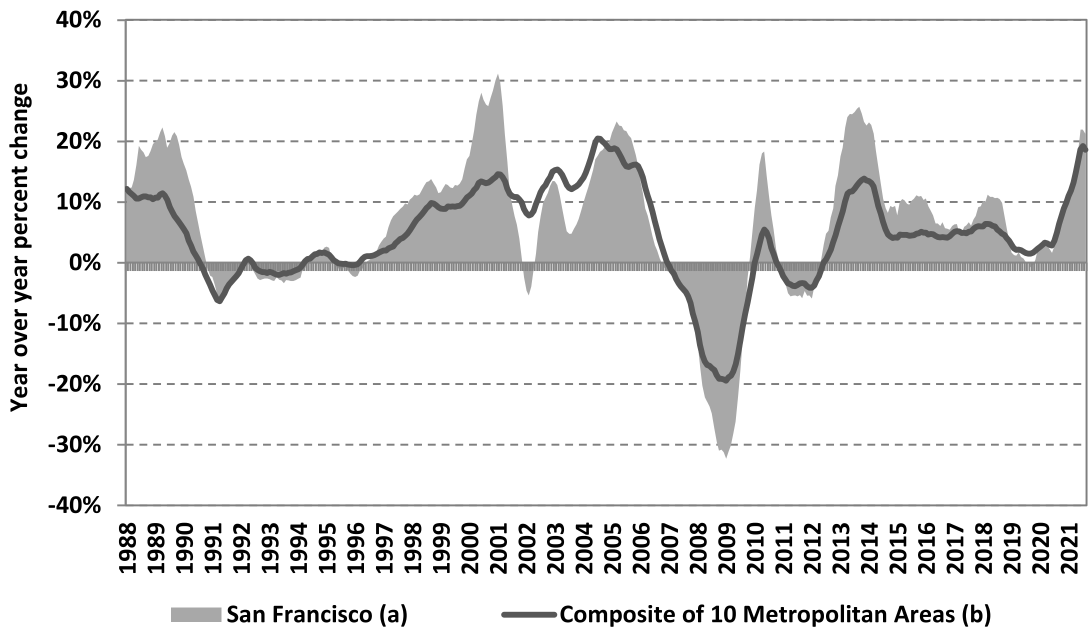
- **International Business.** Home to more than 80 consulates and foreign trade offices, large exporting and financial companies, and numerous foreign banking institutions (e.g., Barclays Bank of the United Kingdom, Hong Kong and Shanghai Banking Corporation (now HSBC), Sumitomo Bank of California, and Industrial and Commercial Bank of China), the Bay Area has substantial infrastructure supporting international business and trade.

The development of certain of these industry clusters in the San Francisco CSA is related, in part, to the availability of venture capital funds. During the first quarter of 2019, the Bay Area accounted for the largest share of venture capital funding in the United States (46% or more than $11.4 billion) and 28% of U.S. deals (354 out of a total of 1,279). *

## Bay Area Housing Market

Trends in the housing market in a region generally follow economic cycles and are an indicator of overall economic activity and personal income levels. Figure 11 presents the percent change in home prices for San Francisco and composites for 10 selected metropolitan areas from January 1988 through August 2021, based on the Standard & Poor's/Case-Shiller Home Price Index.*

Figure 11
**Percent Change in Home Prices**
San Francisco and Selected Metropolitan Areas




Note: Includes data through August 2021.

*(a)* Includes data for the San Francisco MSA.

*(b)* Includes Boston, Chicago, Denver, Las Vegas, Los Angeles, Miami, New York, San Diego, San Francisco, and Washington, D.C.

Source: CoreLogic, a data and analytics company, as reported by Standard & Poor's/Case-Shiller Home Price Indices, www.standardandpoors.com, accessed November 2021.

Historically, San Francisco home prices have generally followed the trends for other major metropolitan areas, with somewhat larger peaks and valleys in certain years. During the 2008-2009 economic recession, housing prices in the Bay Area decreased more than 30%, reflecting the effects of the U.S. subprime mortgage crisis and the financial credit crisis. Since then, housing prices in the Bay

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Area have generally increased (notwithstanding decreases averaging about 4% in 2011) to reach all-time highs. Since 2013, growth in Bay Area home prices has generally exceeded growth for the 10 Metropolitan Area Composite Index. In the first eight months of 2021 (the most recent data available), growth in Bay Area home prices averaged 16.5% compared with the previous year, compared with a 15.5% increase for the composite indices for the 10 selected metropolitan areas included in the index. The San Francisco Federal Reserve Bank reported that "activity in the residential real estate market expanded at a strong pace, while commercial real estate activity was largely subdued. Lending activity picked up further".

### Visitor Industry

The visitor industry is an important driver of the San Francisco CSA economy and passenger traffic at the Airport. According to the San Francisco Travel Association, a total of 26.2 million people visited San Francisco in 2019, an increase of 1.4% from 2018. In 2020, the estimated number of San Francisco visitors decreased to 11.8 million, down 55% from 2019, reflecting the impact of the pandemic on visitor travel. The San Francisco Travel Association estimates that there will be "a total of 15.0 million visitors to San Francisco in 2021, still down 39% from 2019. Visitor volume is expected to recover to 23.1 million in 2022, which will be an increase of 45% from 2021, but still down 12% from pre-pandemic levels. Gradual improvement in 2021 has been driven primarily by domestic visitation".*

In September 2021, three conventions were held at the Moscone Center, the first conferences since the Center was closed in March 2020 due to the pandemic. In 2022, the San Francisco Travel Association has booked more than 30 events at the Moscone Center. Pre-pandemic, the Moscone Center typically hosted 90 to 100 events per year.

* The San Francisco Travel Association, San Francisco Travel Says Recovery is Sluggish but there is Optimism about 2022 and Beyond, August 25, 2021, www.sftravel.com.

## HISTORICAL AIRLINE SERVICE AND TRAFFIC

Airlines serving the Airport, enplaned passenger trends, airline shares of passengers, origin-destination markets, airline service at the Airport, and airline fares and yields are discussed in this section.

### Airlines Serving the Airport

As of January 2022, 11 U.S. passenger airlines provided scheduled service at the Airport, including 5 network airlines, 2 regional airlines, and 4 low-cost carriers, as shown in Table 11. International passenger service was provided by 31 foreign-flag airlines, including airlines from Europe (11), Asia (11), Canada (3), Latin America and the Caribbean (2), the Middle East (2), Mexico (1), and the South Pacific (1). In addition, 6 airlines provided all-cargo service as discussed in the section "Cargo".

Table 12 presents a summary of the trends in average daily scheduled passenger airline departures at SFO before (July 2019) and after (July 2021) the start of the pandemic. July was used for comparison because is the peak travel month at the Airport. In addition, airline schedules for October 2021 through December 2021 provide airline capacity as many international travel restrictions were being lifted.

Due to the restrictions on international travel, SFO has experienced changes in international service, particularly by foreign-flag airlines. Between July 2019 and December 2021, international service at SFO has been discontinued by 15 airlines, including 7 European, 4 Asian, 2 Southwest Pacific, 1 Middle Eastern, and 1 Central American. Six of the 15 airlines—Air Italy, Interjet, Norwegian Air UK, Norwegian Air Shuttle,* Thomas Cook, and XL Airways—ceased operations after filing for bankruptcy or financial restructuring. The number of average daily scheduled international departures decreased from 115 in July 2019 (before the pandemic) to 48 in October 2021 and to 58 in December 2021, as international travel restrictions are lifted, as shown in Table 12.

* Operated by subsidiary Norwegian Long Haul which provided long-haul service between Europe, Asia, and the United States with an all-Boeing 787 fleet.

Table 11
**Passenger Airlines Providing Scheduled Service at San Francisco**
As of January 2022

U.S. airlines

| **Network airlines** | **Regional airlines** *(a)* | **Low-cost carriers** *(b)* |
|---|---|---|
| Alaska | Horizon (AS) | Frontier |
| American | SkyWest (AA, AS, DL, UA) | jetBlue |
| Delta | | Southwest |
| Hawaiian | | Sun Country |
| United | | |

Foreign-flag airlines

| **Asia** | **Europe** | **Latin America/Caribbean** |
|---|---|---|
| | Aer Lingus *(e)* | Avianca |
| Air India | Air France | Copa *(e)* |
| All Nippon | British Airways | |
| Asiana | French Bee *(e)* | **Mexico** |
| Cathay Pacific | KLM | Aeromexico |
| China Airlines | Lufthansa | |
| EVA | SAS | **Middle East** |
| JAL | Swiss | Emirates |
| Korean | TAP Air Portugal | Qatar |
| Philippine | Turkish | |
| Singapore | Virgin Atlantic *(e)* | **South Pacific** |
| Vietnam *(f)* | | Fiji Airways *(e)* |
| | | |
| **Canada** | | |
| Air Canada | | |
| Jazz Aviation *(d)* | | |
| WestJet | | |

Note: Airlines providing service in July 2019 but not in January 2022 include Air China, Air Italy, Air New Zealand, China Eastern, China Southern, El Al, Finnair, Hong Kong, Iberia, Icelandair, Interjet, Norwegian Air, Qantas, Thomas Cook, and XL Airways France.

*(a)* Codesharing airline in parenthesis: AA=American; AS=Alaska; DL=Delta; UA=United.
*(b)* As defined by the U.S. Department of Transportation, low-cost carriers operate under a generally recognized low-cost business model, which may include a single passenger class of service, standardized aircraft utilization, limited in-flight services, use of smaller and less expensive airports, and lower employee wages and benefits.
*(c)* Operated by Level for Iberia.
*(d)* Regional airline flights are operated by Jazz Aviation, one of Air Canada's regional affiliates.
*(e)* Service resumed in the fourth quarter of calendar year 2021.
*(f)* New service started in the fourth quarter of calendar year 2021.

Source: OAG Worldwide Ltd, OAG Analyser database, accessed January 2022.

Table 12
**Trends in Average Daily Scheduled Passenger Airline Departures**
San Francisco International Airport

| Airline | July 2019 | Dec. 2019 | 2021 July | 2021 October | 2021 November | 2021 December |
|---|---|---|---|---|---|---|
| **Domestic** | | | | | | |
| Alaska | 86 | 80 | 51 | 56 | 57 | 57 |
| American | 45 | 41 | 33 | 30 | 28 | 26 |
| Delta | 50 | 41 | 32 | 38 | 37 | 33 |
| Frontier | 5 | 4 | 5 | 5 | 5 | 5 |
| Hawaiian | 2 | 3 | 2 | 2 | 2 | 2 |
| JetBlue | 15 | 14 | 18 | 15 | 13 | 13 |
| Southwest | 44 | 38 | 18 | 21 | 20 | 19 |
| Sun Country | 4 | 2 | 2 | 1 | 1 | 1 |
| United | 269 | 246 | 147 | 166 | 169 | 170 |
| **Domestic Total** | 519 | 468 | 308 | 334 | 332 | 326 |
| **International** | | | | | | |
| Asia | | | | | | |
| Air China | 1 | 1 | -- | -- | -- | -- |
| Air India | 1 | 1 | 1 | 1 | 1 | 1 |
| All Nippon | 1 | 1 | 1 | 1 | 1 | 1 |
| Asiana | 1 | 1 | 1 | 1 | 1 | 1 |
| Cathay Pacific | 3 | 3 | 1 | *(a)* | *(a)* | *(a)* |
| China | 1 | 1 | *(a)* | *(a)* | *(a)* | *(a)* |
| China Eastern | 1 | 1 | -- | -- | -- | -- |
| China Southern | 1 | 1 | -- | -- | -- | -- |
| EVA Airways | 2 | 3 | 1 | *(a)* | *(a)* | *(a)* |
| Hong Kong | 1 | -- | -- | -- | -- | -- |
| Japan | 1 | 1 | 1 | 1 | 1 | 1 |
| Korean Air | 2 | 2 | 1 | 1 | 1 | 1 |
| Philippine | 2 | 2 | 1 | 1 | 1 | 1 |
| Singapore | 2 | 2 | 1 | 1 | 1 | 1 |
| United | 12 | 13 | 4 | 4 | 4 | 4 |
| Vietnam | -- | -- | -- | -- | *(a)* | *(a)* |
| Subtotal--Asia | 33 | 34 | 11 | 11 | 12 | 12 |
| Europe | | | | | | |
| Aer Lingus | 1 | 1 | -- | -- | -- | *(a)* |
| Air France | 2 | 1 | 1 | 1 | 1 | 1 |
| Air Italy | 1 | -- | -- | -- | -- | -- |
| British Airways | 2 | 2 | 1 | 2 | 2 | 2 |
| Finnair | 1 | *(a)* | -- | -- | -- | -- |
| French Bee | *(a)* | *(a)* | -- | *(a)* | *(a)* | *(a)* |
| Iberia | 1 | *(a)* | *(a)* | -- | -- | -- |
| Icelandair | 1 | *(a)* | -- | -- | -- | -- |
| KLM | 2 | 1 | 1 | 1 | 1 | 1 |
| Lufthansa | 2 | 2 | 1 | 1 | 1 | 2 |
| Norwegian Air | 1 | 1 | -- | -- | -- | -- |
| Norwegian Air Shuttle | -- | 1 | -- | -- | -- | -- |
| SAS | 1 | 1 | *(a)* | *(a)* | *(a)* | 1 |

Table 12 (page 2 of 2)
**Trends in Average Daily Scheduled Passenger Airline Departures**
San Francisco International Airport

| Airline | July 2019 | Dec. 2019 | 2021 July | 2021 October | 2021 November | 2021 December |
|---|---|---|---|---|---|---|
| Europe (continued) | | | | | | |
| SWISS | 1 | 1 | *(a)* | 1 | 1 | 1 |
| TAP Air Portugal | 1 | 1 | *(a)* | *(a)* | *(a)* | *(a)* |
| Thomas Cook | *(a)* | -- | -- | -- | -- | -- |
| Turkish | 1 | 1 | 1 | 1 | 1 | 1 |
| United | 8 | 5 | 3 | 3 | 3 | 4 |
| Virgin Atlantic | 2 | 2 | -- | *(a)* | 1 | 1 |
| XL Airways France | *(a)* | -- | -- | -- | -- | -- |
| Subtotal--Europe | 27 | 20 | 10 | 12 | 11 | 13 |
| Central America | | | | | | |
| Aeromexico | 4 | 4 | 3 | 3 | 3 | 4 |
| Alaska | 2 | 2 | 2 | 3 | 3 | 4 |
| Avianca | 2 | 2 | 2 | 1 | 1 | 2 |
| Copa | 2 | 2 | -- | *(a)* | 1 | 1 |
| Interjet | 2 | 1 | -- | -- | -- | -- |
| JetBlue | -- | -- | 1 | 1 | 1 | 1 |
| United | 7 | 8 | 6 | 4 | 6 | 7 |
| Subtotal--Central America | 19 | 19 | 13 | 12 | 15 | 18 |
| Middle East | | | | | | |
| El Al | *(a)* | *(a)* | -- | -- | -- | -- |
| Emirates | 1 | 1 | 1 | 1 | 1 | 1 |
| Qatar | -- | -- | 1 | 1 | 1 | 1 |
| United | 1 | 1 | 1 | 1 | 1 | 1 |
| Subtotal--Middle East | 2 | 2 | 3 | 2 | 3 | 3 |
| Canada | | | | | | |
| Air Canada | 16 | 12 | 4 | 7 | 6 | 7 |
| United | 9 | 7 | 1 | 2 | 2 | 2 |
| Westjet | 4 | -- | *(a)* | 1 | *(a)* | *(a)* |
| Subtotal--Canada | 29 | 20 | 6 | 9 | 9 | 9 |
| Southwest Pacific | | | | | | |
| Air New Zealand | 1 | 1 | -- | -- | -- | -- |
| Fiji Airways | *(a)* | *(a)* | -- | -- | *(a)* | 1 |
| French Bee | *(a)* | *(a)* | -- | -- | *(a)* | *(a)* |
| Qantas | 2 | 1 | -- | -- | -- | -- |
| United | 2 | 3 | 1 | 1 | 1 | 1 |
| Subtotal--Southwest Pacific | 5 | 6 | 1 | 1 | 2 | 2 |
| **International Total** | **115** | **102** | **44** | **48** | **51** | **58** |
| **Airport Total** | **633** | **569** | **352** | **382** | **383** | **384** |

Note: Totals may not add due to rounding.
*(a)* Less than one daily departure.
Source OAG Worldwide Ltd, OAG Analyser database, accessed January 2022.

## Enplaned Passenger Trends

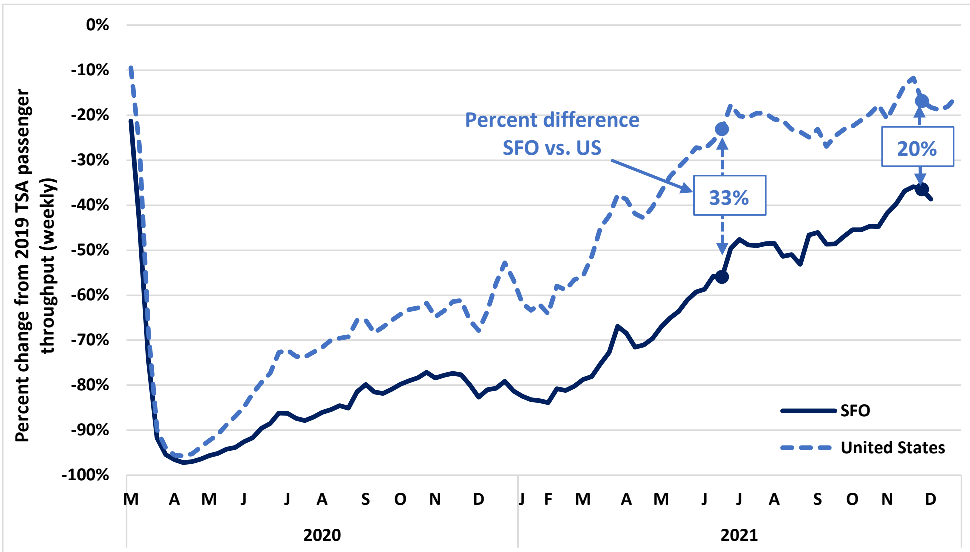
Between FY 2019 and FY 2020, total scheduled departing seats at SFO decreased 21%, compared with a 15% decrease at U.S. airports and a 18% decrease worldwide, reflecting the impact of the first 4 months of the pandemic. Between FY 2020 and FY 2021, total scheduled departing seats at SFO decreased 55%, compared with a 28% decrease at U.S. airports and a 35% decrease worldwide. In FY 2021, scheduled departing seat volumes at SFO were 36% of 2019 levels, compared to 61% for U.S. airports and 54% worldwide.

Table 13 presents historical trends in enplaned passengers at the Airport from FY 2005 through the first five months of FY 2022. The number of enplaned passengers increased an average of 4.1% annually between FY 2005 and FY 2019, with stronger growth between FY 2010 and FY 2019 (an average increase of 4.6% per year). In comparison, total enplaned passengers at U.S. airports increased an average of 1.9% annually between FY 2005 and FY 2019 and an average increase of 3.3% per year between FY 2010 and FY 2019. International passenger traffic at the Airport increased an average of 4.5% per year between FY 2005 and FY 2019, compared with an average increase of 4.0% per year in domestic passengers.

Passenger traffic decreased 29.4% in FY 2020 and 83.9% in FY 2021 due to the COVID-19 pandemic and the governmental actions to slow the spread of the virus contributed to a recession in the global economy and widespread job losses. In FY 2021, total passenger volumes were 24.2% of FY 2019 levels. Domestic traffic has recovered more quickly than international traffic due to travel restrictions, many of which were lifted in fall 2021. O&D passengers are estimated to account for 79.3% of total (revenue and non-revenue) enplaned passengers at the Airport in FY 2021; connecting passengers accounted for the remaining 20.7%. During the first five months of FY 2022 (July-November), the number of enplaned passengers increased 179.8% compared to the same period of FY 2021 and was 53.0% of 2019 levels.

Figure 12 shows TSA passenger throughput as a surrogate for enplaned passengers from March 2020 through December 2021 relative to the same months in 2019, for SFO and the nation. Passenger activity is recovering more slowly at SFO and other large-hub gateway airports with significant international and business travel characteristics than the trend for the U.S. as a whole. The recovery trend since summer 2021 shows a progressive reduction in the gap between SFO and the national average, compared to 2019. Since fall 2021, the traffic recovery has fluctuated with the ebb and flow and associated news of infection rates and new variants, including the new Omicron variant first reported in November.

Figure 12
**Recovery of TSA Passenger Throughput**
San Francisco International Airport and United States




Source: Airline Data Inc., online database, accessed December 13, 2021.

As shown on Figure 13, the distribution of passenger traffic at the Airport has changed since FY 2005, following the introduction of service by Southwest, Virgin America, and jetBlue in 2007 and the merger of Alaska and Virgin America in 2016. U.S. LCC's share of total enplaned passengers increased from 7% in FY 2005 to a high of 21% in FY 2017 with the development of LCC service and decreased to 9% in FY 2019 following the merger and rebranding of Virgin America as Alaska Airlines.* Over that same period, U.S. network airlines' passenger shares decreased from 68% in FY 2005 to a low of 55% in FY 2017 and then increased to 65% in FY 2019. The share of passengers on U.S. regional affiliate airlines has gradually decreased from 12% in FY 2005 to 8% in FY 2019. Foreign-flag airlines' share increased to 17% in FY 2019, up from 14% in 2005. Shares in FY 2020 remained relatively unchanged from FY 2019 shares, however in FY 2021 U.S. regional affiliate airlines increased to 20%, while foreign-flag airlines decreased to 6%, reflecting the previously mentioned international travel restrictions. U.S. LCC's share of total enplaned passengers increased slightly to 12% and U.S. network airlines' share decreased to 62%.

*Data for U.S. LCC passengers includes data for Virgin America through April 2018.

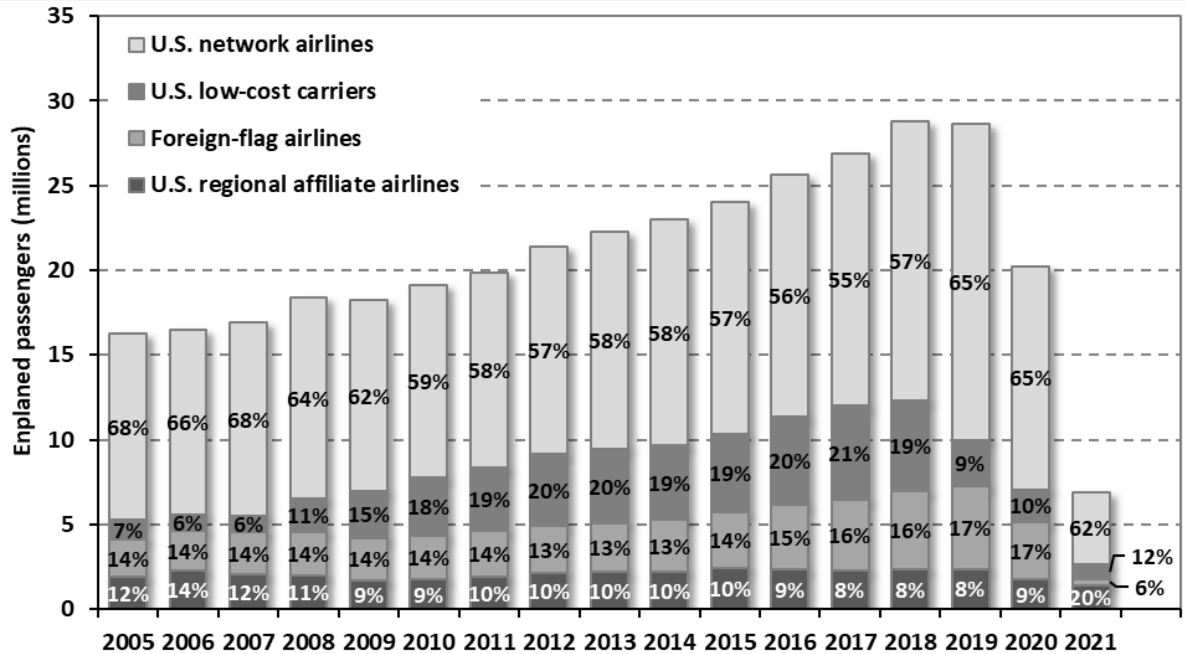
Table 13
**Historical Enplaned Passengers**
San Francisco International Airport

| Fiscal Year | Enplaned passengers: Domestic | International | Total | O&D | Connecting | Percent of total: O&D | Connecting |
|---|---|---|---|---|---|---|---|
| 2005 | 12,319,662 | 3,929,431 | 16,249,093 | 11,881,565 | 4,367,528 | 73.1% | 26.9% |
| 2010 | 14,859,869 | 4,240,533 | 19,100,402 | 14,808,754 | 4,291,648 | 77.5 | 22.5 |
| 2011 | 15,371,769 | 4,464,941 | 19,836,710 | 15,365,178 | 4,471,532 | 77.5 | 22.5 |
| 2012 | 16,808,644 | 4,610,898 | 21,419,542 | 16,744,292 | 4,675,250 | 78.2 | 21.8 |
| 2013 | 17,515,978 | 4,757,444 | 22,273,422 | 17,422,172 | 4,851,250 | 78.2 | 21.8 |
| 2014 | 17,987,093 | 5,008,581 | 22,995,674 | 18,033,407 | 4,962,267 | 78.4 | 21.6 |
| 2015 | 18,749,797 | 5,273,802 | 24,023,599 | 19,062,716 | 4,960,883 | 79.3 | 20.7 |
| 2016 | 19,844,991 | 5,776,519 | 25,621,510 | 20,458,910 | 5,162,600 | 79.9 | 20.1 |
| 2017 | 20,513,891 | 6,357,521 | 26,871,412 | 21,158,722 | 5,712,690 | 78.7 | 21.3 |
| 2018 | 21,955,031 | 6,858,820 | 28,813,851 | 22,694,807 | 6,119,044 | 78.8 | 21.2 |
| 2019 | 21,301,043 | 7,320,763 | 28,621,806 | 22,987,340 | 5,634,466 | 80.3 | 19.7 |
| 2020 | 15,055,132 | 5,159,773 | 20,214,905 | 16,211,189 | 4,003,716 | 80.2 | 19.8 |
| 2021 | 6,091,685 | 832,893 | 6,924,578 | 5,489,759 | 1,434,819 | 79.3 | 20.7 |
| Firsts 5 months (July-November) | | | | | | | |
| 2021 | 2,078,495 | 283,002 | 2,361,497 | n.a. | n.a. | n.a. | n.a. |
| 2022 | 5,724,568 | 882,596 | 6,607,164 | n.a. | n.a. | n.a. | n.a. |
| | **Percent increase (decrease)** | | | | | | |
| 2010-2011 | 3.4% | 5.3% | 3.9% | 3.8% | 4.2% | | |
| 2011-2012 | 9.3 | 3.3 | 8.0 | 9.0 | 4.6 | | |
| 2012-2013 | 4.2 | 3.2 | 4.0 | 4.0 | 3.8 | | |
| 2013-2014 | 2.7 | 5.3 | 3.2 | 3.5 | 2.3 | | |
| 2014-2015 | 4.2 | 5.3 | 4.5 | 5.7 | (0.0) | | |
| 2015-2016 | 5.8 | 9.5 | 6.7 | 7.3 | 4.1 | | |
| 2016-2017 | 3.4 | 10.1 | 4.9 | 3.4 | 10.7 | | |
| 2017-2018 | 7.0 | 7.9 | 7.2 | 7.3 | 7.1 | | |
| 2018-2019 | (3.0) | 6.7 | (0.7) | 1.6 | (8.9) | | |
| 2019-2020 | (29.3) | (29.5) | (29.4) | (29.5) | (28.9) | | |
| 2020-2021 | (59.5) | (83.9) | (65.7) | (66.1) | (64.2) | | |
| First 5 months (July-November) | | | | | | | |
| 2021-2022 | 175.4 | 211.9 | 179.8 | n.a. | n.a. | | |
| | **Compound annual percent increase (decrease)** | | | | | | |
| 2005-2010 | 3.8% | 1.5% | 3.3% | 4.5% | (0.3%) | | |
| 2010-2019 | 4.1 | 6.3 | 4.6 | 5.1 | 2.7 | | |
| 2005-2019 | 4.0 | 4.5 | 4.1 | 4.9 | 1.6 | | |

Notes: For Fiscal Years ended June 30
O&D = Origin-destination. n.a. = not available.
Data include revenue and non-revenue passengers. The percent of O&D passengers in FY 2021 (79.3%) includes revenue and non-revenue passengers and differs from the estimate in Figure 4 (78%) which is based on revenue enplaned passengers only.

Sources: San Francisco Airport Commission records and U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100, accessed November 2021.

Figure 13
**Historical Enplaned Passengers**
San Francisco International Airport




Note: For Fiscal Years ended June 30.

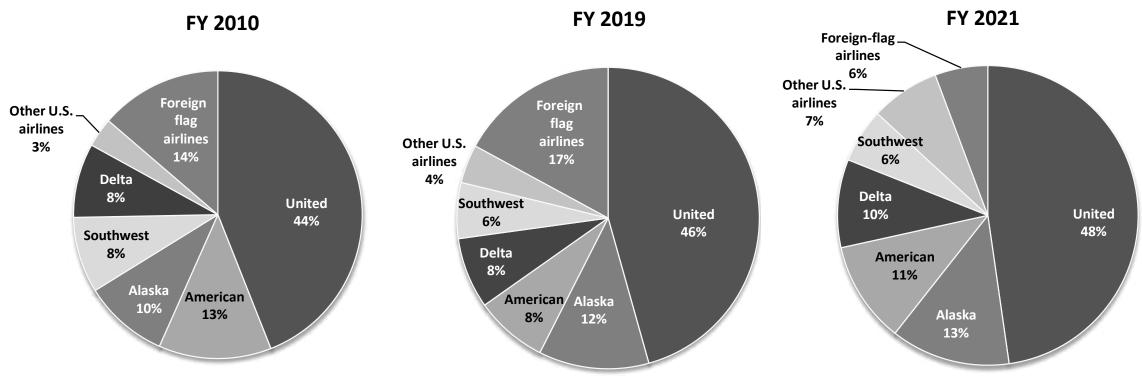
From FY 2005 through FY 2021, U.S. LCCs include Frontier, jetBlue, Southwest, Sun Country, and Virgin America. On April 25, 2018, Virgin America moved to a single reservations system and rebranded as Alaska Airlines and is no longer classified as an LCC. Data for Virgin America in FY 2018 are for July 2017 through April 2018.

Source: San Francisco Airport Commission records.

## Enplaned Passenger Market Shares

Compared with other U.S. large-hub airports, the Airport has only a moderate degree of airline concentration. In FY 2019, United and United Express together accounted for the largest share of enplaned passengers at SFO, with 45.7%, less than the hubbing airline share at other selected U.S. large-hub airports with one hubbing airline such as American at Charlotte (90%) and Dallas-Fort Worth (85%) and Delta at Atlanta (nearly 80%). United's share of all passengers at the Airport has remained relatively unchanged from 44.0% in FY 2010 (where the FY 2010 figure includes Continental and its regional affiliates), as shown in Table 14 and on Figure 14. Alaska (including Virgin America) ranked second with 11.8% of the total in FY 2019, followed by Delta with 7.8%, and American with 7.6%. In FY 2021, foreign-flag airlines' share of total enplaned passengers decreased to 5.7% due to international travel restrictions, as a result, shares for United, Alaska, American, Delta, Southwest, and other U.S. airlines, taken together, all increased.

Figure 14
**Airline Market Shares of Enplaned Passengers**
San Francisco International Airport




Notes: For Fiscal Years ended June 30.
Totals may not add due to rounding.
Data for merged airlines are reported together, i.e., Alaska and Virgin America, American and US Airways, Southwest and AirTran, and United and Continental.

Source: San Francisco Airport Commission records.

In FY 2021 United and United Express together accounted for 48.1% of all domestic passengers at the Airport (compared to 50.4% in FY 2019). Alaska and American ranked second and third, respectively, with 13.7% (15.3% in FY 2019) and 12.4% (10.4% in FY 2019). Southwest and jetBlue, both of whom initiated service at the Airport in 2007, accounted for a combined 10.8% of all domestic enplaned passengers at the Airport during FY 2021 (11.5% in FY 2019).

United also enplaned the most passengers on international flights at the Airport during FY 2021, with 45.0% of the total (compared to 31.7% in FY 2019). Alaska ranked second in terms of international enplaned passengers in FY 2021, with 6.4% (up from 1.6% in FY 2019). In FY 2019, Air Canada ranked second, with 7.8% of the total. Many airlines' shares shifted between FY 2019 and FY 2021, due to international travel restrictions, which severely limited travel to many parts of the world.

Table 14

**Enplaned Passengers by Airline**

San Francisco International Airport

| Airline *(a)* | Enplaned passengers (thousands) 2010 | 2019 | 2021 | Percent of total 2010 | 2019 | 2021 |
|---|---|---|---|---|---|---|
| **Domestic** | | | | | | |
| United *(b)* | 6,931 | 10,746 | 2,931 | 46.6% | 50.4% | 48.1% |
| Alaska *(c)* | | | | | | |
| Alaska | 479 | *3,261* | *837* | 3.2 | *15.3* | *13.7* |
| Virgin America | 1,266 | -- | -- | 8.5 | -- | -- |
| Subtotal--Alaska | 1,744 | 3,261 | 837 | 11.7 | 15.3 | 13.7 |
| American *(d)* | 2,411 | 2,175 | 757 | 16.2 | 10.2 | 12.4 |
| Delta | 1,518 | 2,219 | 659 | 10.2 | 10.4 | 10.8 |
| Southwest *(e)* | 1,629 | 1,714 | 404 | 11.0 | 8.0 | 6.6 |
| jetBlue | 322 | 738 | 255 | 2.2 | 3.5 | 4.2 |
| All others | 305 | 447 | 249 | 2.1 | 2.1 | 4.1 |
| Subtotal--domestic | 14,860 | 21,301 | 6,092 | 100.0% | 100.0% | 100.0% |
| **International** | | | | | | |
| United *(b)* | 1,476 | 2,321 | 375 | 34.8% | 31.7% | 45.0% |
| Alaska *(c)* | 76 | 115 | 53 | 1.8 | 1.6 | 6.4 |
| Air India | -- | 90 | 53 | 0.0 | 1.2 | 6.4 |
| Turkish | -- | 115 | 49 | 0.0 | 1.6 | 5.9 |
| Aeromexico | 36 | 158 | 48 | 0.9 | 2.2 | 5.7 |
| Avianca/Taca | 54 | 85 | 23 | 1.3 | 1.2 | 2.8 |
| Philippine | 115 | 147 | 20 | 2.7 | 2.0 | 2.4 |
| Qantas | 54 | 122 | 19 | 1.3 | 1.7 | 2.2 |
| Lufthansa | 205 | 244 | 18 | 4.8 | 3.3 | 2.2 |
| EVA Airways | 153 | 283 | 17 | 3.6 | 3.9 | 2.0 |
| Air Canada | 277 | 568 | 15 | 6.5 | 7.8 | 1.9 |
| Korean | 57 | 165 | 15 | 1.4 | 2.3 | 1.9 |
| All others | 1,737 | 2,909 | 127 | 41.0 | 39.7 | 15.2 |
| Subtotal--international | 4,241 | 7,321 | 833 | 100.0% | 100.0% | 100.0% |
| **Total** | | | | | | |
| United *(b)* | 8,407 | 13,067 | 3,305 | 44.0% | 45.7% | 47.7% |
| Alaska *(c)* | 1,820 | 3,376 | 890 | 9.5 | 11.8 | 12.9 |
| Delta | 1,592 | 2,219 | 659 | 8.3 | 7.8 | 9.5 |
| American *(d)* | 2,411 | 2,175 | 757 | 12.6 | 7.6 | 10.9 |
| Southwest *(e)* | 1,629 | 1,714 | 404 | 8.5 | 6.0 | 5.8 |
| jetBlue | 322 | 738 | 265 | 1.7 | 2.6 | 3.8 |
| Frontier | 176 | 174 | 147 | 0.9 | 0.6 | 2.1 |
| All others | 2,744 | 5,157 | 496 | 14.4 | 18.0 | 7.2 |
| Total passengers | 19,100 | 28,620 | 6,925 | 100.0% | 100.0% | 100.0% |

Note: For Fiscal Years ended June 30.

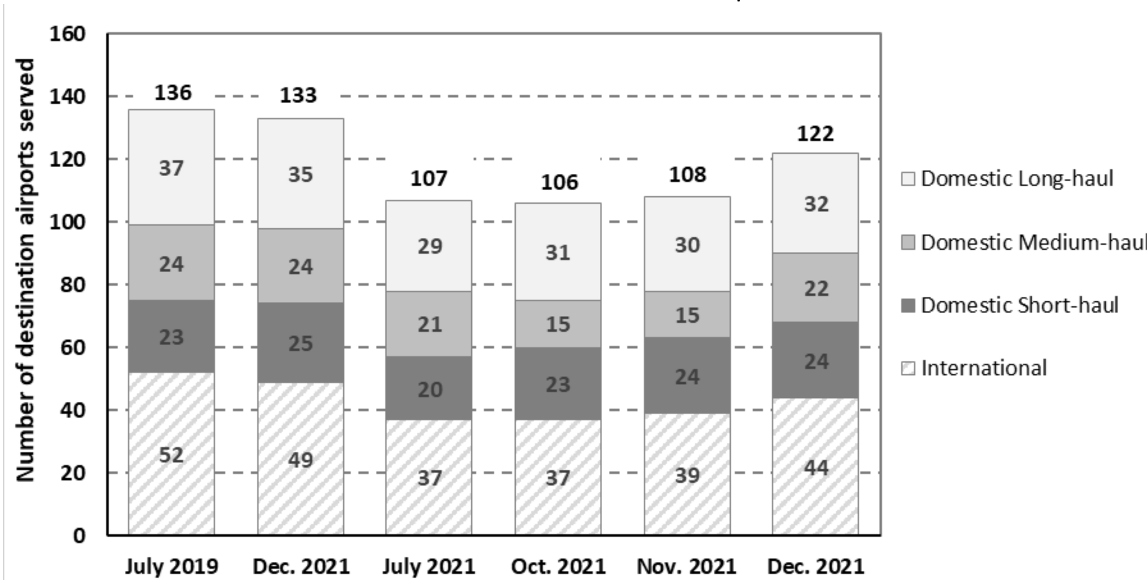
*(a)* Includes regional code-sharing affiliates, if any.
*(b)* United and Continental merged in October 2010. Includes Continental in 2010.
*(c)* Alaska and Virgin America merged in 2016. Includes Virgin America in 2010.
*(d)* American and US Airways merged in December 2013. Includes US Airways in 2010.
*(e)* Southwest and AirTran merged in February 2013. Includes AirTran in 2010.

Source: San Francisco Airport Commission records.

## Destinations Served at SFO

Between July 2019 (before the pandemic) and December 2021, the total number of domestic destination airports served at SFO decreased from 84 to 78, with long-haul destination airports accounting for the largest share of the decrease, as shown in Figure 15. The total number of international destination airports served at SFO decreased from 52 to 37 between July 2019 and July 2021, reflecting international travel restrictions and temporarily discontinued international service. In December 2021, the Airport had service to 44 international destination airports, an increase from the July 2021 number, reflecting the lifting of many travel restrictions that occurred in fall 2021.

Figure 15
**Destination Airports Served By Length of Haul**
San Francisco International Airport




Note: Long-haul = More than 1,500 miles; Medium-haul = 501-1,500 miles; Short-haul = 0-500 miles

Source: OAG Worldwide Aviation Ltd, OAG Analyser database, accessed January 2022.

***Domestic Origin-Destination Markets:*** In FY 2021, the top 20 domestic passenger markets accounted for 71.9% of domestic O&D passengers at the Airport, as shown in Table 15. New York and Los Angeles were the top two destination markets for O&D passengers at the Airport, accounting for 9.4% and 8.7%, respectively, of domestic O&D passengers at the Airport in FY 2021. Other major destinations included Las Vegas, Chicago, and San Diego. Each of the top 20 domestic destinations were served nonstop from the Airport in July 2021, with service provided by two or more airlines to 19 of the top 20 markets and three or more airlines to 12 of the top 20 markets, as shown in Table 19.

***International Origin-Destination Markets:*** In FY 2021, the top 20 international passenger markets at SFO in terms of international O&D passenger bookings* accounted for 57.7% of the total international O&D passenger bookings, as shown in Table 16. Passenger bookings included data for U.S. and foreign-flag airlines and are used as a proxy for international passengers due to the reporting limitations of U.S. DOT O&D passenger data. San Jose del Cabo, Mexico was the largest O&D market with 7.2% of international O&D passenger bookings, followed by three other Mexican destinations: Cancun (6.7%), Puerto Vallarta (5.6%), and Mexico City (4.4%). The top destinations in FY 2021 were notably different from those prior to the pandemic due to travel restrictions imposed by the United States and foreign governments. In FY 2019, the top 20 international passenger markets at SFO in terms of international O&D passenger bookings accounted for 50.2% of the total international O&D passenger bookings. London, England, was the largest O&D market with 5.5% of international O&D passenger bookings, followed by Hong Kong, China (3.7%); Taipei, Taiwan (3.3%); Vancouver, Canada (3.3%); and Toronto, Canada (3.1%). Of the top 20 international destinations, 18 were served nonstop from the Airport in July 2021, with service provided by two or more airlines to 10 of the top 20 markets, as shown in Table 16.

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*As defined by the International Air Transport Association (IATA), a passenger airline "booking," equivalent to the term "reservation," means the allotment in advance of seating accommodation for a passenger. IATA, Passenger Glossary of Terms, www.iata.org.

Table 15

**Domestic Origin-Destination Patterns and Airline Service**

San Francisco International Airport

| Rank | Origin-destination market | Air miles from San Francisco | Percent of domestic O&D passengers FY 2019 | Percent of domestic O&D passengers FY 2021 | Average daily scheduled nonstop departures July 2021 | Number of airlines |
|---|---|---|---|---|---|---|
| 1 | New York *(a)* | 2,235 | 11.6% | 9.4% | 21 | 5 |
| 2 | Los Angeles *(b)* | 300 | 12.4 | 8.7 | 43 | 7 |
| 3 | Las Vegas | 359 | 4.3 | 5.0 | 12 | 4 |
| 4 | Chicago *(c)* | 1,601 | 4.7 | 4.4 | 13 | 4 |
| 5 | San Diego | 388 | 4.3 | 4.3 | 13 | 3 |
| 6 | Denver | 839 | 3.4 | 3.7 | 11 | 3 |
| 7 | Miami *(d)* | 2,241 | 2.4 | 3.6 | 5 | 2 |
| 8 | Seattle | 588 | 4.6 | 3.3 | 16 | 3 |
| 9 | Phoenix | 565 | 2.1 | 3.2 | 12 | 5 |
| 10 | Boston | 2,344 | 4.4 | 3.2 | 9 | 3 |
| 11 | Honolulu | 2,080 | 2.0 | 3.1 | 8 | 4 |
| 12 | Washington DC *(e)* | 2,111 | 4.1 | 3.0 | 5 | 2 |
| 13 | Dallas/Fort Worth *(f)* | 1,275 | 2.7 | 2.7 | 11 | 3 |
| 14 | Atlanta | 1,854 | 1.9 | 2.4 | 6 | 2 |
| 15 | Minneapolis-St. Paul | 1,377 | 1.8 | 2.4 | 6 | 2 |
| 16 | Houston *(g)* | 1,418 | 1.5 | 2.0 | 7 | 1 |
| 17 | Orlando | 2,121 | 1.3 | 2.0 | 2 | 2 |
| 18 | Kahului | 2,028 | 1.3 | 1.9 | 7 | 3 |
| 19 | Portland | 478 | 2.6 | 1.9 | 8 | 2 |
| 20 | Austin | 1,304 | 1.7 | 1.7 | 5 | 2 |
| | Cities listed | | 75.1% | 71.9% | 220 | |
| | Other cities | | 24.9 | 28.1 | 88 | |
| | All cities | | 100.0% | 100.0% | 308 | |

Note: For the Fiscal Year ended June 30, unless otherwise noted.

*(a)* Newark Liberty International, LaGuardia, and John F. Kennedy International airports.
*(b)* Los Angeles International, Hollywood Burbank, Long Beach, John Wayne/Orange County, and Ontario International airports.
*(c)* Chicago O'Hare and Midway International airports.
*(d)* Miami and Fort Lauderdale International airports.
*(e)* Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
*(f)* Dallas/Fort Worth International Airport and Love Field.
*(g)* Bush Intercontinental Airport/Houston and William P. Hobby airports.

Sources: O&D percentage: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100, accessed November 2021.
Departures: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed November 2021.

Table 16

**International Origin-Destination Patterns and Airline Service**

San Francisco International Airport

| Rank | Origin-destination market | Air miles from San Francisco | Percent of international O&D passengers FY 2019 | Percent of international O&D passengers FY 2021 | Average daily scheduled nonstop departures July 2021 | Number of airlines |
|---|---|---|---|---|---|---|
| 1 | San Jose del Cabo | 1,085 | 1.8% | 7.2% | 3 | 2 |
| 2 | Cancun | 2,090 | 2.0 | 6.7 | 3 | 2 |
| 3 | Puerto Vallarta | 1,352 | 1.7 | 5.6 | 2 | 2 |
| 4 | Mexico City *(a)* | 1,635 | 2.0 | 4.4 | 2 | 2 |
| 5 | Seoul *(b)* | 4,903 | 2.9 | 3.6 | 3 | 3 |
| 6 | Taipei *(c)* | 5,608 | 3.3 | 3.1 | 2 | 3 |
| 7 | Tokyo *(d)* | 4,457 | 2.8 | 3.1 | 3 | 5 |
| 8 | Delhi | 6,682 | 1.9 | 3.0 | 2 | 2 |
| 9 | Paris *(e)* | 4,837 | 2.7 | 2.9 | 1 | 1 |
| 10 | London *(f)* | 4,651 | 5.5 | 2.6 | 2 | 2 |
| 11 | Guadalajara | 1,428 | 1.4 | 2.4 | 1 | 1 |
| 12 | San Salvador | 2,294 | 0.7 | 2.2 | 2 | 1 |
| 13 | Manila | 6,060 | 3.0 | 1.8 | 1 | 1 |
| 14 | Frankfurt | 4,938 | 1.2 | 1.7 | 2 | 2 |
| 15 | Guatemala City *(g)* | 2,514 | 0.5 | 1.4 | -- | -- |
| 16 | Tel Aviv | 6,434 | 1.2 | 1.3 | 1 | 1 |
| 17 | Sydney | 6,449 | 1.4 | 1.2 | 1 | 1 |
| 18 | Toronto | 1,959 | 3.1 | 1.2 | 1 | 1 |
| 19 | Papeete (Tahiti) | 3,650 | 0.4 | 1.2 | 0 | 1 |
| 20 | Shanghai *(g)(h)* | 5,331 | 2.6 | 1.2 | -- | -- |
| | Cities listed | | 42.1% | 57.7% | 31 | |
| | Other cities | | 57.9 | 42.3 | 13 | |
| | All cities | | 100.0% | 100.0% | 44 | |

Notes: For the Fiscal Year ended June 30, unless otherwise noted.

*(a)* Juarez and Toluca airports.
*(b)* Incheon and Gimpo airports
*(c)* Taoyuan and Sung Shan airports.
*(d)* Haneda and Narita airports.
*(e)* Charles de Gaulle and Orly airports.
*(f)* Heathrow, Gatwick, Stansted, and London City airports.
*(g)* Airline service from SFO to Guatemala City and Shanghai is provided through other airports.
*(h)* Pudong and Hongqiao airports.

Sources: OAG Aviation Worldwide Ltd, OAG Analyser database and OAG Traffic database, accessed November 2021.

## Airline Airfares

Table 17 provides a comparison of average domestic one-way airfares paid at the Airport in FY 2021 with the airfares at OAK and SJC.* Average airfares tend to be higher at SFO than at OAK and SJC airports due to longer trips and a larger share of premium fares. In short- and medium-haul markets, SFO airfares tend to be more competitive, except for markets such as Austin, Dallas/Fort Worth, Houston, and Las Vegas where Southwest Airlines accounts for a large number of discount seats at OAK and SJC. As shown previously in Table 15, 19 of the top 20 domestic O&D markets at SFO are served by 2 airlines or more, ensuring competitive airline service and airfares.

SFO accounted for two-thirds or more of domestic O&D passengers at the three Bay Area airports in seven of its nine long-haul markets (1,500 miles or more) in FY 2021, reflecting its role in providing service for longer domestic trips in the San Francisco CSA, as shown in Table 17. In comparison, SFO accounted for considerable but smaller shares of domestic O&D passengers in medium- and short-haul markets in FY 2019, with 36% to 88% of medium-haul domestic passengers and 36% to 41% of short-haul passengers.

As shown in Table 17, SFO accounted for 94.1% of first and business class domestic fare revenue at the three primary airports in the San Francisco CSA in FY 2021, an increase from 89.9% in FY 2019. OAK and SJC accounted for 1.6% and 4.2%, respectively, in FY 2021. SFO's share of first and business class domestic fare revenue increased in 16 of the largest 20 markets, indicating that premium passengers (i.e., those paying the highest fares) are recovering more quickly at SFO than at OAK or SJC. SFO accounted for more than 90.0% of first and business class domestic fare revenue in seven of the busiest nine long-haul markets and more than 80% in the remaining two.

## Premium Class Fare Revenue

U.S. airports with large numbers of business travelers are typically characterized by large shares of premium class revenue which includes first class, business class, and premium economy cabins. SFO ranks seventh in FY 2021 among large-hub U.S. airports in terms of the percent of total domestic revenues (excluding ancillary fees) accounted for by premium class fare revenue. In FY 2019, SFO ranked second. In FY 2021, premium fare class revenue accounted for 24% of total domestic fare revenue at SFO, down from 35% in FY 2019, as shown on Figure 16. The share of premium class fare revenue at large-hub U.S. airports averaged 20% in FY 2021. In contrast, premium class revenue at OAK and SJC accounted for 4% of total domestic fare revenue in FY 2021 at each airport. The ability of an airport service region to support a large share of premium class fare passengers is attractive to airlines and supports the continued development of airline service.

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*The fares that airlines report to the U.S. DOT are exclusive of many ancillary charges (fees for checked baggage and preferred aircraft seating, for example) and, given the rapid rise in such fees beginning in 2008, increasingly understate the consumer's real cost of airline travel.

Table 17

**Comparison of Airfares in SFO's Top Domestic Origin-Destination Markets in FY 2021**

Bay Area Airports

| Rank | Market | Length of haul | SFO percent of domestic O&D passengers for three Bay Area airports | Average one-way domestic airfare paid | | | SFO percent of first/business class fare revenue for three Bay Area airports |
|---|---|---|---|---|---|---|---|
| | | | | SFO | OAK | SJC | |
| 1 | New York *(a)* | Long | 95.9% | $240 | $139 | $195 | 100.0% |
| 2 | Los Angeles *(b)* | Short | 36.0 | 87 | 78 | 84 | 92.1 |
| 3 | Las Vegas | Short | 37.4 | 72 | 60 | 83 | 100.0 |
| 4 | Chicago *(c)* | Long | 71.5 | 172 | 114 | 153 | 99.2 |
| 5 | San Diego | Short | 41.0 | 85 | 87 | 81 | 84.1 |
| 6 | Denver | Medium | 53.0 | 95 | 85 | 122 | 92.8 |
| 7 | Miami *(d)* | Long | 87.6 | 206 | 106 | 159 | 98.4 |
| 8 | Seattle | Medium | 39.7 | 107 | 91 | 98 | 67.8 |
| 9 | Phoenix | Medium | 36.3 | 79 | 78 | 80 | 70.3 |
| 10 | Boston | Long | 87.2 | 276 | 167 | 172 | 98.2 |
| 11 | Honolulu | Long | 52.0 | 216 | 167 | 168 | 83.9 |
| 12 | Washington DC *(e)* | Long | 67.3 | 277 | 155 | 172 | 99.0 |
| 13 | Dallas/Fort Worth *(f)* | Medium | 52.4 | 161 | 113 | 161 | 75.9 |
| 14 | Atlanta | Long | 69.1 | 234 | 137 | 199 | 95.9 |
| 15 | Minneapolis-St. Paul | Medium | 88.2 | 139 | 112 | 159 | 96.6 |
| 16 | Houston *(g)* | Medium | 52.5 | 204 | 126 | 170 | 98.1 |
| 17 | Orlando | Long | 71.8 | 174 | 126 | 152 | 93.3 |
| 18 | Kahului | Long | 44.5 | 243 | 174 | 169 | 82.1 |
| 19 | Portland | Short | 40.0 | 116 | 96 | 107 | 93.3 |
| 20 | Austin | Medium | 50.7 | 155 | 122 | 136 | 84.9 |
| | | | 52.6% | $162 | $94 | $110 | |
| | Cities listed | | 57.3 | 206 | 125 | 165 | 94.0% |
| | Other cities | | 53.8% | $174 | $102 | $123 | 94.9 |
| | All cities | | 95.9% | $240 | $139 | $195 | 94.1% |

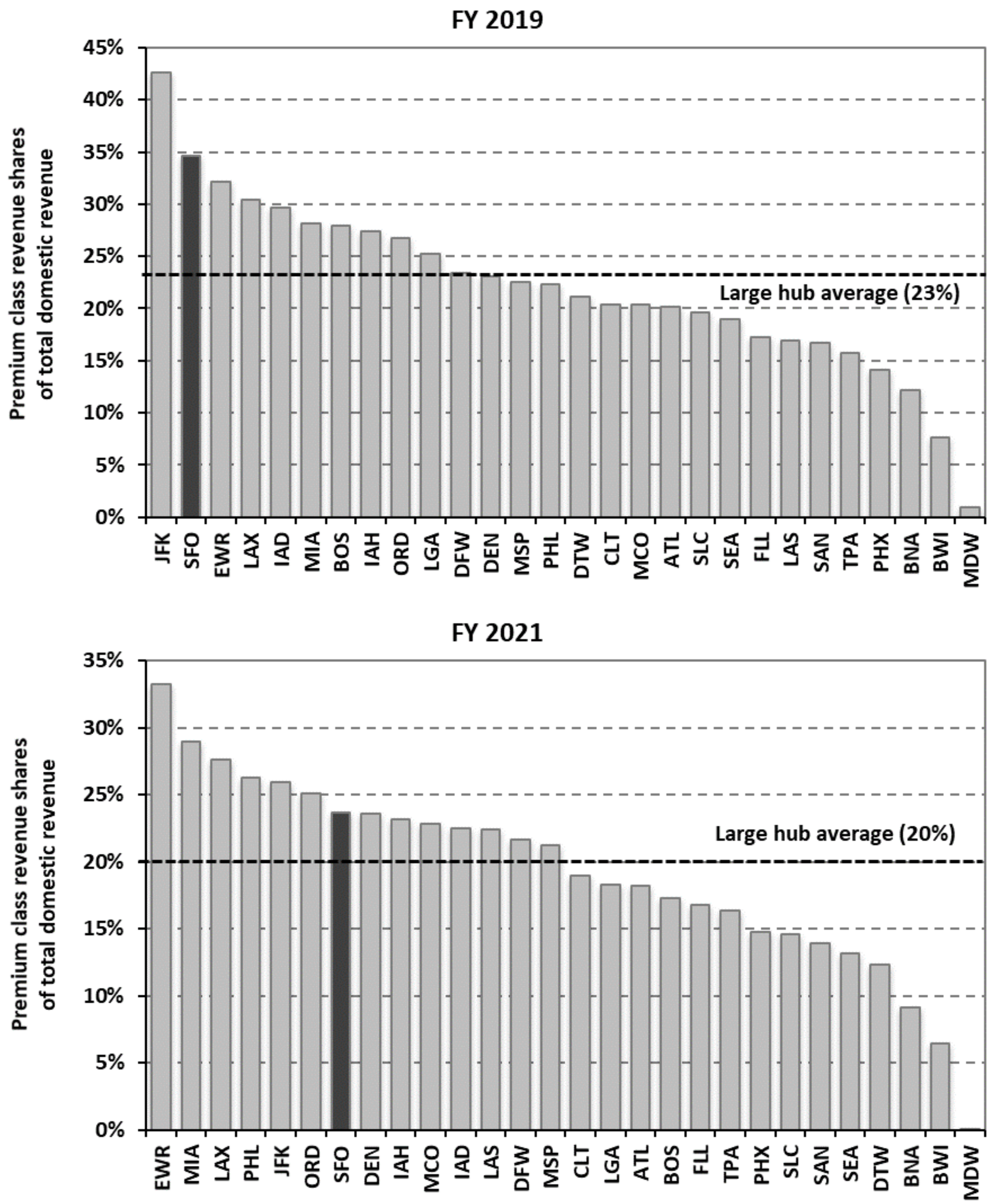
Notes: For the Fiscal Year ended June 30.
For the purposes of this Report, short-haul flights are 500 miles or less, medium-haul flights are 501 to 1,500 miles, and long-haul flights are more than 1,500 miles.

*(a)* Newark Liberty International, LaGuardia, and John F. Kennedy International airports.
*(b)* Los Angeles International, Hollywood Burbank, Long Beach, John Wayne/Orange County, and Ontario International airports.
*(c)* Chicago O'Hare and Midway International airports.
*(d)* Miami and Fort Lauderdale International airports.
*(e)* Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
*(f)* Dallas Fort Worth International Airport and Love Field.
*(g)* Bush Intercontinental Airport/Houston and William P. Hobby airports.

Sources: U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100 and OAG Worldwide Aviation Ltd, Traffic Analyser bookings, accessed November 2021.

Figure 16

**First and Business Class Shares of Total Domestic Revenue at Large-Hub U.S. Airports in FY 2019 and FY 2021**




Notes: For Fiscal Year ended June 30.
Premium class revenue include first class, business class, and premium economy cabins.

Source: OAG Worldwide Aviation Ltd, Traffic Analyser bookings, accessed November 2021.

## Bay Area-Los Angeles Area Corridor

Airline service in the Bay Area-Los Angeles Area Corridor (the "Corridor" linking the three Bay Area airports with the five Los Angeles area airports) is highly competitive. In July 2021, the 8 airlines providing service in the Corridor* operated an average of 100 daily nonstop departures, the equivalent of approximately 4 departures per hour during a 24-hour period, including 2 flights per hour from SFO; in July 2019, an average of 187 nonstop departures were operating in the Corridor. Two of the 7 airlines—Delta and Southwest—provide service at each of the three Bay Area airports. Southwest is the only airline to provide service at each of the five Los Angeles Area airports. As shown in Table 17, SFO accounted for 36.0% of the O&D passengers in the Corridor in FY 2021. In comparison, Oakland and SJC accounted for 34.9% and 29.2%, respectively, of O&D passengers in the Corridor in FY 2021. The highly competitive nature of airline service in the Corridor results in competitive airfares and airline service options that are not dominated by a single airline or airport.

## Airline Service

In July 2021, SFO provided a total of 352 scheduled daily nonstop departures, including 308 domestic departures and 44 international departures (compared to 519 domestic and 44 international departures in July 2019). SFO provides nonstop international service to seven international regions—Asia, Canada, Europe, Latin America/the Caribbean, Mexico, the Middle East, and the South Pacific.

From FY 2007 through FY 2019, scheduled departing seats at the Airport increased an average of 3.9% per year, compared with an average increase of 0.8% per year for all U.S. airports during this period. Strong growth in seats at the Airport in recent years reflects, in part, the buildup of low-cost carrier service, including jetBlue, Southwest/AirTran, and Virgin America.

In FY 2020 and FY 2021, domestic seats decreased 19.8% and 50.6%, respectively, while international seats decreased 24.2% and 68.5%, respectively, due to the COVID-19 pandemic. Overall, scheduled departing seats decreased 20.9% in FY 2020 and 55.1% in FY 2021. In FY 2021, total departing seats were 36% of FY 2019 levels.

## Cargo

Since 2000, the cargo industry nationwide and at SFO has experienced significant changes related to a number of factors, including air cargo security regulations by the FAA and Transportation Security Administration (TSA), consolidation in the air cargo industry, an increasing trend in the volume of cargo transported by truck, and the national and global economic recessions. Between FY 2000 and FY 2010, total air cargo tonnage at SFO decreased an average of 6.8% per year, including an average decrease of 9.6% and 4.5% per year, respectively, in domestic and international air cargo. As shown in Table 23, total air cargo tonnage at SFO increased an average of 0.8% per year between FY 2010 and FY 2021, with considerable year-to-year variation, including an 18.6% increase in FY 2017. Total air cargo tonnage at SFO decreased 13.2% in FY 2020 and 3.7% in FY 2021, due to the COVID-19 pandemic. In FY 2021, tonnage carried on all-cargo aircraft increased 32.9% from FY 2020 volumes, while tonnage carried by passenger aircraft decreased 19.0%. As a result, in FY 2021 passenger airlines accounted for 59.3% of total air cargo at the Airport (down from 76.2% in FY 2019) and cargo airlines accounted for the remaining 40.7% (up from 23.8% in FY 2019).

*Alaska, American, Delta, jetBlue, Southwest, Spirit, and United.

Table 18
**Trends in Air Cargo**
San Francisco International Airport

| | Metric tons | | | CAGR | Percent of total | | |
|---|---|---|---|---|---|---|---|
| | FY 2010 | FY 2019 | FY 2021 | FY 2010 FY 2021 | FY 2010 | FY 2019 | FY 2021 |
| **By Airline Type** | | | | | | | |
| Domestic | | | | | | | |
| Passenger airlines | 87,342 | 111,779 | 79,541 | (0.8%) | 20.2% | 19.8% | 16.9% |
| Cargo airlines | 75,843 | 89,918 | 133,134 | 5.2 | 17.6 | 15.9 | 28.2 |
| Subtotal–domestic | 163,185 | 201,697 | 212,675 | 2.4% | 37.8% | 35.7% | 45.1% |
| International | | | | | | | |
| Passenger airlines | 183,610 | 318,328 | 200,462 | 0.8% | 42.5% | 56.4% | 42.5% |
| Cargo airlines | 85,196 | 44,460 | 58,656 | (3.3) | 19.7 | 7.9 | 12.4 |
| Subtotal–international | 268,805 | 362,788 | 259,118 | (0.3%) | 62.2% | 64.3% | 54.9% |
| Total | | | | | | | |
| Passenger airlines | 270,952 | 430,107 | 280,003 | 0.3% | 62.7% | 76.2% | 59.3% |
| Cargo airlines | 161,038 | 134,378 | 191,790 | 1.6 | 37.3% | 23.8% | 40.7% |
| Total air cargo | 431,990 | 564,485 | 471,793 | 0.8% | 100.0% | 100.0% | 100.0% |
| **By World Area** | | | | | | | |
| United States | 163,185 | 201,697 | 212,675 | 2.4% | 37.8% | 35.7% | 45.1% |
| Asia and South Pacific | 213,258 | 265,347 | 202,190 | (0.5) | 49.4 | 47.0 | 42.9 |
| Europe | 49,922 | 84,069 | 48,785 | (0.2) | 11.6 | 14.9 | 10.3 |
| Middle East | 3,678 | 9,441 | 7,576 | 6.8 | 0.9 | 1.7 | 1.6 |
| Canada | 1,052 | 3,271 | 182 | (14.8) | 0.2 | 0.6 | 0.0 |
| Mexico, Central & South America | 896 | 660 | 385 | (7.4) | 0.2 | 0.1 | 0.1 |
| Total air cargo | 431,990 | 564,485 | 471,793 | 0.8% | 100.0% | 100.0% | 100.0% |

Notes: For Fiscal Years ended June 30. Sum of enplaned and deplaned freight and mail.
CAGR = Compound annual growth rate
All-cargo airlines serving SFO in FY 2021 include ABX Air, Atlas Air, FedEx, Kalitta Air, and Nippon Cargo. In addition, cargo service was provided by the subsidiaries of three passenger airlines (Asiana, China, and Korean) and one ground handling company (Swissport).

Source: San Francisco Airport Commission records.

Domestic air cargo accounted for 45.1% of total air cargo in FY 2021 (compared to 35.7% in FY 2019). Of this total, passenger airlines handled 37% of domestic cargo volumes and cargo airlines handled the remainder. International air cargo accounted for 54.9% of total air cargo in FY 2021 (compared to 64.3% in FY 2019). Passenger airlines carried 77% of international air cargo and cargo airlines handled the remainder. Two world regions—Asia and the South Pacific and Europe—accounted for 53% of total air cargo in FY 2021. Starting in March 2021, cargo tonnage began to increase year-over-year. In the first five months of FY 2022 (July-November), total cargo tonnage was 26.8% higher than during the same period of FY 2021 and slightly exceeded 2019 levels.

SFO accounted for 46.3% of air cargo tonnage at the three Bay Area airports in FY 2019, Oakland International Airport, a regional hub for Federal Express, handled 49.4%, while Mineta San Jose handled 4.3%.*

## KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In the near-term to medium-term, the impact of the COVID-19 pandemic and the speed of recovery of both the economy and public confidence in the aviation system will significantly affect aviation activity levels at the Airport and, as of the date of this Report, there is great uncertainty regarding the length of time it will take for aviation activity levels to recover to FY 2019 levels. As the Airport predominantly serves origin and destination activity (O&D passengers account for approximately 80% of SFO's passengers), future long-term growth in aviation activity at the Airport (subsequent to recovery from the COVID-19 pandemic) will occur largely as a function of the growth in the population and economy of the San Francisco MSA, as well as regional, national, and international economic performance.

Several factors will play a role in the long-term growth in aviation activity at the Airport, including:

- The COVID-19 pandemic and public health concerns
- Climate change concerns
- National economic conditions
- International economic, political, health, and security conditions
- Structural changes in the travel market
- Financial health of the airline industry
- Airline industry provisions under the Federal Stimulus Acts
- Airline service and routes at the Airport and other regional airports, particularly Oakland and Mineta San Jose international airports
- Airline competition and airfares
- Airline consolidation and alliances
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system, and
- Capacity of San Francisco International Airport

### COVID-19 Pandemic and Public Health Concerns

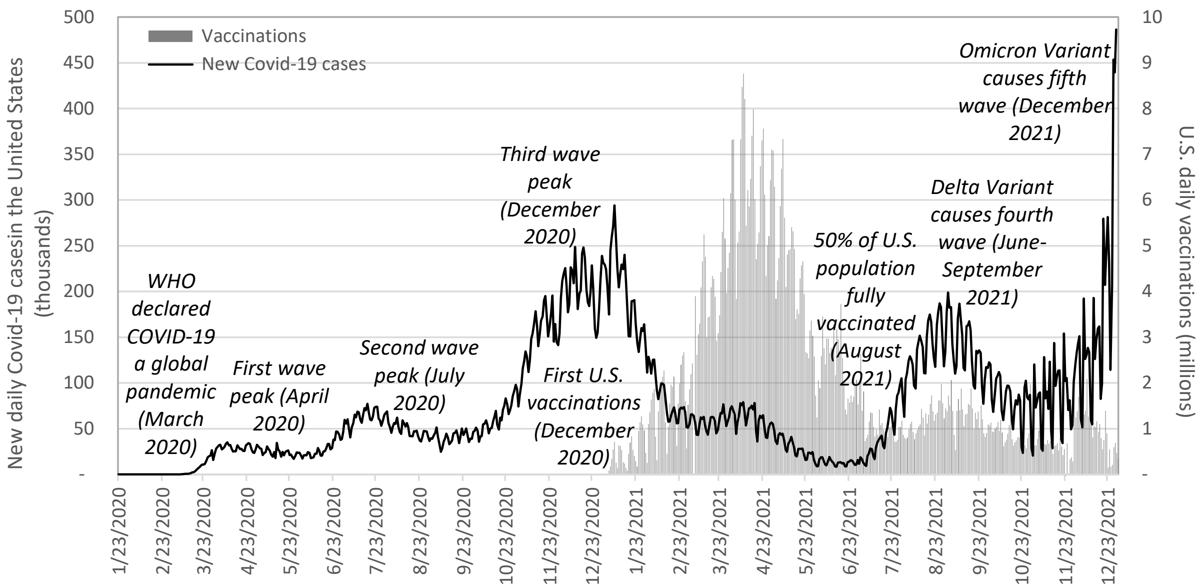
Since 2002, public health concerns and associated restrictions on travel have episodically reduced airline travel demand to and from various parts of the world. Examples are Severe Acute Respiratory Syndrome (SARS) in 2002-2003, the H1N1 influenza virus in 2009, Middle East Respiratory Syndrome (MERS) in 2013, Ebola Virus Disease (EVD) in 2014-2016, and the Zika virus in 2016-2017. In all these historical examples, reductions in airline travel were geographically localized and fairly short-lived, with travel soon recovering to pre-health-scare trends.

The COVID-19 pandemic has had far more serious and far-reaching effects on airline travel worldwide. At the end of 2019, the highly contagious novel coronavirus that causes the COVID-19 respiratory illness emerged in Asia, soon spreading to most parts of the world. As shown on Figure

*Totals may not add to 100% due to rounding.

17, COVID-19 was declared a global pandemic by the WHO in March 2020 and has yet to be contained.

Figure 17
**Timeline of the COVID-19 Pandemic**




Source: Centers for Disease Control and Protection, COVID-19 Vaccination Trends in the United States, accessed December 2021; www.covid.cdc.gov.

During the first few months of the pandemic, governmental actions to slow the spread of the disease, including the mandated closure of businesses and offices, work-at-home requirements, prohibitions of public gatherings, quarantines, and travel restrictions contributed to a recession in the global economy and widespread job losses. The economic recession, combined with continuing fears about contagion, resulted in a severe reduction in the demand for air travel, the grounding of much of the world's airline fleets, and cuts in airline service.

In December 2020, the first doses of COVID-19 vaccines were administered in the United States. By June 2021, the number of new COVID-19 cases in the United States had decreased significantly as an increasing share of the population was vaccinated, and by August 2021, 50% of the total U.S. population had been fully vaccinated. The success of COVID-19 vaccines in preventing the transmission and lessening the effects of the virus resulted in a resurgence in domestic air travel during the summer of 2021.

Notwithstanding the success of the vaccines, new variants of the COVID-19 virus emerged throughout the world, including the highly contagious Delta and Omicron variants which accounted for an increasing number of new cases in the United States particularly among the unvaccinated population. By mid-August 2021, the increase in new Delta variant cases contributed to cancelled travel bookings and reduced airline schedules, as well as delays in office openings, corporate travel, and the lifting of international travel restrictions. In December 2021, the emergence of and increases in new cases of the Omicron variant contributed to airline flight cancellations as an increasing number of airline personnel tested positive for the virus. By the end of December 2021, the CDC reported that approximately 60% of new coronavirus cases in the United States were attributable to the Omicron variant.*

The fourth wave of the coronavirus contributed to an increase in the share of the total U.S. population vaccinated, increasing from 50% in August 2021 to 56% at the beginning of October 2021. In September 2021, federal, state, and local governments and an increasing number of corporations announced mandates to require employees to be vaccinated or tested weekly in order to maintain their employment. In addition, certain restaurants, sports venues, health care facilities, and other public spaces now require proof of vaccination to permit entry.

Researchers estimate that approximately 70% to 85% of the U.S. population needs to be immune to COVID-19 in order to stop the spread of the virus. According to the Centers for Disease Control and Prevention (CDC), approximately 70% of the U.S. population is expected to be fully vaccinated by March 2022 and 85% by October 2022.** However, further research indicates that the potential to reach "herd immunity" when most of the population is immune to the virus has been complicated by the emergence of new variants, the reluctance of some to be vaccinated, and the lack of an approved vaccine for young children. "We should therefore expect to see some level of ongoing coronavirus transmission in our population for many years (if not forever). But as we build immunity to SARS-CoV-2, the risk of severe illness will decrease, and future waves of infection won't be as disruptive… even if we can't eliminate transmission of the coronavirus soon—we can get to a level of population immunity where COVID's effects can be manageable."***

Since April 2020, airline service in the United States has gradually been restored. Similarly, TSA data indicate that the number of passengers enplaned at U.S. airports increased from 40% in January 2021 to 78% in September 2021 of the number of passengers enplaned in during the same months in 2019 although this recovery ratio continues to fluctuate. Recent changes in federal government travel policies are expected to contribute to increases in passenger traffic and airline service, including the easing of international travel restrictions for fully vaccinated international travelers and the expiration of the waivers on domestic slots at certain U.S. airports, both became effective in November 2021

The global economic disruption and reduction in airline travel caused directly and indirectly by the COVID-19 pandemic dwarf the effects of earlier public health scares and will have far-reaching implications for the global airline and airport industry, perhaps extending for several years. Until governments and public health authorities are able to contain the spread and occurrence of the disease through the widespread availability of effective vaccines, and reverse the associated economic impacts, COVID-19 is likely to overshadow all other factors affecting future airline travel.

Questions also remain about how some determinants of travel demand may change even once control of the pandemic and economic recovery eventually allow a "new normal" travel

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* "Flight disruptions continue with thousands more cancellations as Omicron thins airline crews," December 27, 2021, and "The U.S. record for daily cases is broken as an Omicron 'tidal wave' grows," December 31, 2021, www.nytimes.com.
** "How is the COVID-19 vaccination campaign going in your state?" October 8, 2021, www.npr.org.
*** "Rethinking Herd Immunity and the Covid-19 Response End Game," September 13, 2021, www.publichealth.jhu.edu.

environment to be restored. Some observers anticipate there may be permanent reductions in some business travel for in-person meetings as a result of the widespread adoption of videoconferencing by workers who have become accustomed to working from home during the pandemic coupled with companies realizing savings from cutting travel budgets and increasing concerns about carbon emissions.

### Climate Change Concerns

There is now widespread acknowledgement of the urgent need for the nations of the world to transition from fossil fuels to cleaner energy sources that will allow the worst effects of global warming and climate change to be avoided. In November 2021, the FAA published the U.S. Aviation Climate Action Plan which sets a goal to achieve net-zero greenhouse gas (GHG) emissions from the U.S. aviation sector by 2050. The plan includes several key initiatives, including the increased production of sustainable aviation fuels (SAF), the development of new aircraft technologies, increased operations efficiency, and efforts to reduce airport emissions.

Much like the way that the pandemic appears to have changed some airline travel behavior and demand patterns, concerns about the contribution of airline travel to the emission of carbon dioxide and other greenhouse gases into the atmosphere may influence future airline travel demand.

For example, there may be increased societal pressures to avoid or reduce travel perceived as "wasteful," particularly long-haul international travel; to favor or require the use of lower-emission travel modes, e.g., train over airplane, for short trips; and for corporations to limit employee travel to "reduce their carbon footprint" and achieve environmental, social, and governance objectives.

Pre-pandemic, the aviation industry accounted for approximately 10% of anthropogenic greenhouse gas emissions from the U.S. transportation sector and 3% of total U.S. emissions. However, alternatives to petroleum-derived jet fuel are unlikely to be economically available at large scale for the foreseeable future, so aviation's share of emissions will likely increase and attract more scrutiny. Consequently, it will be imperative for the industry to achieve efficiencies if growth in airline travel is to be sustained.

Achieving those efficiencies and mitigating emissions will require financial investments and changes to the operating economics of the aviation industry. Changes will likely include the early retirement and replacement of inefficient aircraft; implementation of operational changes to airline networks and systems to fly more optimal trajectories for reduced fuel use and contrail impacts; investments in emission reduction projects at airports, including electrification of ground support equipment; the payment of carbon taxes and other regulatory charges designed to penalize or offset emissions; and the development of technologies and incentives to increase the supply and reduce the cost of sustainable aviation fuels derived from biomass and other renewable sources.

Increased direct governmental regulation of greenhouse gas emissions from aircraft is also possible. In 2020, the U.S. Environmental Protection Agency adopted emission standards that apply to new commercial aircraft and align with standards adopted by the International Civil Aviation Organization. More stringent emission standards may apply in the future.

In the longer term, investments will be required to develop new aircraft propulsion technologies using fuels such as hydrogen or electric power generated from renewable sources.

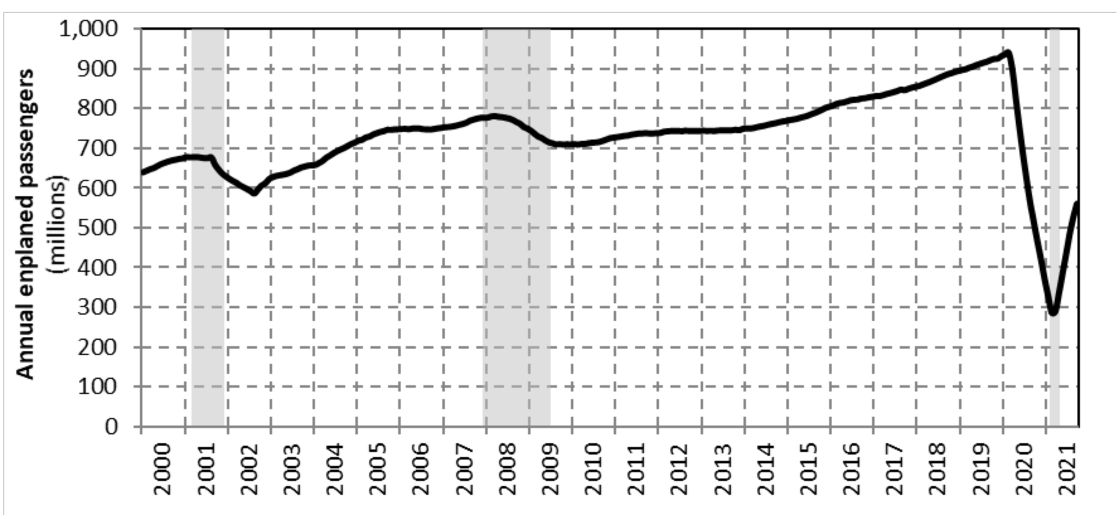
Inevitably, some of the costs required to reduce greenhouse gas emissions and combat climate change will be passed on to passengers in the form of higher fares or surcharges, and thereby influence airline travel demand.

### National Economic Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated in Figure 18, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and airline travel demand. The 2020 economic recession brought about by the COVID-19 pandemic and the related government actions to slow the spread of the disease discussed earlier was relatively short-lived (February to April 2020) but was measured by the largest decreases in U.S. GDP in recorded history—a decrease of 31.4% in the second quarter of 2020 followed by an increase rebound of 33.4% in the third quarter of 2020. In contrast, U.S. passenger traffic continued to decrease through March 2021—a decrease of 68% from March 2019—before beginning to recover which coincided with an increase in U.S. vaccinations discussed earlier.*

Future increases in passenger traffic at the Airport will depend on national economic growth.

Figure 18
**Historical Enplaned Passengers on U.S. Airlines**




Note: Data shown are 12-month moving averages of monthly enplaned passengers.
Shaded quarters indicate economic recession during all or part of a quarter.
Includes scheduled and non-scheduled service to domestic and international destinations.

Sources: Bureau of Transportation Statistics, T100 Market and Segment, accessed December 2021; National Bureau of Economic Research, www.nber.org.

* Note that these percentage are derived from a database of revenue enplaned passengers reported by USDOT which differs from the TSA data reported earlier.

## International Economic, Political, Health, and Security Conditions

Passenger traffic at U.S. airports is also influenced by the globalization of business and increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and geopolitical relationships.

Concerns about hostilities, terrorist attacks, and other perceived security and public health risks, and associated travel restrictions also affect travel demand to particular international destinations. Future increases in international passenger traffic will depend partly on global economic growth, a stable and secure international travel environment, and government policies that do not unreasonably restrict or deter travel.

## Structural Changes in the Travel Market

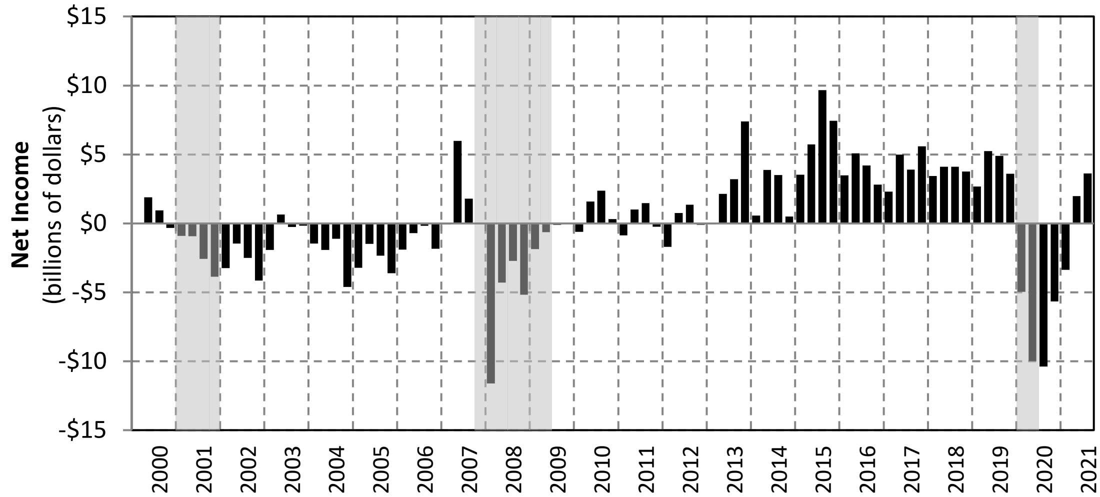
With the globalization of business and the increased importance of international trade and tourism (prior to the onset of COVID-19), international economics, trade balances, currency exchange rates, government policies, and political relationships all influence passenger traffic at major U.S. airports. Concerns about hostilities and other perceived security and public health risks and associated travel restrictions also affect travel demand to and from particular international destinations. Once the economy and the aviation system recover from the effects of the COVID-19 pandemic, it is expected that sustained future increases in passenger traffic at the Airport will once again depend on factors such as global economic growth, stable and secure international conditions, and government policies that do not materially restrict international travel.

## Financial Health of the Airline Industry

The number of passengers using the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to provide service. Figure 19 shows historical net income for U.S. airlines.

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2006, the major U.S. passenger airlines collectively recorded net losses of approximately $46 billion. To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreements with their employees, lessors, vendors, and creditors to cut costs. Between 2002 and 2005, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways all filed for bankruptcy protection and restructured their operations.

Figure 19
**Quarterly Net Income for U.S. Airlines**




Note: Includes scheduled service on U.S. carriers only.
Shaded areas indicate quarters of economic recession.
Data for the fourth quarter of 2005 and the first quarter of 2006 were adjusted to account for United bankruptcy claims which were settled for substantially less than had been originally reported.

Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Net Income, F41 Schedule P12, www.transtats.gov, accessed December 2021.

In 2006 and 2007, the U.S. passenger airline industry was profitable, recording net income of approximately $23 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels and the U.S. economy contracted, the U.S. passenger industry recorded net losses of approximately $26 billion. The industry responded by grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, U.S. passenger airlines collectively reduced domestic available seat-mile capacity by approximately 10%.

From 2010 to 2013, the U.S. passenger airline industry recorded net income of approximately $18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, achieving high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of just 1.0% per year. American filed for bankruptcy protection in 2011.

In 2014, the U.S. passenger airline industry reported net income of $9 billion, assisted by reduced fuel prices. In 2015, the industry then achieved record net income of $26 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares and ancillary charges to remain high. Strong industry profitability continued in 2016 through 2018.

Agreements between the major airlines and their unionized employees have resulted in increased labor costs. According to Airlines for America, U.S. airlines increased wages and benefits per full-time employee by 28% between 2013 and 2018. Contributing to the increased costs, a shortage of qualified airline pilots, resulting from retirements and changed FAA qualification standards and duty and rest rules, has required the airlines to increase salaries and improve benefits to attract and retain pilots.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices and labor costs.

SFO is less susceptible to the potential impacts of an airline bankruptcy due to its relatively low degree of airline concentration compared with many other large U.S. hub airports and its large population and O&D passenger traffic base which would likely be served by other airlines at the Airport if an airline were to cease operations.

### Airline Industry Provisions Under the Federal Stimulus Acts

The Coronavirus Aid, Relief, and Economic Security Act, known as the CARES Act, provided for $50 billion in aid for passenger airlines, including $25 billion for the Payroll Support Program (PSP) and $25 billion in loans. Under the PSP, direct grants accounted for 70% of an airline's total support payment, with the remaining 30% made in the form of a loan. PSP funding ended on September 30, 2020. Passenger airlines were also eligible to apply for $25 billion in loans under the CARES Act.* Several U.S. airlines have received loans under the CARES Act, including Alaska, American, Frontier, Hawaiian, jetBlue, Mesa, Republic, Sky West, and United.** U.S. passenger airlines also offered voluntary separation programs and extended non-paid leave to maintain an appropriately sized workforce in response to the decreased demand for air travel related to the pandemic. Such programs provided employees with the opportunity to voluntarily end their employment in exchange for severance, healthcare coverage, and travel privileges and to voluntarily take extended emergency time off. Several airlines have taken other measures to bolster liquidity, including debt issuances and stock offerings. After the conditions of the CARES Act expired, approximately 32,000 airline employees were furloughed.

In December 2020, a second stimulus package was passed which included an additional $15 billion in payroll support for passenger airlines. As a condition of the package, airlines had to put furloughed workers back on the payroll through March 2021. The third pandemic relief bill, the ARP enacted in March 2021, includes $14 billion of aid for airlines, $8 billion for airports, and $1 billion for aviation contractors to help them operate normally, limit the spread of the virus, and pay workers and service

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* National Law Review, "Passenger Airlines and U.S. Treasury Department Reach Agreement on CARES Act Payroll Support Program," April 17, 2020, www.natlawreview.com. "In accordance with the CARES Act, all aid recipients must use the payroll support payments exclusively to cover the cost of payroll and benefits. Each passenger airline must comply with the required terms and conditions of the CARES Act, such as (1) refraining from imposing involuntary furloughs on US-based employees or reducing employee pay or benefits through September 30; (2) maintaining certain limitations on executive compensation through March 24, 2022; (3) suspending the payment of dividends or other distributions and cease stock buybacks through September 30, 2021; and (4) continuation of service as is reasonable and practicable under Department of Transportation regulations."

** Congressional Research Service, "Treasury and Federal Reserve Financial Assistance in Title IV of the CARES Act (P.L. 116-136)", updated January 6, 2021.

their debts. In exchange for the aid, airports, contractors and airlines were prohibited from large layoffs through September 2021. U.S. airline employment remained relatively unchanged between September and October 2021, reflecting strong growth in U.S. passenger traffic during the summer of 2021 driven by pent-up domestic demand, the success of COVID-19 vaccines in reducing the spread of the coronavirus, and the establishment of airline and airport health safety procedures.

### Airline Service and Routes at the Airport and Other Regional Airports

Historically, SFO, OAK, and SJC have drawn passengers primarily from the closest surrounding geographical area for short- and medium-haul service, while SFO has captured most of the demand for longer domestic trips and international service from the entire Bay Area, as discussed in the section "Airline Service at Bay Area Airports".

The number of origin and destination passengers at the Airport depends on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided. The number of connecting passengers, on the other hand, depends entirely on the airline service provided at the Airport and at other competing airports. In FY 2020, an estimated 80% of passengers at the Airport are originating their journeys, with the remaining 20% connecting between flights.

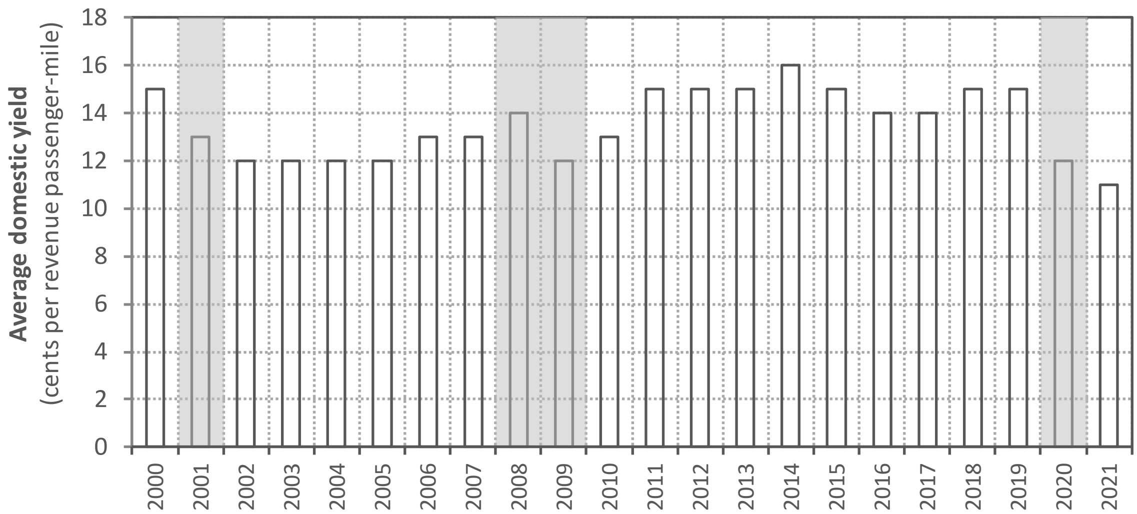
The network airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry has consolidated, airline service has been or is being drastically reduced at many former connecting hub airports, including those serving St. Louis (American 2003-2005), Dallas-Fort Worth (Delta 2005), Pittsburgh (US Airways 2006-2008), Las Vegas (US Airways 2007-2010), Cincinnati (Delta 2009-2011), Memphis (Delta 2011-2013), and Cleveland (United 2014).

### Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers – globally, nationwide and at the Airport– will depend, in part, on the level of airfares.

Figure 20 shows the historical average domestic yield (airfare per passenger-mile) for U.S. airlines. Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and the 2001 recession combined to reduce the average yield between 2000 and 2004. The average yield then increased between 2004 and 2008 before again decreasing during the 2008-2009 recession. The average yield then increased between 2009 and 2014 as airline travel demand strengthened and the airlines collectively reduced available seat capacity and were able to sustain airfare increases. Between 2014 and 2017, the average yield decreased but returned to 2015 levels in 2018 and 2019. The COVID-19 pandemic and the 2020 economic recession contributed to reduced yields in 2020 and 2021.

Figure 20
**Historical Domestic Yield for U.S. Airlines**




Notes: Average yields shown are net of taxes, fees, and passenger facility charges and exclude fees charged by the airlines for optional services.
Shaded areas indicate economic recession during all or part of year.
Data for 2021 are for the first 6 months (January through June).
Source: U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedule T100, accessed October 2021.

Beginning in 2006, ancillary charges were introduced by most airlines for optional services such as checked baggage, preferred seating, in-flight meals, and entertainment; thereby increasing the effective price of airline travel more than these yield figures indicate.

## Airline Consolidation and Alliances

In response to competitive pressures, the U.S. airline industry has consolidated. Among the significant mergers and combinations were:

- In April 2001, American completed an acquisition of failing Trans World Airlines
- In September 2005, US Airways and America West Airlines merged
- In October 2009, Republic Airways Holdings completed purchases of Frontier and Midwest airlines
- In December 2009, Delta and Northwest merged
- In October 2010, United and Continental completed a merger
- In May 2011, Southwest completed its acquisition of AirTran, and integrated operations in 2014
- In December 2013, American and US Airways completed their merger and have maintained all hubs in the combined system

- In December 2016, Alaska Air Group, parent of Alaska Airlines, and Virgin America Airlines completed their merger. The merged airline received a single operating certificate from the FAA in January 2018, moved to a single reservations system and rebranded as Alaska Airlines on April 25, 2018, and retired the Virgin America brand in June 2019.

Consolidation has resulted in four airlines (American, Delta, Southwest, and United) accounting for approximately 80% of domestic seat-mile capacity and is expected by airline industry analysts to contribute to industry profitability. However, any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide. As a primarily O&D airport, it is expected that in the unlikely event any of the large network carriers liquidated, the air service provided by such airline at SFO would be eventually replaced by another airline.

Alliances, joint ventures, and other marketing arrangements provide airlines with many of the advantages of mergers. Alliances typically involve marketing, code sharing, and scheduling arrangements to facilitate the transfer of passengers between the airlines. Joint ventures involve even closer cooperation and the sharing of costs and revenues on designated routes. Most of the largest U.S. airlines are members of such alliances with foreign-flag airlines.

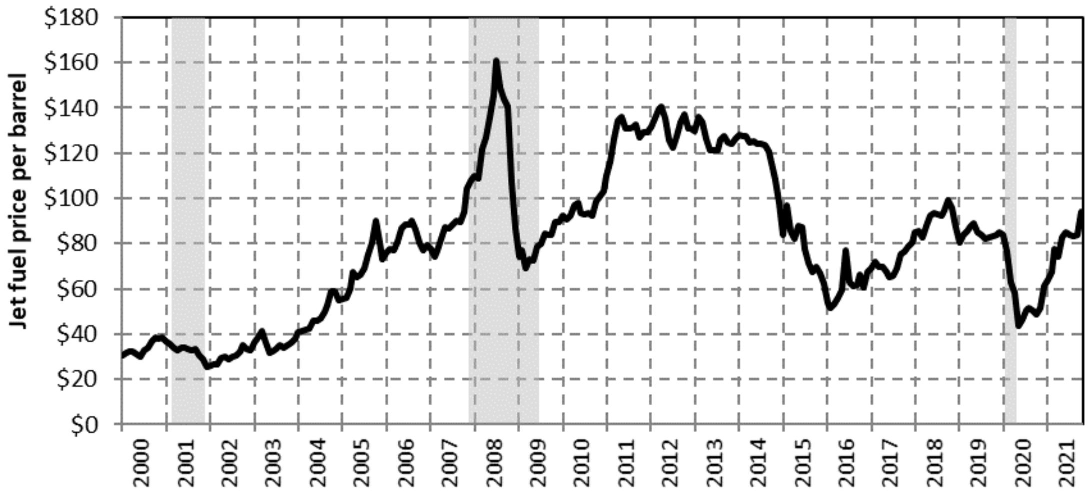
### Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 21 shows the historical fluctuation in fuel prices caused by the many factors influencing the global demand for and supply of oil.

Between early 2011 and mid-2014, fuel prices were relatively stable, partly because of increased oil supply from U.S. domestic production made possible by the hydraulic fracturing of oil-bearing shale deposits and other advances in extraction technologies. As of mid-2014, average aviation fuel prices were approximately three times the prices those at the end of 2003 and accounted for between 30% and 40% of expenses for most airlines.

Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel through the end of 2015. Fuel prices have since increased but dropped sharply in 2020 during the COVID-19 pandemic. The average price of aviation fuel in 2020 was almost 30% lower than it was in 2019 and was at the lowest point since early 2004. Between December 2020 and October 2021, aviation fuel prices increased 53%, about 13% higher than prices in October 2019, according to the U.S. Bureau of Transportation Statistics. Lower fuel prices have a positive effect on airline profitability as well as far-reaching implications for the global economy.

Figure 21
**Historical Aviation Fuel Prices**




Notes: Data shown are monthly averages and were converted from gallons to barrels.
Shaded areas indicate months of economic recession.

Source: U.S. Department of Transportation, Bureau of Transportation Statistics, Airline Fuel Cost and Consumption, F41 Schedule P12A, www.transtats.gov, accessed December 2021.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although, absent unforeseen disruptions, prices are expected to remain stable. There is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract. Some economists predict that the development of renewable sources of energy, pressures to combat global climate change, the widespread use of electric cars, and other trends will eventually result in a decline in the demand for oil and resulting downward pressure on fuel prices in the long term.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

## Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA has introduced "pre-check" service to expedite the screening of passengers who have submitted to background checks. At SFO, the system known as CLEAR is also available for expedited passenger screening.

Following the fatal crashes of B-737 MAX aircraft that are suspected to have been caused by the malfunction of the aircraft's automated flight control system, all B-737 MAX aircraft were grounded by the FAA in March 2019. Among North American airlines that had B-737 MAX in service, Air Canada, American, Southwest, and United were affected. At the time of the grounding, B-737 MAX aircraft accounted for approximately 1.5% of U.S. airline seat capacity and less than 1.0% of seat capacity at the Airport. In November 2020, the FAA rescinded its order grounding the aircraft, allowing it to return to service once design changes and revisions to pilot training programs are approved and the aircraft is recertified by the FAA and other regulatory agencies. The Boeing 737 MAX aircraft returned to providing passenger service on December 29, 2020. However, on April 7, 2021, Boeing notified the FAA and operators of certain Boeing 737 MAX airplanes that it is recommending the operators temporarily remove them from service to address a manufacturing issue that could affect the operation of a backup power control unit. All U.S. airlines operating the 737 MAX (affecting 71 aircraft) took their aircraft out of service pending repairs, but subsequently returned these to service.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other safety concerns. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, future demand for airline travel at the Airport will depend primarily on economic, not safety or security, or, in the long-term, public health factors.

### Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transport System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased because of reduced numbers of aircraft operations (down approximately 15% between 2007 and 2018), but, as airline travel increases in the future and recovers from the impact of the COVID-19 pandemic, flight delays and restrictions may be expected.

### Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and national airport systems, future growth in airline traffic at the Airport will depend on the provision of capacity to accommodate aircraft flights and passengers. The projections presented later in this section were based on the assumption that neither available airfield capacity nor demand management initiatives will constrain traffic growth at the Airport. Furthermore, it is assumed that the projection increases in enplaned passengers can be accommodated by existing terminal capacity in conjunction with the capital improvements planned through the end of the projection period.

## AVIATION ACTIVITY PROJECTIONS

Three aviation activity recovery scenarios were developed to reflect the continuing impact of COVID-19 on airline traffic at SFO and potential scenarios for the recovery of passenger traffic to 2019 levels. As shown in Table 19 and Figure 21, a recovery in passenger traffic is assumed to occur in 2024 in the faster growth scenario, compared with 2025 in the moderate growth scenario, and 2026 in the slower growth scenario. The three scenarios reflect a range of potential traffic recovery trajectories.

### Improved Air Travel Conditions

Previous recovery scenarios for SFO were defined by COVID-related assumptions such as the pace of the vaccine rollout, public acceptance of the vaccine, and the number of new COVID cases. With the uncertainty associated with many of those assumptions reduced, the rationale for updated projections is more optimistic and reflects that:

- The COVID-19 vaccine has been successfully distributed and an increasing share of the U.S. population has been fully vaccinated, reaching 59% at the end of November 2021
- The number of new COVID-19 cases has decreased significantly since December 2020, except for a brief increase in June through August due to the Delta variant
- The public's confidence in air travel increased significantly due to the success of the vaccine and airline and airport efforts to create a safe travel environment as reflected in the increase in passenger traffic during the peak summer months in 2021
- Stay At Home orders were terminated in most states, including the termination of California's order on June 15, 2021
- Federal government relief funding continued through the pandemic to support businesses such as airlines, airports, and the unemployed
- International travel restrictions into the United States were eased on November 8, 2021 together with a global vaccination requirement for all adult foreign national travelers

In addition to the changes that have taken place since December 2020, upcoming changes are expected to contribute to future passenger traffic growth at SFO, including:

- Mandates to get vaccinated by the federal government and an increasing number of companies including most U.S. airlines which will likely increase the share of the U.S. population that is fully vaccinated
- The reopening of an increasing number of corporate offices and other businesses following the decrease in new COVID-19 cases
- An increasing number of corporate and international bookings following the spike in new cases caused by the Delta variant according to recent airline reports
- The availability of COVID-19 vaccine booster shots that will provide additional protection against new variants of the virus

In addition to the improved air travel conditions described above, recovery and continued growth in air travel to and from the Bay Area is supported by its large population base, well-educated work force, high per capita income, diverse local economy, popularity as a domestic and international tourist destination, and its strong competitive position in key national and global industries including information technology and software, social and digital media, life sciences and biotechnology, environment and "clean" technology, and professional services.

## Underlying Assumptions

Similar to previous recovery scenarios, updated airline traffic projections are presented for three scenarios for the recovery of passenger traffic to 2019 levels over the next several years. A moderate growth scenario was developed as the base or reference case, with the slower and faster growth scenarios prepared relative to the moderate growth scenario. Assumptions specific to each scenario are described below:

- **Moderate growth scenario** reflects a recovery to 2019 levels in FY 2025, a gradually increasing share of the population fully vaccinated to approximate herd immunity, moderate and short-lived impacts from new variants of the virus, and gradual but continued improvement in economic activity.
- **Slower growth scenario** reflects a slower recovery in FY 2026, slower growth in vaccination rates than the moderate scenario, intermittent disruptions caused by new variants of the virus, and slower growth in economic activity than the moderate scenario.
- **Faster growth scenario** reflects a faster recovery in FY 2024, faster growth in vaccination rates than the moderate scenario, little to no disruptions caused by new variants of the virus, and faster growth in economic activity.

For the three scenarios during the COVID-19 recovery period, it was assumed that:

- COVID-19 will continue to linger and booster vaccines and/or those designed for variants will be developed and available for distribution in the U.S. and around the world.
- Protective measures such as social distancing, use of face masks, and travel restrictions to certain areas will remain in effect, and be modified over time as needed, to limit the further spread of COVID-19.
- Airlines and airports will continue to promote policies to maximize safety and public health. thereby increasing consumer confidence.
- Restrictions on air travel by U.S. citizens to foreign destinations will gradually be removed.
- The U.S. economy will remain in a relatively strong and healthy state.

However, the potential for more contagious variants of the coronavirus such as the Delta and Omicron variants to emerge and impact future uptrends is not known at this time. According to the Centers for Disease Control and Prevention, the Delta variant now accounts for more than 99% of new cases in the United States and is two times as contagious as previous variants. Therefore, it is not known to what degree, if any, new variants will bring about further restrictions or economic dislocation.

Over the long term, airline traffic at the Airport is expected to increase as a function of growth in the economy of the San Francisco CSA and continued airline competition. It was assumed that airline service at SFO will not be constrained by the availability of aviation fuel, the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth. As noted in "Capacity of the Airport", it was assumed that the forecast increases in enplaned passengers could be accommodated by existing terminal capacity in conjunction with the capital improvements planned through the end of the forecast period.

### Key Assumptions Underlying the Updated Projections

From FY 2022 through FY 2030, passenger numbers at the Airport are forecast to increase gradually based on the following assumptions:

- The economy of the Bay Area will increase at a rate comparable to or greater than that of the State and nation as a whole.
- The demand for in-person business trips will approximate pre-pandemic levels when 2019 passenger traffic levels are reached.
- The U.S. economy will experience sustained GDP growth averaging approximately 2.0% per year.
- United will continue to develop the Airport as its primary West Coast connecting hub and international gateway. United will gradually increase the number of destinations served and the frequency of flights from the Airport. Other airlines will continue to provide competitive nonstop service to and from large travel markets.
- Alaska Airlines will continue to concentrate service at SFO following its merger with Virgin America in 2016 and short-term adjustments in its network in FY 2019.
- Any airline consolidation that may occur during the forecast period will not have a material impact on the level of passenger activity at the Airport.
- Neither Oakland nor Mineta San Jose international airports will attract sufficient domestic feeder traffic to support international gateway operations on more than a very limited scale, and international airline travel demand to and from the Bay Area will continue primarily through the Airport.
- Competition among the airlines serving the Airport will ensure the continued availability of competitive airfares, and SFO will continue to be served by a broad array of U.S. and foreign flag airlines, with no significant increase in airline concentration.
- A generally stable and secure international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.
- There will be no major disruption of airline service or airline travel behavior as a result of airline bankruptcies or liquidations, international hostilities, terrorist acts or threats, or public health crises (beyond that described above for COVID-19).
- Aviation fuel prices will increase at moderate rates but remain below the $100 per barrel prices reached in early 2015, reflecting reduced consumption levels, technological advances, and the availability of previously unexplored resources.

- Airlines will continue to invest in and research sustainable aviation fuel (SAF) and gradually introduce SAF into their operations to address climate change.

Table 19
**SUMMARY OF AIRLINE TRAFFIC RECOVERY SCENARIOS**
San Francisco International Airport

| | Historical | | | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 |
| **Enplaned passengers (thousands)** | | | | | | | | | | |
| Historical | 28,622 | 20,215 | 6,925 | | | | | | | |
| Slower growth | | | | 13,500 | 19,001 | 23,147 | 26,926 | 29,595 | 30,853 | 31,517 |
| Moderate growth | | | | 16,263 | 21,067 | 25,728 | 29,655 | 31,946 | 32,701 | 33,237 |
| Faster growth | | | | 17,222 | 23,280 | 28,593 | 32,728 | 34,950 | 35,802 | 36,374 |
| **Percent of 2019 enplaned passengers** | | | | | | | | | | |
| Slower growth | | 71% | 24% | 47% | 66% | 81% | 94% | 103% | 108% | 110% |
| Moderate growth | | | | 57% | 74% | 90% | 104% | 112% | 114% | 116% |
| Faster growth | | | | 60% | 81% | 100% | 114% | 122% | 125% | 127% |
| **Landed weight (thousands of 1,000-pound units)** | | | | | | | | | | |
| Historical | 39,364 | 30,799 | 15,687 | | | | | | | |
| Slower growth | | | | 23,017 | 27,503 | 34,051 | 38,187 | 41,522 | 43,158 | 44,073 |
| Moderate growth | | | | 25,692 | 29,980 | 36,050 | 41,352 | 44,353 | 45,298 | 46,008 |
| Faster growth | | | | 26,160 | 31,984 | 39,017 | 44,474 | 47,288 | 48,316 | 48,993 |
| **Load factor (percent of seats occupied)** | | | | | | | | | | |
| Historical | 83.5% | 74.6% | 56.9% | | | | | | | |
| Slower growth | | | | 70.7% | 68.7% | 74.9% | 75.0% | 75.2% | 75.4% | 75.7% |
| Moderate growth | | | | 73.0% | 72.6% | 78.3% | 78.6% | 79.0% | 79.4% | 79.8% |
| Faster growth | | | | 75.5% | 76.6% | 82.3% | 82.5% | 82.8% | 83.0% | 83.2% |
| **Departing seats (thousands)** | | | | | | | | | | |
| Historical | 34,297 | 27,112 | 12,180 | | | | | | | |
| Slower growth | | | | 25,814 | 26,106 | 30,780 | 35,411 | 38,136 | 39,908 | 41,755 |
| Moderate growth | | | | 25,995 | 30,266 | 35,586 | 39,304 | 41,861 | 43,726 | 45,664 |
| Faster growth | | | | 25,814 | 33,033 | 38,670 | 42,509 | 45,402 | 47,536 | 49,758 |

Note: For Fiscal Years ending June 30; CAGR = Compound annual growth rate.
Sources: Historical: San Francisco Airport Commission records.
Projected: San Francisco International Airport Finance Division for total enplaned passengers. LeighFisher for breakout of enplaned passengers by sector, landings, and landed weight, November 2021.

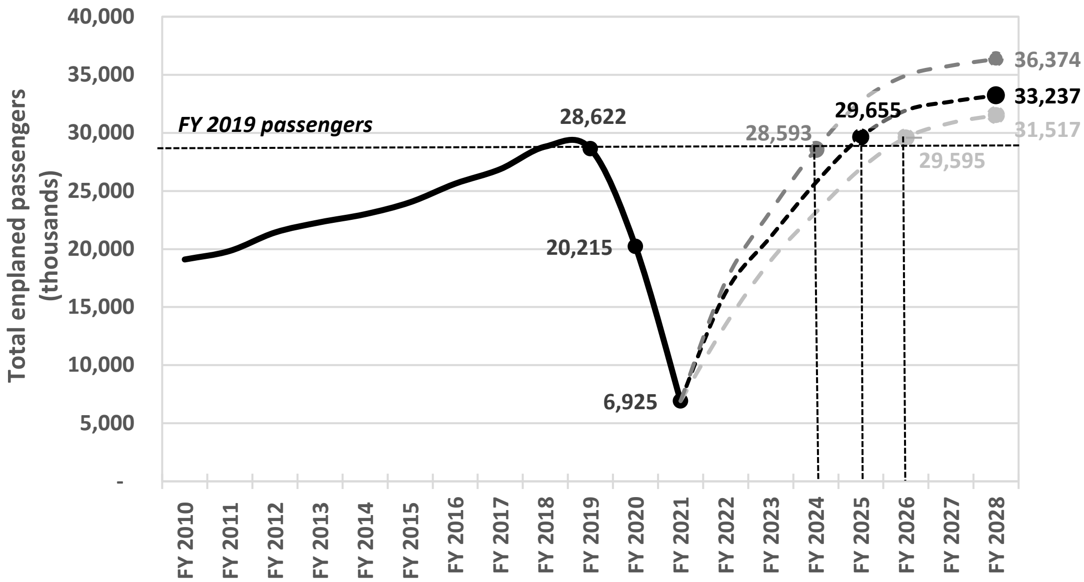
### *Enplaned Passengers*

As shown in Table 21 and on Figure 22, total enplaned passengers at SFO are projected to increase to 33.2 million in FY 2028 in the moderate growth scenario, compared with 36.4 million in the faster growth scenario and 31.5 million in the slower growth scenario.

### *Landed Weight*

As shown in Table 19, total landed weight at SFO is projected to increase to 46.0 million thousand-pound units in the moderate growth scenario, compared with 49.0 million thousand-pound units in the faster growth scenario and 44.1 million thousand-pound units in FY 2028 in the slower growth scenario.

Figure 22
**PROJECTIONS OF TOTAL ENPLANED PASSENGERS**
San Francisco International Airport
FY 2010 - FY 2028




Notes: For Fiscal Years ending June 30.
The projections presented in this table incorporate assumptions related to recent announcements of airline service adjustments and were prepared to assist with near-term financial planning. Inevitably, some of the assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between the projected and actual results, and those differences may be material.

Sources: Actual—San Francisco Airport Commission records.
Projected—LeighFisher, November 2021.

# AIRPORT CAPITAL IMPROVEMENT PLAN AND FUNDING

This section includes summaries of the Airport Commission's Capital Improvement Plan and the funding sources for the Capital Improvement Plan.

## SUMMARY OF THE CAPITAL IMPROVEMENT PLAN

Airport staff periodically develops and updates a plan for the redevelopment, improvement, and expansion of Airport facilities, which is reviewed by the airlines and approved by the Airport Commission. The plan is submitted to the Airport Commission periodically and approved based on anticipated facility needs, current and expected future airline traffic, available funding sources, airline feedback, and project priority. The Commission-approved plan is included in the City's two-fiscal-year capital budget, which is approved by the City's Board of Supervisors.

On June 2, 2020, the Airport Commission approved an amended capital improvement plan for the Airport (the Capital Improvement Plan or CIP) totaling $7.8 billion, which reflected the combination of two distinct categories of projects:

- The "Ascent Program – Phase 1", which represents $7.3 billion of capital spending (including program reserves). The Ascent Program – Phase 1 encompasses projects that address aging infrastructure around the Airport, as well as the passenger and airline growth-related needs of the Airport.

- "Infrastructure Projects Plan", which represents an additional $571 million of spending on support systems, miscellaneous airfield improvements, energy and efficiency improvements, and equipment projects which are in addition to the Ascent Program.

While the Airport Director temporarily suspended certain elements of the Ascent Program – Phase 1 because of the impact of the pandemic (e.g., the Terminal 3 West project), it was assumed for purposes of this Report that those projects will still be completed at a future date, and the associated project costs are reflected in the financial analysis described in the next section. The CIP is summarized in Table 20 and shown in more detail in Exhibit A-1.

The scope, phasing, and timing of implementation of projects in the CIP are subject to further modification depending on aviation activity trends and other Airport operational factors. Commission staff expects to prepare an updated Capital Improvement Plan for approval by the Airport Commission in the first half of calendar year 2022, which will reflect revised project costs and schedules for certain project elements, and potentially the restoration of temporarily suspended projects. Airport Commission staff do not expect that the overall spending totals for a revised CIP will be materially different from the $7.8 billion total for the currently approved CIP.

As of November 4, 2021, approximately $5.56 billion of the $7.84 billion total has been funded, leaving approximately $2.28 billion of capital spending remaining to be funded.

Before implementing a capital project, Airport Commission management is required to:

- Obtain approvals from the Airport Commission

- Obtain, for certain projects, a finding of fiscal feasibility by the City Board of Supervisors (certain actions of which are subject to approval or veto by the Mayor of San Francisco)

- Obtain applicable environmental approvals, which may include actions by the Airport Commission, the City Board of Supervisors, or both, and

- Conduct a consultation with the airlines signatory to the Lease and Use Agreements when required by the terms of those Agreements

Table 20
**Summary of Capital Improvement Plan Spending**
San Francisco International Airport

| ($ in millions) | Prior funding | 2022 Bond proceeds | Future funding for FY 2023 to FY 2025 | Total |
|---|---|---|---|---|
| | [A] | [B] | [C] | [D=A+B+C] |
| Ascent Program - Phase 1 | | | | |
| Project costs | $ 5,231 | $ 70 | $ 1,608 | $ 6,908 |
| Program reserves | - | - | 361 | 361 |
| Subtotal - Ascent | $ 5,231 | $ 70 | $ 1,969 | $ 7,270 |
| Infrastructure Projects Plan | 331 | 8 | 232 | 571 |
| Capital Improvement Plan total | $ 5,561 | $ 78 | $ 2,201 | $ 7,840 |

Note: Reflects the CIP as approved by the Commission on June 2, 2020, and funding status as of November 4, 2021. Prior funding amounts include $279.3 million of Commercial Paper issued through November 2021, which is expected to be refunded with 2022 Bond proceeds (in addition to approximately $78 million of Commercial Paper issued in November 2021 and December 2021, which is also expected to be refunded with 2022 Bond proceeds).

The program reserves total includes approximately $55 million previously allocated for Ascent Program projects.

Proceeds of the 2022 Bonds will be used to repay outstanding commercial paper balances associated with construction spending on projects that either do not require environmental review or have already undergone all necessary environmental review and received Commission approval to proceed. Where applicable, the Commission has also presented these projects to the airlines. In accordance with the Lease and Use Agreements, projects will receive formal airline MII review before monies are spent on those projects.

For purposes of this Report, it was assumed that all approvals necessary for the implementation of the projects in the Capital Improvement Plan would be obtained by the Commission in accordance with the project implementation schedules reflected in Exhibit A-1.

The projection period extends through FY 2028, which reflects the full impact on revenues and expenses of the currently approved Capital Improvement Plan. This Report assumes that the Ascent Program Reserve is fully utilized. To the extent that the Ascent Program Reserve is not fully utilized, Commission staff may request Airport Commission approval to apply the unused Ascent Program Reserve budget to future capital projects.

While there is no specific plan for a subsequent phase to the Ascent Program – Phase 1, in 2016 the Commission completed a recommended Airport Development Plan (ADP), which is currently undergoing environmental review. The recommended ADP provides a long-term planning framework to guide future Airport development to cost-effectively accommodate up to approximately 71 million annual passengers. The recommended ADP, as modified during environmental review, will result in the identification of a range of potential additional capital projects, one or more of which may be designated as the "Ascent Program – Phase 2" (or similar title) and added to future versions of the Commission's capital improvement plan, if and when the Airport Commission deems that they are warranted to address traffic growth and other factors. Over the past 18 months, the Airport has been conducting detailed planning and programming to further refine long range development alternatives in the post-COVID-19 pandemic environment as the international aviation industry recovers. The recommended ADP is not included in the Ascent Program – Phase 1 or the Capital Improvement Plan, nor is it reflected in the financial projections included in this Report.

### Projects in the Capital Improvement Plan

The major projects in the Ascent Program – Phase 1 portion of the Capital Improvement Plan are summarized as follows, with the costs shown reflecting the entire project cost:

- ***Terminal 1 projects***: Redevelopment of Terminal 1, including a new architectural building envelope (encompassing the Terminal 1 Center and Terminal 1 North segments of the building), construction of a new 25-gate Boarding Area B (19 replacement gates and 6 new gates), a new consolidated baggage handling system and checked baggage screening system, secure connectors to Boarding Areas A and C, a sterile corridor to the International Terminal, and the relocation of certain taxilanes adjacent to the building. The majority of this project is substantially complete, except for the Terminal 1 North element which is still underway. (Estimated total cost: $2.52 billion.)

- ***Terminal 3 redevelopment projects***: Comprehensive renovation of the portion of Terminal 3 known as Terminal 3 West, including seismic stability improvements and building systems upgrades, a sterile connector to the International Terminal, and Boarding Area F gate capacity enhancements. (Estimated total cost: $1.23 billion.)

- ***International Terminal refresh projects:*** Upgrades and improvements to parts of the International Terminal to increase operational efficiency. (Estimated total cost: $303 million.)

- ***Courtyard 3 connector:*** Construction of a secure passenger connector between Terminal 2 and Terminal 3, and development of a new office block above the connector for use by Commission staff and third-party tenants. The connector portion of this project has been completed. (Estimated total cost: $245 million.)

- ***SFO Hotel***: Development of a new 351-room four-star on-Airport hotel near the International Terminal. The SFO Hotel opened in October 2019. (Total cost: $240 million.)

- ***AirTrain extension***: Construction of an extension to the AirTrain system from the Airport Rental Car Center to the long-term parking facilities, including construction of a new AirTrain station at Lot DD and construction of a new AirTrain station adjacent to the SFO Hotel. This project has been completed. (Total cost: $260 million.)

- ***Security improvements***: Strengthening of Airport-wide security with various improvements, including implementation of an enhanced perimeter intrusion detection system, CCTV systems, and other security system upgrades. (Estimated total cost: $178 million.)

- ***Energy improvement program (Net Zero)***: Implement energy efficiency improvements and on-site renewable energy systems related to various projects in the Capital Improvement Plan. (Estimated total cost: $176 million.)

- ***New long-term public parking garage***: Development of a second long-term parking facility with 3,600 spaces, comprised of a new garage with 3,000 spaces and improvements to an existing parking area with 600 surface spaces (Lot DD). This facility opened for service in February 2019. (Total cost: $154 million.)

- ***Air Traffic Control Tower program***: Demolition of the seismically unsound old tower in accordance with FAA requirements, and completion of the construction of the new Air Traffic Control Tower, which opened for service in 2016. (Total cost: $135 million.)

- ***Technology improvement projects***: Upgrades, replacements, and additions of new telecommunications systems infrastructure to enhance the delivery and connectivity of business services around the Airport. (Estimated total cost: $109 million.)

- ***Wastewater system improvements***: Construction of a new industrial waste treatment plant, installation of a new recycled water system for reclaimed water, upgrading of water pipes and infrastructure, and improvements to other supporting infrastructure. (Estimated total cost: $107 million.)

- ***Gate enhancements***: Reconfiguration of certain gates in Boarding Area A for use by widebody aircraft, including new boarding bridges and an advanced aircraft docking system; construction of a permanent bus annex to serve apron-level aircraft boarding. (Estimated total cost: $116 million.)

- ***Superbay renovation projects***: Renovation of the existing Superbay facility (a large maintenance hangar) to address aging infrastructure; improvements including systems upgrades and environmental abatement. (Estimated total cost: $119 million.)

In addition to these projects, the Ascent Program – Phase 1 portion of the Capital Improvement Plan includes a total of $1.4 billion of spending associated with other projects around the Airport, including airfield, terminal, and landside facilities.

The Capital Improvement Plan also includes an Ascent Program Reserve, which was originally established at $739 million. The Ascent Program Reserve is used to address unanticipated needs of projects within the Ascent Program when they arise. The Airport Commission uses the Ascent Program Reserve only after all other available cost mitigation methods have been considered. As of the date of this Report, approximately $306 million of the Ascent Program Reserve remains unapplied to projects. While use of this reserve has been temporarily suspended by the Airport Director, for purposes of this Report it was assumed that the full reserve would be drawn down and applied to projects in the CIP through FY 2025.

The Infrastructure Projects Plan component of the Capital Improvement Plan includes $571 million of total spending, primarily related to support systems, miscellaneous airfield improvements, energy and efficiency improvement, and equipment.

## SUMMARY OF CAPITAL IMPROVEMENT PLAN FUNDING

Several funding sources are expected to be available to finance the improvements in the Capital Improvement Plan, including the following sources, as shown in more detail in Exhibit A-2.

### Grants

The Airport Commission assumes that it will receive a total of $215 million in grants to partially fund projects in the Capital Improvement Plan (of which $166.7 million has already been received or awarded). These grants primarily consist of federal Airport Improvement Program (AIP) grants, including both AIP entitlement and AIP discretionary grants, State of California grants, and TSA grants. AIP entitlement grants are determined on a formula based on passenger and cargo numbers, while discretionary grants are determined by the FAA based on the nature of the specific project in comparison with projects at other airports in the FAA region. The Commission intends to apply the majority of its AIP discretionary and entitlement grants to airfield related projects.

When determining the distribution of discretionary grants, the FAA may consider, as a militating factor, whether the Airport Commission uses its revenues for purposes other than its capital or operating costs when those revenues exceed the amount used by the Commission for such costs in the base year ending June 30, 1995, as adjusted for inflation. The Commission's Annual Service Payment to the City's General Fund for indirect services, management, and facilities provided by the City to the Commission is considered to be a non-capital, non-operating cost for this purpose. For more than ten fiscal years through FY 2020, the Annual Service Payment has exceeded the inflation-adjusted base year payment. Growing levels of Annual Service Payments are a direct result of the Airport Commission's success in increasing concession revenues at the Airport over the past decade. There may be similar reductions in AIP discretionary grants in the future for the same reason. (A formal determination from the FAA regarding whether the ASP for FY 2021 exceeded the inflation adjusted base year is pending.)

In recent years, AIP discretionary grants requested by the Airport Commission have been reduced by the FAA because of the growing Annual Service Payments being made to the City's General Fund. For example, the FAA militated $6.4 million in discretionary grants in the federal fiscal year ended September 30, 2021, and the Commission received $29.3 million in FAA discretionary grants.

Any reductions in AIP grant and TSA funding amounts below the total assumed for this analysis would instead necessitate the Airport Commission to issue additional Bonds to make up for the shortfall (and include the associated debt service in the airline rate base), or fund those shortfalls with PFCs on a pay-as-you-go basis, or with other available Airport Commission funds such as unrestricted cash balances.

Under the federal Infrastructure Investment and Jobs Act enacted on November 15, 2021, the Commission expects to receive $49.6 million in federal grants for Airport capital purposes during federal fiscal year 2022, and additional grants in the following four federal fiscal years. Grant funds expected to be received under the Infrastructure Investment and Jobs Act are not reflected in the financial projections described in this Report.

### Bonds

This Report assumes remaining Bond funding of $2.47 billion in Capital Improvement Plan project costs, including $357.4 million to be provided by the 2022 Bonds. The Commission expects to use a portion of the 2022 Bond proceeds to repay approximately $357.4 million of outstanding commercial paper previously issued to finance a portion of the costs of the Capital Improvement Plan.

Proceeds of the 2022 Bonds are also to be used for costs of issuance, to fund deposits to a reserve account, to refund certain outstanding Bonds, and to pay capitalized interest on a portion of the 2022 Bonds.

The Airport Commission has approved the issuance of the 2022 Bonds, and expects to obtain the additional approvals required before the issuance of the planned Future Bonds during the projection period. Future Bond proceeds are to be used to fund a number of projects in the Capital Improvement Plan, or to repay commercial paper issued to pay these costs*.

### Passenger Facility Charges

The Airport Commission is currently authorized to impose a $4.50 PFC at the Airport pursuant to approvals from the Federal Aviation Administration (FAA). The Airport Commission's PFC collection and spending authorization as of the date of this Report totals $2.32 billion at the $4.50 level, and with an expiration date no later than December 1, 2030. In FY 2019, PFC revenues on a cash basis totaled $121.2 million, including restricted interest income. PFC revenues on a cash basis fell to $99.7 million in FY 2020 related to the impact of the pandemic, and fell further to $23.1 million in FY 2021.

The majority of the Commission's PFC revenues have been and will continue to be applied to pay a portion of the debt service on outstanding Bonds. PFC revenues are not included in the definition of Revenues pursuant to the Bond Resolution, unless specifically designated as such by the Airport Commission. Annually since 2002, the Commission has designated and applied a certain amount of PFC revenues as Revenues, and used those amounts to pay debt service on Outstanding Bonds. (The Commission may elect to actually apply fewer PFCs as Revenues during a given fiscal year than it had earlier designated.) During FY 2020, $151.8 million in PFC revenues, were applied as Revenues pursuant to the Bond Resolution and applied to Bond debt service. During FY 2021, no PFCs were applied as Revenues. The Commission does not currently anticipate applying PFCs to projects on a pay-as-you-go basis.

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*A portion of the Future Bond proceeds are also expected to be used to fund deposits to the Commission's Contingency Account.

The PFC revenues received by the Commission are subject to audit and final acceptance by the FAA and costs reimbursed with PFC revenues are subject to adjustment upon audit. As of September 30, 2021, a total of $1.55 billion in PFC revenues (including restricted interest income) had been collected, including $429.6 million of PFC revenues collected but not yet expended. Based on the moderate growth traffic projection described in this Report, the Airport Commission is not expected to collect the full authorized amount by the end of the projection period.

The Commission intends to submit future PFC applications seeking PFC funding for the Terminal 1 and Terminal 3 projects, including approval to pay associated Bond debt service with PFC revenues.

Exhibit B shows the projected collection of PFC revenues during the projection period, and the projected application of those PFC revenues. Annual PFC revenues are projected to increase from $121.2 million in FY 2019 to $125.1 million in FY 2028 (including associated interest income). The Airport Commission plans to adjust the amount of PFC revenues included as Revenues to manage realized airline payments in each future year, and to range between $124 million and $200 million annually between FY 2023 and FY 2028 (no PFCs are assumed to be applied as Revenues during FY 2022). From FY 2023 through FY 2028, the Airport Commission plans to include a total of $934 million of PFC revenues as Revenues. The full PFC collection authorization is not projected to be collected before the end of the projection period (i.e., FY 2028), assuming the moderate case aviation activity recovery projection described earlier in the Report.

### Other Funding Sources

Additional sources of funds available to the Airport Commission to finance capital improvements at the Airport include the Airport's unrestricted or available cash balances, and funds from the issuance of special facility bonds to finance improvement to the fuel storage and distribution system at the Airport (i.e., SFO Fuel Bonds, Series 2019). Unrestricted cash balances are those amounts that are primarily generated from the day-to-day operation of the Airport (i.e., operating cash flow, net of Bond debt service and reserve funding requirements). Third-party funding sources may also be used for certain types of projects in the Capital Improvement Plan.

## OTHER POTENTIAL AIRPORT CAPITAL IMPROVEMENTS

As noted earlier, the Airport Commission expects to continue to develop and finance needed capital improvements at the Airport, including repair and rehabilitation of existing facilities, fortification of Airport facilities as needed to respond to the impact of climate change (including implementing a shoreline protection program to strengthen the seawalls that abut portions of the Airport property adjacent to San Francisco Bay), and development of new facilities to accommodate anticipated airline traffic demand at the Airport.

These projects would only be undertaken as needed, based on market demand for airfield facilities, terminal facilities, gates, and landside facilities. Such projects are outside the currently approved Capital Improvement Plan and have not been reflected in the financial projections described in this Report.

## FINANCIAL FRAMEWORK AND ANALYSIS

The framework for the Airport Commission's financial operation is discussed in this section, which contains descriptions of the Bond Resolution, the Annual Service Payment, airline Lease and Use Agreements, commercial agreements and leases, and Special Facility Obligations. This section also describes the projection of Revenue, Operation and Maintenance Expenses, debt service, and debt service coverage.

Our study was undertaken to evaluate the ability of the Airport Commission to generate sufficient Net Revenues to meet the requirements of the Bond Resolution, taking into account Annual Debt Service on the currently Outstanding Bonds, the 2022 Bonds, and anticipated Future Bonds. The projection period for this Report extends to FY 2028, three full fiscal years after the expiration of the capitalized interest period for the 2022 Bonds.

The financial data for FY 2019, FY 2020, and FY 2021 reflects the actual operating results; data for FY 2022 are estimated based on the Airport Commission's budget with adjustments reflected for three months of preliminary actual data including most current estimates of annual debt service and certain adjustments to expenses; data for FY 2023 are projected based on the Airport Commission's preliminary budget reflecting adjustments for the most current estimates of annual debt service and certain adjustments to expenses. Data for FY 2024 through FY 2028 were projected by taking into consideration historical operating results, the Commission's approved FY 2022 budget, the Commission's grant awards under the CARES Act, CRRSSA, and ARPA, and the aviation activity projections under the moderate activity recovery scenario described earlier, among other factors. A summary of the key assumptions used in preparing the financial projections under the moderate growth case, along with exhibits showing the projections (Exhibits A through I), is included at the back in this Report.

### FRAMEWORK FOR FINANCIAL OPERATION

#### The Bond Resolution*

Pursuant to the City Charter, the City (acting through the Airport Commission) is authorized to issue airport revenue bonds subject to approval by the Board of Supervisors of the City. Bonds issued by the Commission are not general indebtedness of the City, but are limited, special indebtedness of the Commission payable solely from revenues received by the Commission from its airport facilities. The Commission has no taxing power.

On December 3, 1991, the Commission adopted Resolution No. 91-0210 (together with amendments and supplemental resolutions, the Bond Resolution) authorizing the issuance of San Francisco International Airport Second Series Revenue Bonds.

These Bonds are called "second series" Bonds to distinguish them from bonds of the Commission issued prior to December 1991. All bonds issued under prior bond resolutions are no longer outstanding, having been defeased or refunded, and the Airport Commission has covenanted not to

*References in this Report to the Bond Resolution, the Lease and Use Agreements, and various leases and agreements entered into by the City and the Airport Commission are not intended to be comprehensive or definitive. Capitalized terms have the same meaning as defined in the Bond Resolution, except as otherwise noted herein.

issue additional bonds under the terms of those prior resolutions. The Commission's Second Series Revenue Bonds have the most senior lien on the revenues of the Commission of any outstanding debt, and the Commission has covenanted in the Bond Resolution not to issue any debt with a pledge of, or lien on, Net Revenues senior to that of the Second Series Revenue Bonds.

### *Rate Covenant*

The Commission has covenanted in Section 6.04(a) of the Bond Resolution that it shall establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport, and for services rendered by the Commission in connection with the Airport, so that:

(i) Net Revenues in each Fiscal Year will be at least sufficient (a) to make all required payments and deposits in such Fiscal Year into the Revenue Bond Account. . .and (b) to make the Annual Service Payment to the City; and

(ii) Net Revenues, together with any Transfer, in each Fiscal Year will be at least equal to 125% of aggregate Annual Debt Service with respect to the. . .[Bonds] for such Fiscal Year.

Net Revenues are defined in the Bond Resolution as Revenues less Operation and Maintenance Expenses. Revenues are defined as substantially all revenues from the operation of the Airport determined in accordance with generally accepted accounting principles (GAAP), with the exception of passenger facility charge (PFC) revenues (unless designated as such by the Airport Commission), Special Facility Revenues, grants-in-aid, and certain other excluded revenue categories. Operation and Maintenance Expenses are defined as substantially all expenses of operating the Airport as defined under GAAP, but exclude depreciation, amortization, debt service on Bonds and commercial paper, expenses for which the Commission is paid or reimbursed from sources other than Revenues, and other miscellaneous costs. The Transfer, for any given Fiscal Year, is the amount withdrawn from the Airport Commission's Contingency Account and deposited into the Revenues Account on the last day of the Fiscal Year (plus withdrawals for certain purposes from the Contingency Account during the Fiscal Year, net of deposits to the Account made from Revenues during the Fiscal Year).

### *Application of Revenues*

The City Charter caused the creation of the Commission's Airport Revenue Fund. The Bond Resolution established a Revenues Account and five other accounts within the Airport Revenue Fund. In addition to the accounts created within the Airport Revenue Fund, a Debt Service Fund and a Reserve Fund were also established for Bonds issued under the Bond Resolution. The Airport Revenue Fund is held by the City Treasurer, while the Debt Service Fund and the Reserve Fund are held by the Trustee.

On the first business day of each month, moneys in the Revenues Account are applied in the following order to accounts within the Airport Revenue Fund:

(a) Into the Operation and Maintenance Account, an amount equal to one-twelfth (1/12) of the estimated Operation and Maintenance Expenses for the then current Fiscal Year or such other amount as may be required to provide for the payment of Operation and Maintenance Expenses due (the O&M Account is not pledged and shall not be applied to Bond payments).

(b) Into the Revenue Bond Account, the amount necessary:

(i) To make all payments and deposits required to be made during such month into the Debt Service Fund and the Reserve Fund and the accounts therein in the amounts and at the times required by the Bond Resolution and by supplemental resolutions with respect to Bonds; and

(ii) To make all payments and deposits required to be made during such month into any funds and accounts created to pay or secure the payment of the principal or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts and at the times required by the resolutions and other agreements authorizing the issuance and providing the terms and conditions thereof.

(c) Into the General Obligation Bond Account, amounts, if any, required with respect to general obligation bonds of the City issued for Airport purposes. (The City does not have General Obligation Bonds outstanding for Airport purposes, nor does it anticipate issuing General Obligation Bonds for Airport purposes in the future.)

(d) Into the General Purpose Account, an amount at least equal to the payments estimated to be made from the account during such month. Moneys in the General Purpose Account may be used for any lawful purpose of the Commission.

(e) Into the Contingency Account, such amounts, if any, as the Commission may determine from time to time. Contingency Account balances may be used to pay Operation and Maintenance Expenditures, to pay Bond debt service, and to fund Airport capital expenditures; but only when monies from other sources for such purposes are not available.

The application of Revenues in accordance with the Bond Resolution is illustrated on Figure 23.

### *Additional Bonds*

Whenever the Commission wishes to issue additional Bonds that are not refunding Bonds, the Commission is required by Section 2.11 of the Bond Resolution to file with the Bond Trustee either:

(a) A certificate of an Airport Consultant dated within 30 days prior to the date of delivery of the Bonds stating that:

(i) For the period, if any, from and including the first full Fiscal Year following the issuance of such Bonds through and including the last Fiscal Year during any part of which interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenues, together with any Transfer, in each such Fiscal Year will be at least equal to 1.25 times Annual Debt Service; and

(ii) For the period from and including the first full Fiscal Year following the issuance of such Bonds during which no interest on such Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Bonds, or (B) the third full Fiscal Year during which no interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenues, together with any Transfer, if applicable, in each such Fiscal Year will be at least sufficient to satisfy the rate covenants set forth in subsection (a) of Section 6.04 of the Bond Resolution;

or

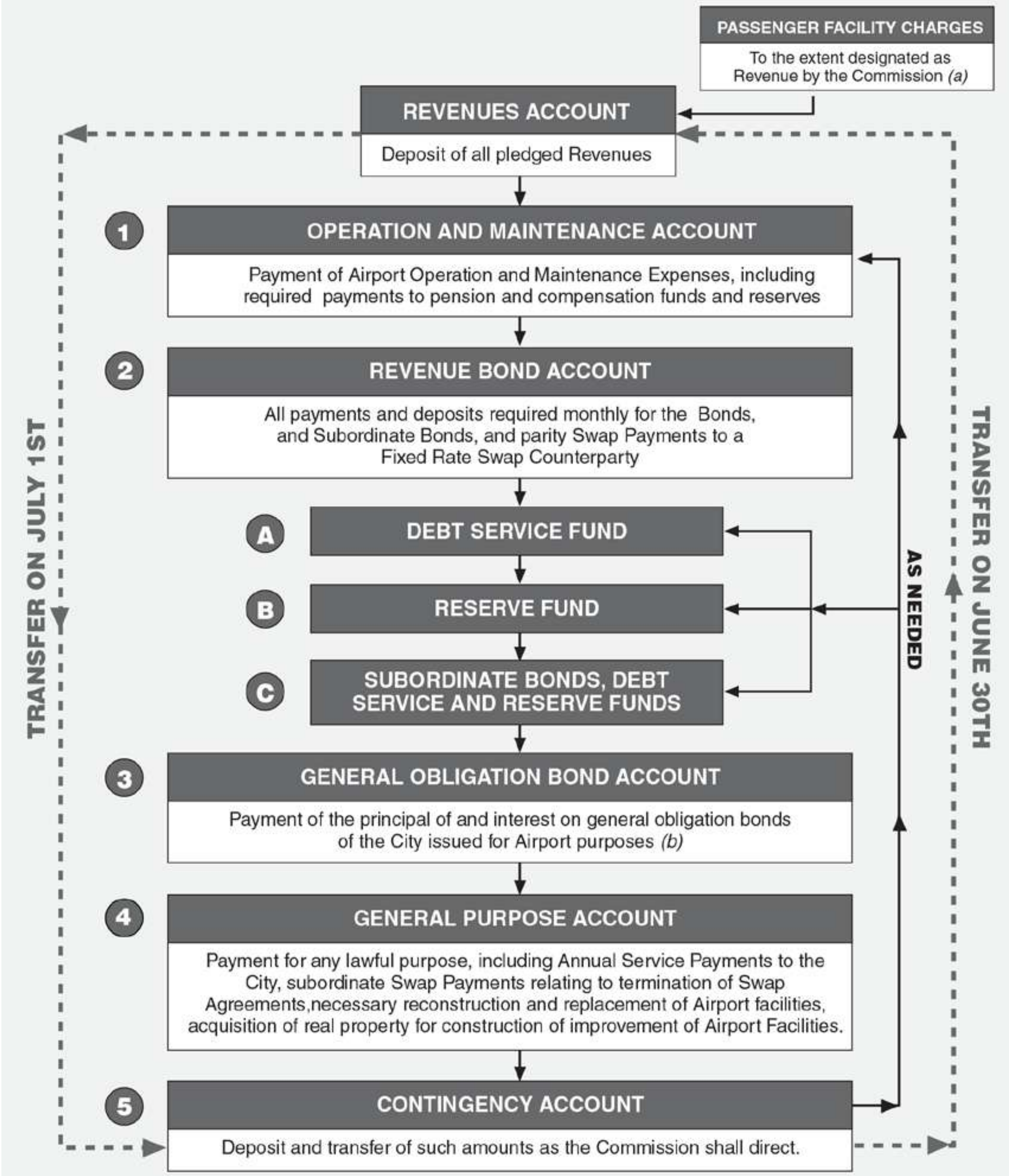
(b) A certificate of an Independent Auditor stating that Net Revenues together with any Transfer, in the most recently completed Fiscal Year were at least equal to 125% of the sum of (i) Annual Debt Service on the Bonds in such Fiscal Year, plus (ii) Maximum Annual Debt Service on the Bonds proposed to be issued.

For the purpose of paragraphs (a) and (b) above, the amount of any Transfer shall not exceed 25% of Maximum Annual Debt Service in such Fiscal Year.

Refunding Bonds may be issued by the Commission under Section 2.12 of the Bond Resolution, but:

> ...only (i) upon compliance with the conditions set forth in Section 2.11 of the Bond Resolution, or (ii) if the Commission shall deliver to the Trustee a certificate of an Airport Consultant or Financial Consultant to the effect that (A) aggregate Annual Debt Service in each Fiscal Year with respect to all . . . [Bonds] to be Outstanding after the issuance of such refunding Bonds shall be less than aggregate Annual Debt Service in each such Fiscal Year in which . . . [Bonds] are Outstanding prior to the issuance of such refunding Bonds, and (B) Maximum Annual Debt Service with respect to all . . . [Bonds] to be Outstanding after issuance of such refunding Bonds shall not exceed Maximum Annual Debt Service with respect to all . . . [Bonds] Outstanding immediately prior to such issuance.

Figure 23
**Application of Revenues**
Airport Revenue Fund




*(a)* PFCs are not pledged Revenues as defined in the Bond Resolution, but can be used to pay Bond debt service if so designated by the Commission.
*(b)* There are no general obligation bonds related to the Airport currently outstanding, and the City does not expect to issue any in the future.

Source: Resolution No. 91-0210, San Francisco Airport Commission, December 3, 1991, as amended and supplemented (the Bond Resolution).

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### *Subordinate Debt*

Section 2.13 of the Bond Resolution permits issuance of ". . . Subordinate Bonds with a pledge of, lien on, and security interest in Net Revenues which are junior and subordinate to those of the Bonds, whether then issued or thereafter to be issued."

On May 20, 1997, the Commission adopted Resolution No. 97-0146 (the Subordinate Debt Resolution) authorizing the issuance of San Francisco International Airport Second Series Subordinate Revenue Bonds (the Subordinate Bonds). The Commission is authorized, pursuant to the Subordinate Debt Resolution as amended, to issue Subordinate Commercial Paper Notes in an amount not to exceed a total outstanding principal balance of $600 million.

### *Letters of Credit Supporting the Commercial Paper Program*

The Commission has obtained six Letters of Credit for a total of $600 million in principal amount to support the Subordinate Commercial Paper program issued under the terms of the Subordinate Debt Resolution, which expire on various dates between June 2022 and May 2024. The Airport Commission expects to either renew these Letters of Credit when necessary or, if not renewed, obtain replacement Letters of Credit. As of December 31, 2021, the Commission had $361.3 million of Commercial Paper Notes outstanding. The Commission expects to repay all of its outstanding Commercial Paper Notes with a portion of the proceeds of the 2022 Bonds.

### *Outstanding Bonds*

The Commission had approximately $7.9 billion of Second Series Revenue Bonds outstanding as of January 1, 2022. Of this amount, $401.9 million bears interest at variable rates pursuant to the Bond Resolution. The last maturity date on the Outstanding Bonds is in FY 2051, except for the 2018B/C Bonds, which bear interest at variable rates and have mandatory sinking fund requirements that commence in FY 2027 and extend through FY 2058.

### *Proposed and Future Bonds*

The Airport Commission expects to issue approximately $314.3 million in principal amount of new money 2022 Bonds which, taken together with an original issue premium, provides $357.4 million of net proceeds to the repayment of outstanding Commercial Paper Notes (with the balance to provide for reserve funding, capitalized interest, refunding of certain outstanding Bonds, and issuance costs).

As described earlier, the Commission further expects to issue Future Bonds after the proposed 2022 Bonds to fund the remaining Capital Improvement Plan costs. Those bonds anticipated to be issued during FY 2023 to FY 2025 are collectively referred to as the Future Bonds. The financial analysis presented in this Report reflects the projected effect on the Commission's finances of the 2022 Bonds and the Future Bonds.

Additionally, the Commission may refund other currently outstanding Bonds during the projection period, depending on financial market conditions and the ability of the Commission to lower its debt service payments. The Commission may pursue refundings for debt service savings or for other reasons in compliance with the Commission's debt policy. The effect of such potential Bond refundings (including any other refunding Bonds that are issued as part of the current transaction) has not been included in the financial analysis.

## The Annual Service Payment

The City Charter provides that a portion of the nonairline revenues generated at the Airport each Fiscal Year can be transferred into the General Fund of the City. This transfer, the Annual Service Payment, is computed under the airline Lease and Use Agreements (described below) as the greater of: (a) 15% of "Concession Revenues" as defined in the Lease and Use Agreements, or (b) $5 million. The Lease and Use Agreement provides that the Annual Service Payment to the City constitutes full satisfaction of all obligations of the Airport, the Commission, and the airlines for any and all indirect services provided each year by the City to the Airport and the Commission. Direct services provided by the City to the Airport are paid for as received and are reflected in the financial statements of the Commission as an operating expense.

The document titled "Policies and Procedures Concerning the Use of Airport Revenue", adopted by the FAA in 1999, cites the Commission's Annual Service Payment to the City's General Fund as an example of a lawful revenue diversion that is "grandfathered", as such term is defined in that document. As described later, for purposes of the financial projections described in this Report, it was assumed that the Annual Service Payment will continue to be grandfathered and that the Commission will continue to make the Annual Service Payment.

## Airline Lease and Use Agreements

The City (acting through the Airport Commission) and most of the airlines serving the Airport entered into Lease and Use Agreements, effective on or after July 1, 2011 and with an original expiration date of June 30, 2021, which govern, among other things, the procedures and formulas for the periodic setting of terminal rental rates and landing fees for the use of the Airport by the airlines serving the Airport. The Commission and the Signatory Airlines reached an agreement to extend the term of the Lease and Use Agreements by two years, to June 30, 2023, without materially altering the other terms and conditions of the Agreements. (The preferential use gate allocations in effect as of June 30, 2021 are maintained through the end of the extended term.) Airlines representing over 98% of the passenger throughput of the Airport during FY 2021, as well as six cargo carriers, executed the extension amendment to the Lease and Use Agreements.

Airlines that are not signatory to the Lease and Use Agreements or that operate on an itinerant basis may use the Airport under the terms of a 30-day operating permit and pay landing fees at a rate 25% higher than the signatory rate.

Upon the expiration of the Lease and Use Agreements, the Commission will have various options including (a) extending the current agreements, (b) negotiating new agreements with the airlines, (c) entering into month-to-month agreements under the holdover provisions of the current Lease and Use Agreements, or (d) not entering into new agreements and instead opting to set airline rates and charges at the Airport by resolution. In any event, the Commission intends to establish rates and charges at the Airport so as to comply with the rate covenant provision of the Bond Resolution.

The Commission is in negotiations for a successor lease and use agreement with the airlines, and expects them to conclude before the end of the current agreement, as amended, in June 2023. For purposes of this Report, it was assumed that the residual airline rate-making methodology currently in effect would remain in effect beyond FY 2023, under the terms of successor agreements with the airlines, although there is no assurance that the airlines and the Commission will reach agreement on such terms. It was also assumed that the Annual Service Payment described above would continue to be made to the City's General Fund in the same amount as described in the current Lease and Use Agreements.

The current airline ratemaking methodology reflects a fully residual system. The Lease and Use Agreements provide that, among other things, the airlines are to pay landing fees and terminal rentals each year to allow the Commission to recover the difference between Commission expenses and Commission nonairline revenues (i.e., a residual airline rate-making methodology).

The Commission expenses for any given Fiscal Year include Operation and Maintenance Expenses, Equipment and Small Capital Outlays, debt service requirements, and the Annual Service Payment to the City.

The Commission's nonairline revenues include concession revenues, parking revenues, rental car revenues, other ground transportation revenues, revenues from other sales and fees, fixed or cost-recovery rentals, revenues from the Grand Hyatt Hotel located on-Airport (the SFO Hotel), interest income, and those PFC revenues designated as Revenues.

The Commission computes, in accordance with procedures set forth in the Lease and Use Agreements, the landing fee rates and the terminal rental rates for the ensuing Fiscal Year using budgeted and estimated operating, maintenance, and debt service expenses allocated to the Airfield Area and Terminal Area cost centers, respectively.

### *Terminal Rentals and Landing Fees*

The City Administrative Code states that the Commission has the power to fix, change, and adjust rates and charges for the furnishing of services at the Airport. This includes landing fees and terminal rentals, which are set following the methodology agreed upon in the Lease and Use Agreements.

The Lease and Use Agreements provide that, among other things, the airlines are to pay landing fees and terminal rentals each year to allow the Commission to recover the difference between Commission expenses and Commission nonairline revenues (i.e., a residual airline rate-making methodology).

The Commission expenses for any given Fiscal Year include the sum of the following:

- Allocated direct and indirect Operation and Maintenance Expenses
- Equipment and Small Capital Outlay
- Debt service requirements, including amounts required:
  - For debt service on Bonds
  - For deposits to the Contingency Account
  - To ensure compliance with the Rate Covenant (if any)
  - To be paid under credit and liquidity facilities, interest rate swaps, and other agreements entered into in connection with Airport debt
  - For debt service on Special Facility Bonds, to the extent such Special Facility Bonds are further secured by and payable from Revenues, which must be authorized by a Majority-in-Interest (MII) of the airlines (none of the Commission's currently outstanding Special Facility Bonds are further secured by Revenues)

  - Other subordinate contractual or debt-related payments

- The Annual Service Payment to the City

The Commission's nonairline revenues include, among other sources, concession revenues, parking revenues, rental car revenues, other ground transportation revenues, revenues from other sales and fees, fixed or cost-recovery rentals, interest income, and those PFC revenues designated as Revenues.

The Commission computes, in accordance with procedures set forth in the Lease and Use Agreements, the landing fee rates and the terminal rental rates for the ensuing Fiscal Year using budgetary and estimated information for the Airport Cost Centers (noted below). Not less than 60 days prior to the start of a Fiscal Year, the airlines are notified of the proposed rates, rentals, and fees for the ensuing year. These proposed rates, rentals, and fees are subject to review by, but not the approval of, the airlines at a meeting with representatives of the Commission, as provided for in Article 5 of the Lease and Use Agreements. Rates, rentals, and fees become effective July 1 each year – the first day of the City's Fiscal Year.

Additionally, if at any time during a Fiscal Year, the actual expenses (including debt service) are projected by the City to exceed by 10% or more the actual revenues in certain areas as defined in the Lease and Use Agreements, then the Commission may, after consultation with the airlines and after using commercially reasonable efforts to reduce expenses, increase landing fees and/or terminal rental rates following a 60-day notification period. The airlines are required to pay such additional landing fees and/or terminal rentals, which shall equal the projected deficiency, over the remaining months of the then-current Fiscal Year.

At the end of each Fiscal Year, the amount the airlines should have paid in landing fees and terminal rentals to meet the requirement of the Rate Covenant is compared with the amount actually paid in such Fiscal Year. If there is an over-collection, as provided for in the Lease and Use Agreement the Airport Commission can apply such unearned aviation revenue balances to reduce future airline rates and charges, and when used for this purpose in future years will be recognized as part of Revenues. If there is an under-collection, the Airport Commission can recover under-collected amounts through airline rates and charges over future years.

### *Airport Cost Centers*

The Commission allocates both costs and revenues to five Airport Cost Centers to calculate the landing fee rate and terminal rental rates to be charged to the airlines in the ensuing Fiscal Year:

- **Airfield Area**, which includes all runways, taxiways, ramps, aprons, landing areas, adjacent infield areas, and related support facilities (e.g., perimeter dike, drainage pumping stations, field lighting, navigational aids, aircraft rescue and fire-fighting (ARFF) support facilities, fire and rescue watercraft, boathouses and related support facilities, and cart roads).

- **Airport Support Area**, which includes all areas and facilities that support airline functions (e.g., hangars, aircraft maintenance facilities, cargo facilities, fuel farms, flight kitchens), Airport support, City/State/federal installations, fixed base operators (FBOs), airline and certain other offices outside the Terminal Area, airline and Commission employee parking, sewage/waste treatment plants, detention ponds, other related facilities, and all unleased land not included in another cost center.

- **Terminal Area**, which includes all areas within the passenger terminals of the Airport (e.g., concourses, boarding areas, public circulation space, pedestrian bridges, entrance areas to the underground walkways to the parking garages, mechanical/utility areas, lobbies, offices, concession areas, Commission facilities, baggage facilities, and storage areas).

- **Groundside Area**, which includes all roadways, parkways, courtyards, fences, walks, bridges, culverts, public parking lots, garages, the SFO Hotel, service stations, shuttle bus service (nonairline), the consolidated rental car facility, the AirTrain system (including pedestrian bridges to the terminals), leased commercial unimproved areas, paved areas, and buildings/structures other than terminals and Airport/government installations.

- **Utilities Area**, which includes the facilities for water, gas, electricity, and telecommunications and information systems, including distribution systems. The net cost of the Utilities Area is allocated to the other four Airport Cost Centers.

The Lease and Use Agreements also identify a sixth Airport Cost Center, the West of Bayshore Area, which consists of undeveloped land that is not relevant to the rate calculations until such time as it might be developed by the Commission. The Commission does not expect to develop the West of Bayshore Area in the foreseeable future and, in the meantime, any associated costs incurred are included in the Groundside Area.

### *Airline Review of Capital Improvements*

The Lease and Use Agreements provide for review of proposed Airport capital improvements by the airlines that are signatory to the agreements. A "capital improvement" is defined as any item of capital expenditure with a cost exceeding $626,257 in FY 2009 dollars (as adjusted annually pursuant to the Lease and Use Agreements) and a useful life of more than 3 years.

An MII of the airlines signatory to the Lease and Use Agreements may require the Commission to defer a capital improvement for 6 months so that such airlines can present their opposition to the improvement. In the absence of MII concurrence by the airlines, the Commission may undertake such capital improvement after the end of the 6-month period. The following three types of capital improvements are not subject to the MII review process: (1) those required by a federal or State agency having jurisdiction over Airport operations, (2) those financed by Special Facility Bonds, or (3) an emergency expenditure that, if not made, would result in the closing of the Airport within 48 hours.

Pursuant to the terms of the Lease and Use Agreements, the Commission is to use commercially reasonable efforts to finance all capital improvements through grants, TSA funding, passenger facility charges, or the issuance of airport revenue bonds. The Commission may budget and spend up to $4,200,000 (measured in FY 2009 dollars, as adjusted pursuant to the Lease and Use Agreements) per year from its revenues on capital improvements, or a greater amount, as may be agreed to by an MII of the airlines.

The Commission has satisfied the requirement for airline review of projects being partially funded with 2022 Bond proceeds, where applicable.

### Commercial Agreements, Leases, and Permits

The Airport Commission enters into commercial agreements and leases for automobile parking operations, rental car facilities, duty free operations, general merchandise concessions, and food and beverage operations, among other services, and issues permits for ground transportation providers, among other services.

### Special Facility Obligations

The Commission, pursuant to Section 2.16 of the Bond Resolution, may designate an existing or planned facility as a "Special Facility," and provide that revenues earned by the Commission from such Special Facility are "Special Facility Revenues" and are not be included in Revenues. Under certain conditions, the Commission may issue Special Facility Bonds to fund such Special Facilities. Debt service on Special Facility Bonds is payable from and secured by the associated Special Facility Revenues and not from or by Net Revenues of the Commission.

As of January 1, 2022, $105.3 million in principal amount of SFO Fuel Special Facility Bonds are outstanding. These bonds financed and refinanced certain fuel storage and delivery facilities at the Airport. Rent payable by SFO Fuel Company LLC is pledged to repay these bonds.

The Commission also has outstanding Special Facility Bonds related to the SFO Hotel as discussed later in the Report.

## ANNUAL DEBT SERVICE REQUIREMENTS

Exhibit C presents a summary of estimated sources and uses of funds for the 2022 Bonds as prepared by PFM Financial Advisors LLC (PFM), the Airport Commission's co-financial adviser, based on certain data and information provided by the Commission.

For purposes of this Report, it was assumed that approximately $758.5 million of principal amount of 2022 Bonds are to be issued as fixed-rate securities with an estimated all-in true interest cost of 3.26% and a term to final maturity of 30 years, reflecting both new money Bonds and refunding Bonds issued to refinance the Series 2012A and Series 2012B Bonds and certain other Bonds that mature in 2023.

Exhibit C also presents a summary of the estimated sources and uses of funds for the anticipated Future Bonds, which are expected to be issued during the projection period, although the timing and amount of these issues may change based on future events and circumstances. The estimated sources and uses of funds for the Future Bonds were also provided by PFM, based on certain data and information provided by the Commission. These planned Future Bonds were assumed to have a term to final maturity of 30 years with approximately level annual debt service (after the respective capitalized interest periods), and to be issued at a true interest cost of 6.08%.

While for purposes of this Report a level annual debt service structure was assumed for the Future Bonds, the Commission intends to investigate alternative structures that would smooth total annual debt service (taking both currently Outstanding Bonds and Future Bonds into account) and better enable the Commission to achieve its financial targets, such as smoothing the future annual airline cost per enplaned passenger metric.

In addition to providing funds for the Capital Improvement Plan, for purposes of this Report it was assumed that the Airport Commission would use a portion of the proceeds of the 2022 Bonds and the Future Bonds to increase the balance of the Contingency Account by approximately $48 million through FY 2025. A summary of the 2022 Bonds and the Future Bond issues assumed for purposes of this Report is shown in Table 21.

Table 21
**Summary of 2022 Bonds and Future Bond Assumptions**
San Francisco International Airport

| | Principal Amount ($ millions) | Project Costs $ millions | Final Maturity | All-in True Interest Cost | Interest Capitalized through |
|---|---|---|---|---|---|
| 2022 Bonds | $318 | $357 | 2052 | 3.3% | FY 2025 |
| Future Bonds | | | | | |
| 2023 Bonds | 937 | 784 | 2053 | 6.1% | FY 2026 |
| 2024 Bonds | 1,102 | 914 | 2054 | 6.1% | FY 2027 |
| 2025 Bonds | 491 | 415 | 2055 | 6.1% | FY 2027 |
| Subtotal - Future Bonds | $2,530 | $2,113 | | | |
| Total: 2022 Bonds and Future Bonds | $2,848 | $2,471 | | | |

Source: PFM Financial Advisors LLC, January 2022.

Exhibit D shows annual debt service for all current* and anticipated Future Bonds to be issued under the Bond Resolution during the projection period, including the 2022 Bonds. The estimated reduction in debt service associated with certain currently outstanding Bonds expected to be refunded with 2022 Bond proceeds are reflected in the projections shown in Exhibit D. Annual debt service on a cash basis is projected to increase from $290.3 million in FY 2021 to $774.6 million in FY 2028. (The figure for FY 2021 reflects the impact of previous debt service restructurings as part of the Series 2020 and Series 2021 Bonds, in response to the pandemic.)

The Airport Commission intends to closely monitor aviation activity levels at the Airport, the Airport Commission's financial position, Airport operational factors, and general financial market conditions; and make adjustments as needed to its Capital Improvement Plan phasing (to the extent possible), overall debt levels, and airline payments per enplaned passenger levels to ensure that needed

*Debt service for currently outstanding variable rate Bonds was projected based on the requirements of each individual variable rate Bond series, assuming annual costs ranging between 3.90% and 5.12% for interest payments, net swap payments, remarketing fees and liquidity fees.

Airport facilities are provided on a timely basis and in a manner that will not impede the Airport's competitive position or financing capability.

Additionally, the Airport Commission intends to use commercial paper as interim financing for the Capital Improvement Plan, and to repay the principal amount of commercial paper using the proceeds of Future Bonds. The interest payments on the commercial paper, as well as related expenses, are subordinate debt service of the Airport Commission.

## OPERATION AND MAINTENANCE EXPENSES

Under the Bond Resolution, Operation and Maintenance (O&M) Expenses are defined as substantially all operating and maintenance expenses of the Airport, excluding among other things depreciation and amortization expenses, and also excluding expenses paid from non-Revenue sources.

Projected O&M Expenses for FY 2022 through FY 2028 are based on the Commission's FY 2021 financial results, estimated data for FY 2022 based on three months of actual data and the FY 2022 expense budget, and its plan for operating Airport facilities through the projection period. O&M Expenses for FY 2023 through FY 2028 take into consideration assumed inflationary increases in the cost of labor, services, utilities, and supplies, as well as the effect of new facilities coming into service during the projection period.

Exhibit E (and Table 22) shows O&M Expenses for the projection period, as determined in accordance with the Bond Resolution. In total, underlying O&M Expenses (before the application of COVID relief grants) are projected to increase from $561.2 million in FY 2021 to $774.4 million in FY 2028, representing an average increase of 4.7% per year.

Table 22
**Operation and Maintenance Expense Summary**
For Fiscal Years Ending June 30; dollars in thousands

| | Historical FY 2019 | | Historical FY 2021 | | Projected FY 2022 | | Projected FY 2028 | |
|---|---|---|---|---|---|---|---|---|
| **Categories** | **Amount** | **% of total** | **Amount** | **% of total** | **Amount** | **% of total** | **Amount** | **% of total** |
| Salaries and benefits | 319,758 | 60.9% | 360,429 | 64.2% | 387,980 | 60.2% | 469,313 | 60.6% |
| Contractual services | 89,514 | 17.0% | 75,270 | 13.4% | 130,840 | 20.3% | 150,402 | 19.4% |
| Services provided by other City departments | 30,938 | 5.9% | 30,311 | 5.4% | 34,983 | 5.4% | 42,172 | 5.4% |
| Repairs and maintenance | 40,318 | 7.7% | 53,245 | 9.5% | 46,502 | 7.2% | 55,526 | 7.2% |
| Utilities | 26,111 | 5.0% | 25,647 | 4.6% | 24,749 | 3.8% | 21,349 | 2.8% |
| Materials and supplies | 15,597 | 3.0% | 10,297 | 1.8% | 17,373 | 2.7% | 18,967 | 2.4% |
| General administration | 2,985 | 0.6% | 5,961 | 1.1% | 2,455 | 0.4% | 2,931 | 0.4% |
| Incremental expenses for new facilities | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 13,699 | 1.8% |
| O&M Expenses before adjustments (a) | 525,222 | 100.0% | 561,160 | 100.0% | 644,882 | 100.0% | 774,360 | 100.0% |

(a) The adjustments to O&M Expenses are: (1) the offset of federal COVID-19 relief grants, and (2) the reimbursement of funds related to capitalized interest payments to the Commission from net proceeds of the Series 2021 Bonds.
Note: Numbers may not add to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

For the purposes of this Report, the following assumptions were used to project O&M Expenses:

- Approximately $295 million of COVID relief grants were used to offset O&M Expenses in FY 2021, and approximately $169 million of COVID relief grants are assumed to offset O&M Expenses in FY 2022. Additionally, O&M Expenses for FY 2021 also excluded $57.5 million of expenses that were paid using a portion of the proceeds of the Series 2021ABC Bonds. Those proceeds related to the reimbursement of the Commission for prior years' bond interest expenses on capital projects.

- The cost of labor (salaries) and benefits for the Commission will increase on average 3.8% per year from FY 2021 to FY 2028, which reflects assumed inflation and a real (net of inflation) increase.

- Contractual services will increase on average 10.4% per year, reflecting the Commission's FY 2022 budget, followed by inflationary increases in the following years.

- Other expenses, including services provided by other City departments, repairs and maintenance, utilities, materials and supplies, general and administration, and environmental expenses, will increase on average 1.7% per year, reflecting the Commission's FY 2022 budget, followed by inflationary increases in the following years.

- Incremental operating expenses are expected to be cumulatively up to $13.7 million per year by FY 2028 associated with completion of additional facilities in the Capital Improvement Plan.

The allocation of O&M Expenses to Airport Cost Centers, as shown in Exhibit E, was based on the Airport Commission's procedures and cost accounting system, as described in the airline Lease and Use Agreements.

## REVENUES

Airport Revenues consist of substantially all airline revenues and nonairline revenues generated from the operation of the Airport, as shown in Table 23. Exhibit F presents Revenues of the Airport Commission for FY 2019 to FY 2021 (actual), FY 2022 (estimated based on three months of data), and FY 2023 through FY 2028 (projected).

Table 23
**Operating Revenue Summary**
For Fiscal Years Ending June 30; dollars in thousands

| | Historical FY 2019 | | Historical FY 2021 | | Projected FY 2022 | | Projected FY 2028 | |
|---|---|---|---|---|---|---|---|---|
| Categories | Amount | % of total | Amount | % of total | Amount | % of total | Amount | % of total |
| **Aviation Revenues** | | | | | | | | |
| Landing Fee Revenues | $ 201,058 | 20.5% | $ 66,055 | 13.1% | $ 252,452 | 28.7% | $ 393,498 | 27.1% |
| Terminal Rentals | 270,027 | 27.5% | 187,544 | 37.3% | 292,500 | 33.3% | 480,617 | 33.1% |
| **Airline Revenue** | $ 471,085 | 48.0% | $ 253,600 | 50.4% | $ 544,952 | 62.0% | $ 874,115 | 60.1% |
| **Other Aviation Revenues** | | | | | | | | |
| Other Rental Revenue | 57,033 | 5.8% | 48,516 | 9.6% | 51,206 | 5.8% | 66,054 | 4.5% |
| Other Aviation Revenue | 37,517 | 3.8% | 35,100 | 7.0% | 36,378 | 4.1% | 43,631 | 3.0% |
| | 94,551 | 9.6% | 83,616 | 16.6% | 87,584 | 10.0% | 109,686 | 7.5% |
| Total Aviation Revenues | $ 565,635 | 57.7% | $ 337,215 | 67.1% | $ 632,536 | 71.9% | $ 983,801 | 67.7% |
| **Concession Revenues** | | | | | | | | |
| Parking | 96,882 | 9.9% | 34,237 | 6.8% | 57,134 | 6.5% | 117,077 | 8.1% |
| On-airport Rental Car | 44,393 | 4.5% | 14,748 | 2.9% | 24,869 | 2.8% | 50,961 | 3.5% |
| Duty Free | 35,149 | 3.6% | 3,355 | 0.7% | 11,360 | 1.3% | 46,360 | 3.2% |
| Retail | 18,059 | 1.8% | 3,369 | 0.7% | 9,607 | 1.1% | 21,828 | 1.5% |
| Food & Beverage | 26,752 | 2.7% | 4,626 | 0.9% | 14,797 | 1.7% | 33,622 | 2.3% |
| Other Services | 26,671 | 2.7% | 20,489 | 4.1% | 19,265 | 2.2% | 23,420 | 1.6% |
| TNC and Ground Transportation (a) | 63,026 | 6.4% | 9,951 | 2.0% | 32,082 | 3.6% | 65,566 | 4.5% |
| Other Concession Revenue (a) | 16,479 | 1.7% | 10,572 | 2.1% | 11,023 | 1.3% | 14,704 | 1.0% |
| | 327,412 | 33.4% | 101,347 | 20.2% | 180,136 | 20.5% | 373,538 | 25.7% |
| Net Sales and Services | | | | | | | | |
| Utilities (Net of Costs) | 12,061 | 1.2% | 8,830 | 1.8% | 9,410 | 1.1% | 15,610 | 1.1% |
| BART Payments | 3,599 | 0.4% | 3,430 | 0.7% | 3,384 | 0.4% | 3,543 | 0.2% |
| Rental Car Facility Fees | 16,587 | 1.7% | 16,530 | 3.3% | 17,983 | 2.0% | 20,855 | 1.4% |
| Rental Car Transportation Fees | 31,431 | 3.2% | 7,057 | 1.4% | 15,853 | 1.8% | 32,485 | 2.2% |
| Other Sales and Services | 23,719 | 2.4% | 28,439 | 5.7% | 20,084 | 2.3% | 23,451 | 1.6% |
| | 87,397 | 8.9% | 64,287 | 12.8% | 66,714 | 7.6% | 95,943 | 6.6% |
| Total Nonairline Revenues | 414,809 | 42.3% | 165,633 | 32.9% | 246,850 | 28.1% | 469,482 | 32.3% |
| **Total operating revenues** | $ 980,444 | 100.0% | $ 502,848 | 100.0% | $ 879,386 | 100.0% | $ 1,453,282 | 100.0% |

(a) Revenues from taxi cabs are included in the "Other Concession Revenue" category in this table.
Note: Numbers may not add to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

## Airline Revenues

Airline revenues are derived from landing fees and terminal rentals paid by airlines to the Airport Commission pursuant to the Lease and Use Agreements. Airline revenues, taken in the aggregate, are equivalent to the airline revenue requirement in the residual rate-making methodology used at the Airport.

The airline revenue requirement is calculated by subtracting nonairline revenues from the total revenue requirement as determined pursuant to the Lease and Use Agreements. Nonairline revenues are discussed in more detail below.

As of June 30, 2021, the Airport Commission had recorded unearned aviation revenues of $160.2 million, which are revenues over-collected from airlines in prior fiscal years (and therefore not recognized as revenues in the prior years).

**Landing Fee Revenues.** The calculation of the landing fee rate and landing fee revenues is shown in Exhibit F-1. Allocated costs of the Airfield Area (including O&M Expenses and allocable debt service) are calculated first. Then, certain adjustments are made, as follows:

- Allocable Utilities Area expenses are added
- Nonairline revenues generated from airfield activities, including allocated PFC revenues, are deducted
- Airport Support Area deficits are added (or surpluses are subtracted), as applicable
- Adjustments for prior year Airfield Area surpluses (or deficits) are added (or subtracted, as applicable)

The resulting net amount is then divided by the projected landed weight of the scheduled airlines to calculate a basic landing fee rate.

Subsequently, a landing fee surcharge is collected to recover 50% of the Rental Surcharge (described below) net of surplus in the Groundside Area, if any. The sum of the basic landing fee rate and the surcharge rate, if any, is the effective landing fee rate to be paid by the airlines.

The effective landing fee rate is projected to decrease from $9.83 per 1,000 pounds of landed weight charged in FY 2022 to $8.55 per 1,000 pounds of landed weight in FY 2028. Landing fee revenues are projected to increase from $252.5 million to $393.5 million over the same period.

**Terminal Rentals.** The calculation of the terminal rental rate and terminal rental revenues are shown in Exhibit F-2. Allocated costs of the Terminal Area (including allocable O&M Expenses and debt service) are calculated first. Then, certain adjustments are made as follows:

- Allocable Utilities Area expenses are added
- The Annual Service Payment to the City is added
- Adjustments to prior year surpluses (or deficits) in the Terminal Area are added (or subtracted, as applicable)

The resulting amount is divided by the gross square footage of the Terminal Area to calculate the basic terminal rental rate per square foot.

Subsequently, a terminal Rental Surcharge is calculated, as follows:

- The cost of public space in the Terminal Area (the basic rental rate multiplied by total public space) is calculated

- Nonairline revenues generated in the Terminal Area, including allocated PFC revenues, are deducted
- Groundside Area deficits are added

If the resulting net amount is a deficit, it is allocated 50% to the Terminal Area (and 50% to the Airfield Area, as noted above), with the 50% share allocated to the Terminal Area divided by airline leased space to calculate the terminal Rental Surcharge rate per square foot. If the resulting net amount is a surplus, it is allocated 100% to the Terminal Area and results in a downward adjustment to the basic terminal rate. The effective terminal rental rate paid by the airlines is the sum of the basic rental rate and the Rental Surcharge, if any.

The effective average terminal rental rate is projected to increase from $166.52 per square foot charged in FY 2022 to $263.61 per square foot in FY 2028. Airline terminal rental revenues are projected to increase from $292.5 million to $480.6 million over the same period.

**Total Airline Revenues and Airline Payments per Enplaned Passenger**. As shown in Exhibit F-3, passenger airline payments per enplaned passenger are projected to increase from $17.70 in FY 2019 (the last full fiscal year before the onset of the COVID-19 pandemic) to a peak of $62.35 in FY 2021 (reflecting the severely depressed level of aviation activity projected for that year), before falling to $25.92 in FY 2028.

The enplaned passenger projections used to calculate these figures are described in an earlier section, and such enplanement projections took into account the anticipated increases in airline cost levels associated with the Capital Improvement Plan, among numerous other factors. (These figures reflect airline payments made by the passenger airlines only; landing fees paid by the cargo airlines are excluded from the numerator for the calculation.)

## Other Aviation Revenues

The Commission generates revenues from aviation sources in addition to fees and charges paid by the airlines. It was assumed that the Airport Commission's current operating practices related to the other aviation revenue items would remain generally unchanged during the projection period; and where applicable, expiring contracts and agreements would be renewed or replaced on generally the same terms as the current contracts and agreements.

**Other Rental Revenue**. This revenue category represents monies collected from the aviation-related activities of Airport tenants. It consists primarily of (1) rental revenue from ground leases, cargo building leases, and aircraft parking area leases, and (2) fees for parking by airline employees. Other rental revenue totaled $48.5 million in FY 2021 and is projected to increase to $66.1 million in FY 2028.

**Other Miscellaneous Aviation Revenue**. This revenue category consists primarily of rentals, fees, and charges related to the sale of aviation fuel, servicing of airline and general aviation aircraft, and for the use and occupancy of general aviation facilities. Other aviation revenue totaled $35.1 million in FY 2021 and is projected to increase to $43.6 million in FY 2028.

## Nonairline Revenues

Nonairline revenues include revenues generated from automobile parking, automobile rentals, TNCs, duty free, retail, food and beverage, telephone and other services, and other concessions. Additionally, nonairline revenues include certain interest earnings of the Commission. It was assumed that the Airport Commission's current operating practices related to nonairline revenue items would remain generally unchanged during the projection period unless otherwise noted; and where applicable, expiring contracts and agreements would be renewed or replaced on generally the same terms as the current contracts and agreements (unless otherwise noted below).

Minimum annual guarantees (MAGs) for concessions, where applicable, were suspended in June 2020. For purposes of the projections described in this Report, projected revenues are calculated based on per passenger spend rates and passenger levels (except for duty free, where the MAG is assumed to restart in FY 2024). The Commission does however expect that MAGs for all concessions will resume in FY 2024, where applicable. These revenues are described below and shown in Exhibit F.

**Automobile Parking**. The public automobile parking facilities at the Airport are operated for the Commission by New South Parking – California under a management contract with a term that expires on June 30, 2023. The Commission periodically reviews and adjusts parking rates, receives all revenues, and pays all costs of operation and maintenance of the facilities. The Commission does not impose a privilege fee on the off-Airport parking operations of private companies, but does impose a trip fee for the shuttle bus operations of off-Airport parking companies.

Automobile parking revenues consist of all revenues derived from public parking at the Airport. The remote long-term parking facilities are served by shuttle bus.

The parking rates are $2 per 15-minute increment up to a maximum of $36 for each 24 hours in the Domestic Parking Garage and in the ITC garages, and a daily maximum parking rate of $18 in the long term parking lots. Revenues from valet parking, the sale of impounded vehicles, and parking for employees of concession operators are also included in parking revenues. As shown in Exhibit F, revenues from the Commission's parking operation totaled $96.9 million in FY 2019 and declined to $34.2 million in FY 2021, resulting from the impact of the pandemic.

Parking revenues were projected as a function of projected numbers of originating passengers, parking transactions per passenger, and revenue per transaction. The parking revenue projection for FY 2028 is $117.1 million, which reflects a recovery in aviation activity levels from the pandemic. For purposes of this Report, it was assumed that parking rates would not be adjusted during the projection period.

**Rental Cars**. By resolution of the Commission, all on-Airport rental car transactions must take place at the consolidated rental car facility, and all off-Airport rental car companies must pick up and drop off their customers at that facility. No rental car counters are located in the terminal complex.

In September 2020, the Commission executed five-year rental car agreements with four companies that operate nine rental car brands on-Airport. These nine rental car brands are Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Sixt, and Thrifty. The agreements have a two-year extension option exercisable by the Commission.

The rental car agreements provide for a concession fee equal to the greater of 10% of gross receipts or a stated minimum annual guarantee (MAG). However the MAG has been suspended because of the pandemic, and will be reinstated when Airport enplanements return to 80% of calendar year 2017 levels. Additionally, the on-Airport rental car companies pay facility rent at the consolidated rental car facility, which is presented as "rental car facility fees" under the Net Sales and Services category of Exhibit F.

Rental car concession fee revenues from on-Airport operators fell from $44.4 million in FY 2019 to $14.7 million in FY 2021, and are projected to increase to $51.0 million in FY 2028, driven by recovering passenger activity. It was assumed that the terms and conditions governing the use of the Airport by off-Airport rental car operators, which represents a minimal amount of revenue, would not change materially during the projection period.

The Commission imposes a fee on rental car customers per rental contract for transportation between the terminal complex and the consolidated rental car facility on the AirTrain system. The rental car companies collect this transportation fee (which is currently $16.00 per rental car contract) to reimburse the Commission for a portion of the cost of operating and maintaining the AirTrain system. Revenues from the transportation fee are presented as "rental car transportation fees" under the Net Sales and Services category of Exhibit F.

The Commission is considering the implementation of a rental car customer facility charge (CFC) in the future, at a rate to be determined but no more than $10.00 per rental car transaction in accordance with California law for the purpose of making improvements to the Commission's rental car facilities. CFC revenues are currently classified as Revenues of the Commission in accordance with the Bond Resolution, but the Commission is undertaking to exclude CFC revenues from Revenues pursuant to the Bond Resolution by adopting an amendment to the Bond Resolution that has not yet taken effect. For purposes of this Report, CFC revenues are not included in the projection of Revenues.

**TNCs and Ground Transportation**. This category consists of ground transportation and TNC trip fees. The Commission has entered into non-exclusive operating permits with transportation network companies (TNCs) operating at the Airport, including Uber and Lyft. Under the terms of these permits, TNC operators pay a $5.50 per-trip fee for each pick-up and drop-off transaction at the Airport.

The Commission's ground transportation fee structure is updated annually and reflects cost recovery principles, whereby the Commission seeks to recover allocable costs of these activities through revenues from ground transportation users of the Airport.

During FY 2019, the last full year before the pandemic, the Commission generated $63.0 million in TNC trip fees and other ground transportation fees, and subsequently fell to $10.0 million in FY 2021. Revenues in this category are projected to increase to $65.6 million in FY 2028, driven by recovering levels of aviation activity.

New business models and technologies such as car-sharing services and autonomous vehicles are currently being developed, which may impact the Airport Commission's ability to increase or maintain ground transportation revenues. However, safety and regulation remain the major obstacles for those business models and technologies to be publicly adopted, and the impact of public adoption cannot be evaluated as of the date of this Report.

**Duty Free**. In October 2018, the Commission entered into a concession agreement with DFS Group L.P. (DFS) covering 42,581 square feet of space in the ITC for the exclusive right to sell duty free merchandise and the non-exclusive right to sell luxury merchandise on a duty paid basis*. The agreement extends for a development term during which tenant facilities were refurbished and developed, plus an operating term of up to 14 years. This lease will be automatically extended in the event that the Airport opens a single consolidated security checkpoint in the International Terminal during the 14-year lease term, by an amount of time sufficient to ensure that DFS will have five years of operation in the reconfigured retail plaza located past the consolidated checkpoint.

The new agreement with DFS provides for the payment of concession fees equal to the greater of a MAG or a percentage of gross sales. The initial MAG was set at $42 million, and is subject to annual upward adjustment. The percentage rent according to the agreement is calculated as 45.8% of the first $100 million in gross sales from the duty free operations, 41.8% of the next $60 million of sales, and 30% of gross sales in excess of $160 million. DFS was required to make a minimum investment of $46.3 million in the development of retail facilities.

Because of the impact of COVID-19, the MAG on duty free operations was suspended in June 2020, and will be reinstituted only when aviation activity recovers to a certain level. For purposes of this Report, it was assumed that the MAG on duty free would restart in FY 2024, and that in the meantime duty free revenues would be driven by international departing passenger levels and a percentage of gross revenues figure of 33% through December 2023, as agreed between the Commission and DFS.

Duty free revenues in FY 2019 were $35.1 million before falling to $21.3 million in FY 2020. Due to the severely depressed international travel market, duty free revenues fell further to $3.4 million in FY 2021, but a recovery is projected to commence during FY 2022, with revenues reaching $11.4 million. Duty free revenue are projected to further increase to $22.6 million in FY 2023, before the MAG of $42 million restarts in FY 2024. Beyond FY 2024 it was assumed that duty free revenues would increase in line with the upward annual adjustment in the MAG described in the agreement, reaching $46.4 million in FY 2028.

**Retail**. The Commission provides for retail concessions on a duty paid basis through agreements with multiple vendors, including DFS, as noted above. All of these agreements have a MAG provision, which has temporarily been suspended. The MAGs for most retail concessionaires are expected to be reinstated in FY 2024 under the moderate recovery scenario. For the purposes of this Report, the concession revenues are projected to change based on activity levels and average passenger spending, without specific adjustments to reflect the temporary increase due to MAG reinstatement. The Commission continues to review and improve its retail concession activities as opportunities arise. The domestic terminals currently have 34 retail outlets and the International Terminal has 24 retail outlets (including 12 duty free outlets).

Retail revenues consist of concession fees paid by gift and retail concessionaires in both the ITC and the domestic terminals. Revenues in this category fell from $18.1 million in FY 2019 to $3.4 million in

*The DFS agreement also includes 3,714 square feet of duty free retail space in Terminal 1, which may also have some items for sale on a duty paid basis. The DFS agreement encompasses 46,295 square feet in total.

FY 2021, and are projected to increase to $21.8 million in FY 2028, based on passenger levels and average per passenger spend rates.

**Food and Beverage**. Food and beverage operations are provided by multiple vendors throughout the terminals under different agreements. These agreements provide for a rental payment equal to the greater of a MAG or a percentage of gross sales. The MAG provisions have been temporarily suspended due to the pandemic. The MAGs for most food and beverage concessionaires are expected to be reinstated in FY 2024 under the moderate recovery scenario. For the purposes of this Report, the concession revenues are projected to change based on activity levels and average passenger spending, without specific adjustments to reflect the temporary increase due to MAG reinstatement. The domestic terminals currently have 49 restaurants and the International Terminal has 21 restaurants.

Food and beverage revenues consist mainly of rents and fees paid by food and beverage concessionaires for in-terminal operations. In FY 2019, food and beverage revenues totaled $26.7 million, falling to $4.6 million in FY 2021. Revenues in this category are projected to increase to $33.6 million in FY 2028, reflecting recovery in passenger numbers, inflationary growth, and incremental revenues associated with enhanced offerings in the newly rebuilt Terminal 1.

**Other Services**. The Commission has entered into other terminal area concession agreements for advertising, banking, foreign currency exchange, and vending machines, among other services. These agreements provide for a rental payment equal to the greater of a MAG or a percentage of gross sales.

The Commission also has numerous leases, agreements, and permits with airlines and others for various types of rentals and other activities at the Airport, including, among others, ground transportation, hangar rentals, cargo handling, FBO facilities, aviation support, airline employee parking, and federal government activities.

Other services revenues consist of rents and privilege fees paid by banks, an advertising company, and several other miscellaneous concessionaires. Revenues in this category totaled $20.4 million in FY 2021 and are projected to increase to $23.4 million in FY 2028.

**Other Concession Revenues**. Other concession revenues consist of nonairline revenues from terminal and other building space, taxicab trip fees, miscellaneous fees and charges, privilege fees assessed off-Airport rental car companies, and rents from on-Airport rental car companies for unimproved land.

Other concession revenues totaled $10.6 million for FY 2021 and are projected to increase to $14.7 million in FY 2028.

**Net Sales and Services Revenues**. Net sales and services revenues consist primarily of revenues from utilities, BART District payments, rental car facility fees, rental car transportation fees, and other miscellaneous sales and services. Revenues in this category totaled $87.4 million in FY 2019, fell to $64.3 million in FY 2021, and are projected to increase to $95.9 million in FY 2028. Among the individual revenue items in this category are the following:

***Utilities***. The Commission sells gas and electricity to Airport tenants. Revenues from such sales, net of the cost to purchase the gas and electricity from suppliers, are recorded as utility revenues.

***BART District Payments***. The BART District pays the Commission a fixed rental amount of $2.5 million per year and a fee for recovery of certain O&M expenses, which totaled $3.4 million in FY 2021.

***Rental Car Facility Fees***. This category represents revenues derived under facility leases with the on-Airport rental car companies for the use and occupancy of the consolidated rental car facility. This is in addition to the concession fees paid by these companies.

***Rental Car Transportation Fees***. Rental car companies collect a per rental car contract fee, which is paid to the Commission for reimbursement of certain costs of operating and providing the AirTrain facilities. The Transportation and Facilities Fee is currently $16 per rental car contract, and is projected to stay at that level through FY 2028.

***Other Sales and Services***. This category represents, among other sources of revenue, cost-based reimbursements paid by San Francisco Terminal Equipment Company, LLC for equipment and operating expenses in the ITC, revenues from a telecommunications access fee, and revenues from fees for licenses, permits, and security badges.

## SFO Hotel

The Airport Commission has designated the new SFO Hotel as a Special Facility, and issued $260 million of Special Facility Bonds in June 2018* to finance the construction of the SFO Hotel. Simultaneously, the Airport Commission issued Second Series Revenue Bonds (the 2018B/C Bonds) to purchase those Special Facility Bonds and to finance the construction of the adjacent AirTrain station. The full principal amount of the Special Facility Bonds issued for the SFO Hotel remains outstanding.

After recovery from the COVID-19 pandemic, it is expected that the SFO Hotel will provide a stream of cash flows that will be included in Revenues of the Commission as defined in the Bond Resolution. Specifically, these Revenues would be the sum of: (1) an amount equivalent to the annual debt service on the Commission’s SFO Hotel-related Special Facility Bonds (because the Commission, through a separate trust entity created by the Commission, is the sole holder of such bonds), plus (2) a portion of the annual net operating cash flow for the SFO Hotel, but only to the extent the Commission elects to transfer such monies to the Airport Revenue Fund.

During FY 2021, the SFO Hotel had operating revenues of $13.5 million, and operating expenses of $15.2 million, thereby generating an operating loss of $1.7 million.

While the financial performance of the SFO Hotel can be expected to improve generally in line with the recovery in aviation activity at the Airport, for purposes of this Report it was assumed that no monies from the SFO Hotel would be recognized as Revenues of the Commission during the projection period.

*The Commission issued $260.0 million of Special Facility Bonds for the SFO Hotel at interest rates that step up over time, and a final term of 40 years.

According to a report from the Board of Supervisors' Budget and Legislative Analyst to the Budget and Finance Committee of the Board, dated October 30, 2015, in connection with the Board's approval of the financing structure for the project, the contribution to the Annual Service Payment from the SFO Hotel is expected to be equivalent to 15% of the gross revenues of the SFO Hotel less hotel operating expenses and scheduled debt service on the Special Facility Bonds. For purposes of this Report, no such monies from the SFO Hotel were assumed to be included in the Annual Service Payment during the projection period.

### Interest Earnings

Certain categories of interest earnings of the Commission are categorized as Revenues in accordance with the Bond Resolution. Specifically, interest earnings on operating funds and accounts, the Debt Service Fund, the Debt Service Reserve Fund, and the Contingency Account are classified as Revenues. Interest earnings were $16.6 million in FY 2021, and are projected to range between $3.9 million and $12.3 million between FY 2022 and FY 2028, assuming interest earning rates less than 1% annually, and increases in the Debt Service Reserve Fund and Contingency Account balances related to the Future Bonds assumed to be issued during the period.

### PFCs Designated and Applied as Revenues

As described earlier, the Commission uses, and intends to continue to use, a portion of its PFC revenues to pay debt service on certain FAA-approved and PFC-eligible costs associated with the development of certain terminal and other projects. When declared and applied as such by the Commission, PFC revenues used to pay debt service are classified as Revenues under the terms of the Bond Resolution, which also serve to reduce the amount of the airline revenue requirement under the terms of the Lease and Use Agreements. In any given period, the Commission may decide to apply an amount of PFCs less than the amount it earlier designated for such purpose.

For the purposes of this Report, it was assumed that the Airport Commission would designate and use a portion of its PFC fund balance annually as Revenues during the projection period, in amounts ranging between zero in FY 2022 to $148 million in FY 2028 (with a maximum amount of $200 million in FY 2025). While the amount of PFCs designated as Revenues exceeds the annual PFC collections, the PFC fund balance at the end of FY 2028 is projected to be $203.9 million.

## APPLICATION OF REVENUES

Exhibit G presents the projected application of Airport Commission Revenues for FY 2021 through FY 2028 in accordance with the provisions of the Bond Resolution, as well as historical data for FY 2019 and FY 2020.

After fulfillment of the higher priority funding obligations described in Section 5.06 of the Bond Resolution, all remaining amounts are deposited into the General Purpose Account. For purposes of this Report, it was further assumed that interest income generated from balances in the Contingency Account were applied to the Account (i.e., interest income in the Contingency Account is retained within the Account).

## DEBT SERVICE COVERAGE

Exhibit H presents Revenues; O&M Expenses; debt service requirements for current Outstanding Bonds, estimated debt service requirements on the 2020 Bonds, and anticipated debt service on Future Bonds assumed to be issued during the projection period; and debt service coverage.

### Transfer Amount Available

The projection of the amount available for deposit by the Commission into the Revenues Account from the Contingency Account in each Fiscal Year of the projection period is shown in Exhibit H. Based upon the plans of, and actions taken by, the Commission, it was assumed that the Commission will maintain a balance in the Contingency Account and increase the amount when needed; however, the Commission is not required to do so. It was further assumed that, as provided for in the Bond Resolution, the amount in the Contingency Account will be deposited into the Revenues Account at the end of such Fiscal Year and that such amount will be re-deposited into the Contingency Account from the Revenues Account at the beginning of the following Fiscal Year.

For the purposes of this Report, as noted above it was assumed that the Airport Commission would retain interest earnings of the Contingency Account, at approximately $2 million to $3 million annually, and deposit a total of $62 million of 2022 Bond and Future Bond proceeds into the Contingency Account, as shown in Exhibit C.

While the amount used for the Transfer in the additional bond test calculations is limited to the lesser of (1) the amount available in the Contingency Account for such Fiscal Year, or (2) an amount equal to 25% of Maximum Annual Debt Service as calculated for such Fiscal Year, there is no such restriction for Rate Covenant calculation purposes. However, for purposes of this Report, it was assumed that in any given year the Transfer would be equivalent to the lesser of the Contingency Account balance or 25% of Annual Debt Service for that year. In each year of the projection period the amount of the annual Transfer is less than the Contingency Account balance, and by the end of FY 2028 the projected balance in the Contingency Account is $222.3 million.

### Projected Debt Service Coverage

In each year of the projection period, Net Revenues (together with Transfers) are projected to exceed the requirements of the Rate Covenant contained in the Bond Resolution. The projected debt service coverage reflects the effects of the Commission's Bond issuances during the projection period, specifically the 2022 Bonds and the anticipated Future Bonds to be issued during the projection period. Debt service coverage is projected to range from 133% to 146% between FY 2022 and FY 2028.

The projected coverage exceeds 125% in each year of the projection period primarily because certain categories of expenses are included in the airline rate base for the calculation of airline rentals, fees, and charges, but are not included in the application of Revenues for the payment of Bond debt service. These expenses are "below the line" items, and are to be paid after the payment of Bond debt service and the calculation of debt service coverage. The largest of these expense items is the Annual Service Payment to the City, which is assumed to be paid in accordance with current practices throughout the projection period.

Further, Net Revenues in each Fiscal Year are projected to be at least sufficient to make all required payments and deposits to the Revenue Bond Account, as well as to make the Annual Service Payment to the City.

Thus, the Rate Covenant provision of the Bond Resolution is projected to be met in each Fiscal Year of the projection period.

## SUMMARY OF MODERATE RECOVERY CASE FINANCIAL PROJECTIONS

Exhibit I summarizes the projected financial results of the Airport Commission presented in Exhibits A through H, as discussed in the preceding sections, and includes the calculation of airline payments (costs) per enplaned passenger based on such data. Revenues and O&M Expenses were projected using the moderate aviation activity recovery scenario projection of enplaned passengers and aircraft landed weight presented earlier in the Report.

## ALTERNATIVE AVIATION ACTIVITY RECOVERY SCENARIOS

As described earlier, three hypothetical aviation activity recovery projections were developed to assist the Airport Commission in conducting financial planning. The moderate recovery scenario underlies the Revenue and O&M expense projections through FY 2028 that are described in the preceding sections of this Report.

If aviation activity were to recover quicker than projected under the moderate recovery scenario, then revenue sources which are variable with passenger traffic would be higher than shown in Exhibit I, and airline revenues and cost per enplaned passenger would be lower, due to the fully residual nature of the airline ratemaking methodology. Because the of the residual nature of the airline ratemaking, annual debt service coverage would be similar under a faster aviation activity recovery scenario. It was assumed that O&M Expenses and annual debt service are the same under each scenario.

Similarly, if aviation activity were to recover slower than projected under the moderate recovery scenario, then revenue sources which are variable with passenger traffic would be lower than shown in Exhibit I, and airline revenues and cost per enplaned passenger would be higher, due to the fully residual nature of the airline ratemaking methodology. Because of the residual nature of the airline ratemaking, annual debt service coverage would be similar under a slower aviation activity recovery scenario. Again, it was assumed that O&M Expenses and annual debt service are the same under each scenario.

In each case, airline payments were calculated under the residual cost rate-making methodology of the Airline Lease and Use Agreements (a methodology which was assumed to remain in effect through the end of the projection period). Under these hypothetical scenarios, the Commission would generate sufficient Net Revenues to meet the requirements of the Rate Covenant, and debt service coverage would be approximately the same, given the residual airline rate-making system.

Table 24 summarizes projected key metrics under all three recovery scenarios.

Table 24
**SUMMARY OF PROJECTIONS**
(For Fiscal Years ending June 30; amounts in thousands, except ratios)

| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 |
|---|---|---|---|---|---|---|---|
| Enplaned Passengers | | | | | | | |
| Slower recovery scenario | 13,500 | 19,001 | 23,147 | 26,926 | 29,595 | 30,853 | 31,517 |
| Moderate recovery scenario | 16,263 | 21,067 | 25,728 | 29,655 | 31,946 | 32,701 | 33,237 |
| Faster recovery scenario | 17,222 | 23,280 | 28,593 | 32,728 | 34,950 | 35,802 | 36,374 |
| Airline revenues | | | | | | | |
| Slower recovery scenario | $658,250 | $ 731,099 | $ 860,833 | $ 815,220 | $ 899,549 | $ 949,858 | $ 999,341 |
| Moderate recovery scenario | 632,536 | 710,832 | 825,317 | 791,338 | 878,800 | 933,303 | 983,801 |
| Faster recovery scenario | 623,486 | 688,240 | 801,135 | 765,128 | 850,814 | 903,518 | 952,849 |
| Nonairline revenues | | | | | | | |
| Slower recovery scenario | $217,074 | $ 284,858 | $ 335,405 | $ 392,222 | $ 423,086 | $ 440,085 | $ 451,496 |
| Moderate recovery scenario | 246,850 | 308,346 | 376,743 | 419,848 | 447,091 | 459,243 | 469,482 |
| Faster recovery scenario | 257,332 | 334,542 | 404,699 | 450,154 | 479,498 | 493,749 | 505,354 |
| Total operating revenues | | | | | | | |
| Slower recovery scenario | $875,324 | $1,015,957 | $1,196,237 | $1,207,442 | $1,322,635 | $1,389,943 | $1,450,837 |
| Moderate recovery scenario | 879,386 | 1,019,178 | 1,202,060 | 1,211,186 | 1,325,891 | 1,392,546 | 1,453,282 |
| Faster recovery scenario | 880,818 | 1,022,783 | 1,205,834 | 1,215,282 | 1,330,312 | 1,397,267 | 1,458,203 |
| Airline cost per enplanement | | | | | | | |
| Slower recovery scenario | $ 45.96 | $ 27.08 | $ 27.66 | $ 26.18 | $ 26.46 | $ 26.90 | $ 27.80 |
| Moderate recovery scenario | 38.30 | 22.93 | 23.07 | 23.01 | 23.90 | 24.90 | 25.92 |
| Faster recovery scenario | 36.19 | 19.64 | 19.80 | 20.09 | 21.09 | 21.96 | 22.88 |
| PFC revenues | | | | | | | |
| Slower recovery scenario | $ 50,376 | $ 70,903 | $ 86,374 | $ 100,473 | $ 110,433 | $ 115,128 | $ 117,605 |
| Moderate recovery scenario | 60,686 | 78,610 | 96,005 | 110,659 | 119,207 | 122,024 | 124,024 |
| Faster recovery scenario | 64,264 | 86,871 | 106,694 | 122,126 | 130,415 | 133,595 | 135,731 |
| PFCs applied to debt service | | | | | | | |
| Slower recovery scenario | $ - | $ 124,265 | $ 131,545 | $ 199,764 | $ 157,121 | $ 173,450 | $ 148,347 |
| Moderate recovery scenario | - | 124,265 | 131,545 | 199,764 | 157,121 | 173,450 | 148,347 |
| Faster recovery scenario | - | 124,265 | 131,545 | 199,764 | 157,121 | 173,450 | 148,347 |
| PFC fund ending balance | | | | | | | |
| Slower recovery scenario | $467,549 | $ 416,392 | $ 373,191 | $ 275,517 | $ 230,090 | $ 172,773 | $ 142,818 |
| Moderate recovery scenario | 477,885 | 434,505 | 401,049 | 313,726 | 277,285 | 227,117 | 203,869 |
| Faster recovery scenario | 481,472 | 446,392 | 423,711 | 347,997 | 322,964 | 284,624 | 273,401 |
| Debt service coverage | | | | | | | |
| Slower recovery scenario | 138% | 145% | 138% | 138% | 137% | 136% | 133% |
| Moderate recovery scenario | 140% | 146% | 139% | 138% | 138% | 137% | 133% |
| Faster recovery scenario | 140% | 147% | 139% | 139% | 139% | 137% | 134% |

**Exhibit A-1**

**AIRPORT CAPITAL IMPROVEMENT PLAN COSTS**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; amounts in millions)

| | Prior Funding (a) | 2022 New Money | Remaining 2022 | 2023 | 2024 | 2025 | Total |
|---|---|---|---|---|---|---|---|
| **Terminal Area** | | | | | | | |
| Terminal 1 Redevelopment Program | | | | | | | |
| Boarding Area B Redevelopment | $ 895 | $ - | $ - | $ - | $ - | $ - | $ 895 |
| Central Area | 1,145 | 51 | - | 124 | 100 | - | 1,420 |
| Other Terminal 1 Projects | 202 | - | - | 2 | - | - | 204 |
| Subtotal | $ 2,241 | $ 51 | $ - | $ 126 | $ 100 | $ - | $ 2,518 |
| Terminal 3 Improvements | $ 373 | $ - | $ - | $ 150 | $ 400 | $ 309 | $ 1,232 |
| International Terminal Refresh Program | 141 | 8 | - | 105 | 49 | - | 303 |
| Miscellaneous Terminal Projects | 722 | - | 21 | 40 | 2 | - | 784 |
| | $ 3,477 | $ 59 | $ 21 | $ 421 | $ 551 | $ 309 | $ 4,837 |
| **Airfield Area** | $ 142 | $ 0 | $ 22 | $ 50 | $ 3 | $ - | $ 217 |
| **Airport Support Area** | | | | | | | |
| Superbay Renovation Program | $ 99 | $ - | $ - | $ 13 | $ 7 | $ - | $ 119 |
| Technology Improvement Projects | 39 | 0 | 15 | 15 | - | - | 70 |
| Miscellaneous Support Projects | 439 | 1 | 15 | 13 | 2 | - | 470 |
| | $ 578 | $ 1 | $ 30 | $ 41 | $ 9 | $ - | $ 659 |
| **Groundside Area** | $ 785 | $ 2 | $ 3 | $ 23 | $ - | $ - | $ 813 |
| **Utilities** | | | | | | | |
| Net Zero Energy Program | $ 98 | $ 8 | $ - | $ 71 | $ - | $ - | $ 176 |
| Waste Water System Improvements | 89 | - | 1 | 17 | - | - | 107 |
| Water System Improvements | 2 | - | - | 16 | - | - | 18 |
| Miscellaneous Other Projects | 61 | - | 4 | 16 | - | - | 81 |
| | $ 250 | $ 8 | $ 5 | $ 120 | $ - | $ - | $ 383 |
| **Reserves (b)** | $ - | $ - | $ - | $ - | $ 278 | $ 83 | $ 361 |
| **SUBTOTAL - ASCENT** | **$ 5,231** | **$ 70** | **$ 81** | **$ 655** | **$ 841** | **$ 392** | **$ 7,270** |
| Infrastructure Support | 331 | 8 | 21 | 87 | 101 | 23 | 571 |
| **CAPITAL PLAN** | **$ 5,561** | **$ 78** | **$ 102** | **$ 742** | **$ 942** | **$ 415** | **$ 7,840** |

(a) The Prior Funding column includes $279.3 million of commercial paper issued through November 2021, which will be refunded by the proceeds of the 2022 Bonds.
(b) The program reserves total includes approximately $55 million allocated for Ascent Program projects.
Note: Figures may not sum to totals due to rounding.
Source: Airport Commission, November 2021.

**Exhibit A-2**

**AIRPORT CAPITAL IMPROVEMENT PLAN SOURCES OF FUNDING**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; amounts in millions)

| | | FY 2022-25 | | | | |
|---|---|---|---|---|---|---|
| | Prior | Other | Revenue Bonds | | | |
| | Funding (a) | Funding | 2022 Bonds | Future | Subtotal | Total |
| **Terminal Area** | | | | | | |
| Terminal 1 Redevelopment Program | | | | | | |
| Boarding Area B Redevelopment | $ 895 | $ - | $ - | $ - | $ - | $ 895 |
| Central Area | 1,145 | - | 51 | 224 | 275 | 1,420 |
| Other Terminal 1 Projects | 202 | - | - | 2 | 2 | 204 |
| Subtotal | $ 2,241 | $ - | $ 51 | $ 226 | $ 277 | $ 2,518 |
| Terminal 3 Improvements | 373 | - | - | 859 | 859 | 1,232 |
| International Terminal Refresh Program | 141 | - | 8 | 154 | 162 | 303 |
| Miscellaneous Terminal Projects | 722 | - | - | 62 | 62 | 784 |
| | $ 3,477 | $ - | $ 59 | $ 1,301 | $ 1,360 | $ 4,837 |
| **Airfield Area** | $ 142 | $ 60 | $ 0 | $ 15 | $ 15 | 217 |
| **Airport Support Area** | | | | | | |
| Superbay Renovation Program | $ 99 | $ - | $ - | $ 20 | $ 20 | $ 119 |
| Technology Improvement Projects | 39 | - | 0 | 31 | 31 | 70 |
| Miscellaneous Support Projects | 439 | 2 | 1 | 27 | 28 | 470 |
| | $ 578 | $ 2 | $ 1 | $ 77 | $ 79 | $ 659 |
| **Groundside Area** | $ 785 | $ - | $ 2 | $ 26 | $ 28 | 813 |
| **Utilities** | | | | | | |
| Net Zero Energy Program | $ 98 | $ - | $ 8 | $ 71 | $ 79 | $ 176 |
| Waste Water System Improvements | 89 | - | - | 18 | 18 | 107 |
| Water System Improvements | 2 | - | - | 16 | 16 | 18 |
| Miscellaneous Other Projects | 61 | - | - | 20 | 20 | 81 |
| | $ 250 | $ - | $ 8 | $ 125 | $ 133 | $ 383 |
| **Reserves (b)** | $ - | $ - | $ - | $ 361 | $ 361 | 361 |
| **SUBTOTAL - ASCENT** | **$ 5,231** | **$ 63** | **$ 70** | **$ 1,906** | **$ 1,976** | **$ 7,270** |
| Infrastructure Support | 331 | 25 | 8 | 207 | 215 | 571 |
| **CAPITAL PLAN** | **$ 5,561** | **$ 88** | **$ 78** | **$ 2,113** | **$ 2,191** | **$ 7,840** |

(a) The Prior Funding column includes $279.3 million of commercial paper issued through November 2021, which will be refunded by the proceeds of the 2022 Bonds.
(b) The program reserves total includes approximately $55 million allocated for Ascent Program projects.
Note: Figures may not sum to totals due to rounding.
Source: Airport Commission, November 2021.

**Exhibit B**

**PFC REVENUES AND APPLICATION OF PFC REVENUES - MODERATE RECOVERY**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; amounts in thousands except PFC levels)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | Historical | | | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| **PFC Collections** | | | | | | | | | | |
| Enplaned Passengers | 28,622 | 20,215 | 6,925 | 16,263 | 21,067 | 25,728 | 29,655 | 31,946 | 32,701 | 33,237 |
| Percent of PFC Eligible Passengers Paying | 88.4% | 101.8% | 85.0% | 85.0% | 85.0% | 85.0% | 85.0% | 85.0% | 85.0% | 85.0% |
| PFC Eligible Enplaned Passengers | 25,312 | 20,581 | 5,886 | 13,824 | 17,907 | 21,869 | 25,207 | 27,154 | 27,796 | 28,251 |
| PFC Level | $ 4.50 | $ 4.50 | $ 4.50 | $ 4.50 | $ 4.50 | $ 4.50 | $ 4.50 | $ 4.50 | $ 4.50 | $ 4.50 |
| Less: PFC Airline Collection Fee | (0.11) | (0.11) | (0.11) | (0.11) | (0.11) | (0.11) | (0.11) | (0.11) | (0.11) | (0.11) |
| Net PFC Level | $ 4.39 | $ 4.39 | $ 4.39 | $ 4.39 | $ 4.39 | $ 4.39 | $ 4.39 | $ 4.39 | $ 4.39 | $ 4.39 |
| PFC Collections (not including interest income) | $ 111,121 | $ 90,352 | $ 20,977 | $ 60,686 | $ 78,610 | $ 96,005 | $ 110,659 | $ 119,207 | $ 122,024 | $ 124,024 |
| Cumulative PFC Collections with Interest Earnings (a) | $ 1,415,401 | $ 1,515,078 | $ 1,538,213 | $ 1,601,125 | $ 1,682,011 | $ 1,780,099 | $ 1,892,540 | $ 2,013,221 | $ 2,136,503 | $ 2,261,601 |
| **PFC Cash Flow** | | | | | | | | | | |
| PFC Fund - Beginning Balance | $ 386,061 | $ 443,971 | $ 391,838 | $ 414,972 | $ 477,885 | $ 434,505 | $ 401,049 | $ 313,726 | $ 277,285 | $ 227,117 |
| Deposits: | | | | | | | | | | |
| PFC Collections | $ 111,121 | $ 90,352 | $ 20,977 | $ 60,686 | $ 78,610 | $ 96,005 | $ 110,659 | $ 119,207 | $ 122,024 | $ 124,024 |
| Interest Earnings | 10,049 | 9,324 | 2,157 | 2,227 | 2,275 | 2,084 | 1,782 | 1,474 | 1,258 | 1,075 |
| Total Annual PFC Revenues | $ 121,170 | $ 99,677 | $ 23,134 | $ 62,913 | $ 80,886 | $ 98,088 | $ 112,441 | $ 120,681 | $ 123,282 | $ 125,098 |
| **Annual Use of PFC Revenues** | | | | | | | | | | |
| Planned Pay-as-you-go | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Debt Service | (63,260) | (151,810) | - | - | (124,265) | (131,545) | (199,764) | (157,121) | (173,450) | (148,347) |
| Total Annual Use of PFC Revenues | $ (63,260) | $ (151,810) | $ - | $ - | $ (124,265) | $ (131,545) | $ (199,764) | $ (157,121) | $ (173,450) | $ (148,347) |
| **PFC Fund - Ending Balance** | $ 443,971 | $ 391,838 | $ 414,972 | $ 477,885 | $ 434,505 | $ 401,049 | $ 313,726 | $ 277,285 | $ 227,117 | $ 203,869 |

(a) The Airport Commission has received PFC collection authority for a total of $2.320 billion as of November 2021.
Note: Figures may not sum to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

**Exhibit C**

**SOURCES & USES OF BOND FUNDS**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; dollars in thousands)

| | 2022 Bonds | Future Bonds | Other Funding Sources | Grand Total |
|---|---|---|---|---|
| **Sources of Funds** | | | | |
| Bond Proceeds | $ 758,490 | $ 2,530,205 | $ - | $ 3,288,695 |
| Premium / (Discount) and Prior Interest Release | 124,379 | - | - | 124,379 |
| Prior Funding (a) | - | - | 5,281,909 | 5,281,909 |
| Grants | - | - | 87,665 | 87,665 |
| **Total** | $ 882,869 | $ 2,530,205 | $ 5,369,574 | $ 8,782,648 |
| **Uses of Funds** | | | | |
| Capital Plan Project Expenditures | $ - | $ 2,113,234 | $ 5,369,574 | $ 7,482,808 |
| Commercial Paper Refunding (b) | 357,386 | - | - | 357,386 |
| Subtotal Capital Costs | $ 357,386 | $ 2,113,234 | $ 5,369,574 | $ 7,840,194 |
| Escrow Deposit (c) | 496,109 | - | | 496,109 |
| Deposit to Contingency Account | - | 48,000 | - | 48,000 |
| Capitalized Interest | 9,346 | 155,760 | - | 165,105 |
| Bond Reserve Account | 14,227 | 190,995 | - | 205,222 |
| Cost of Issuance | 5,802 | 22,216 | - | 28,018 |
| **Total** | $ 882,869 | $ 2,530,205 | $ 5,369,574 | $ 8,782,648 |

(a) Including $279.3 million of commercial paper, which will be refunded by the proceeds of the 2022 New Money Bonds.
(b) Including $279.3 million of commercial paper under prior funding, and additional $78.1 million of commercial paper in December 2021.
(c) Escrow deposit for refunding of certain outstanding bonds.
Note: Figures may not sum to totals due to rounding.
Sources: Airport Commission; PFM Financial Advisors LLC, January 2022.

**Exhibit D**

**ANNUAL DEBT SERVICE REQUIREMENTS**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | | | Historical | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** |
| **DEBT SERVICE - CASH BASIS (a)** | | | | | | | | | | |
| Outstanding Bonds | | | | | | | | | | |
| Fixed Rate Bonds | $ 414,640 | $ 465,450 | $ 281,194 | $ 338,483 | $ 520,173 | $ 495,082 | $ 504,277 | $ 538,120 | $ 527,777 | $ 551,961 |
| Variable Rate Bonds | 21,819 | 13,717 | 9,068 | 22,696 | 27,178 | 30,847 | 30,679 | 30,586 | 36,966 | 40,064 |
| Subtotal | $ 436,459 | $ 479,168 | $ 290,261 | $ 361,179 | $ 547,351 | $ 525,929 | $ 534,957 | $ 568,706 | $ 564,744 | $ 592,025 |
| Debt Service of Refunded Bonds | - | - | - | (10,220) | (181,746) | (20,379) | (25,657) | (81,028) | (74,056) | (82,047) |
| Proposed 2022 Bonds | - | - | - | 4,639 | 30,084 | 33,497 | 42,241 | 97,252 | 90,280 | 73,666 |
| Planned Future Bonds | - | - | - | - | 2,528 | 36,598 | 78,141 | 91,721 | 158,038 | 190,985 |
| **Total Debt Service - Cash Basis** | $ 436,459 | $ 479,168 | $ 290,261 | $ 355,598 | $ 398,217 | $ 575,645 | $ 629,683 | $ 676,651 | $ 739,005 | $ 774,628 |
| | | | | | | | | | | |
| **DEBT SERVICE - DEPOSIT BASIS (a)** | | | | | | | | | | |
| Outstanding Bonds | | | | | | | | | | |
| Fixed Rate Bonds | $ 420,561 | $ 473,684 | $ 268,316 | $ 369,726 | $ 516,676 | $ 496,614 | $ 509,918 | $ 536,396 | $ 531,808 | $ 532,041 |
| Variable Rate Bonds | 21,880 | 13,694 | 9,111 | 22,944 | 27,572 | 30,886 | 30,722 | 31,712 | 37,579 | 40,008 |
| Subtotal | $ 442,442 | $ 487,379 | $ 277,427 | $ 392,670 | $ 544,248 | $ 527,500 | $ 540,639 | $ 568,108 | $ 569,386 | $ 572,048 |
| Debt Service of Refunded Bonds | - | - | - | (40,510) | (154,852) | (21,259) | (34,885) | (79,866) | (75,388) | (75,981) |
| Proposed 2022 Bonds | - | - | - | 9,803 | 30,484 | 34,922 | 51,460 | 96,090 | 87,511 | 71,699 |
| Planned Future Bonds | - | - | - | - | 6,995 | 44,696 | 80,543 | 101,680 | 164,942 | 190,985 |
| **Total Debt Service - Deposit Basis** | $ 442,442 | $ 487,379 | $ 277,427 | $ 361,963 | $ 426,875 | $ 585,859 | $ 637,758 | $ 686,012 | $ 746,452 | $ 758,752 |
| | | | | | | | | | | |
| **DEBT SERVICE BY COST CENTER - DEPOSIT BASIS** | | | | | | | | | | |
| Airfield Area | | | | $ 15,290 | $ 12,530 | $ 29,213 | $ 36,210 | $ 39,645 | $ 45,664 | $ 46,765 |
| Airport Support Area | | | | 49,101 | 53,311 | 85,982 | 92,627 | 100,431 | 112,166 | 114,412 |
| Terminal Area | | | | 210,191 | 249,201 | 345,552 | 372,369 | 400,739 | 436,756 | 444,050 |
| Groundside Area | | | | 69,131 | 92,511 | 92,038 | 99,421 | 104,849 | 106,486 | 107,194 |
| Utility | | | | 18,249 | 19,322 | 33,074 | 37,132 | 40,348 | 45,380 | 46,331 |
| **Total Debt Service by Cost Center** | | | | $ 361,963 | $ 426,875 | $ 585,859 | $ 637,758 | $ 686,012 | $ 746,452 | $ 758,752 |

(a) Debt service expressed on a deposit basis reflects the monthly payments the Commission is required to make to the Trustee, while debt service expressed on a cash basis reflects the actual payment of principal and interest to the Bond holders.

Note: Figures may not sum to totals due to rounding.

Sources: Airport Commission; PFM Financial Advisors LLC, January 2022.

**Exhibit E**

**OPERATION AND MAINTENANCE EXPENSES**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | 2019 | 2020 | Historical 2021 | Projected 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Operation and Maintenance Expenses** | | | | | | | | | | |
| Salaries & Benefits | | | | | | | | | | |
| Commission Staff | $ 219,244 | $ 255,045 | $ 265,825 | $ 285,849 | $ 295,830 | $ 305,336 | $ 315,162 | $ 325,316 | $ 335,812 | $ 346,659 |
| Police | 72,397 | 63,834 | 66,887 | 70,411 | 73,174 | 75,369 | 77,630 | 79,959 | 82,358 | 84,829 |
| Fire | 28,117 | 26,452 | 27,717 | 31,720 | 32,629 | 33,607 | 34,616 | 35,654 | 36,724 | 37,826 |
| Total Salaries and Benefits | $ 319,758 | $ 345,331 | $ 360,429 | $ 387,980 | $ 401,632 | $ 414,313 | $ 427,408 | $ 440,930 | $ 454,894 | $ 469,313 |
| Contractual Services | | | | | | | | | | |
| Parking Garage Management Services | $ 24,715 | $ 26,486 | $ 23,745 | $ 23,994 | $ 23,994 | $ 24,714 | $ 25,455 | $ 26,219 | $ 27,005 | $ 27,815 |
| Other Contractual Services | 64,800 | 77,465 | 51,525 | 106,846 | 105,745 | 108,917 | 112,185 | 115,550 | 119,017 | 122,587 |
| Total Contractual Services | $ 89,514 | $ 103,951 | $ 75,270 | $ 130,840 | $ 129,738 | $ 133,631 | $ 137,640 | $ 141,769 | $ 146,022 | $ 150,402 |
| Services Provided by Other City Departments | $ 30,938 | $ 30,647 | $ 30,311 | $ 34,983 | $ 34,663 | $ 36,049 | $ 37,491 | $ 38,991 | $ 40,550 | $ 42,172 |
| Repairs and Maintenance | 40,318 | 51,741 | 53,245 | 46,502 | 47,897 | 49,334 | 50,814 | 52,339 | 53,909 | 55,526 |
| Utilities | 26,111 | 26,625 | 25,647 | 24,749 | 24,453 | 24,062 | 23,568 | 22,959 | 22,223 | 21,349 |
| Materials and Supplies | 15,597 | 15,829 | 10,297 | 17,373 | 16,361 | 16,852 | 17,357 | 17,878 | 18,414 | 18,967 |
| General and Administration | 2,985 | 19,883 | 5,961 | 2,455 | 2,528 | 2,604 | 2,682 | 2,763 | 2,846 | 2,931 |
| Environmental | 0 | (0) | - | - | - | - | - | - | - | - |
| **BASE EXPENSES** | $ 525,222 | $ 594,007 | $ 561,160 | $ 644,882 | $ 657,272 | $ 676,845 | $ 696,960 | $ 717,627 | $ 738,858 | $ 760,661 |
| Federal Grant-in-aid | - | - | (295,415) | (169,015) | - | - | - | - | - | - |
| Reimbursement of Capitalized Interest (a) | - | - | (57,507) | - | - | - | - | - | - | - |
| Incremental Expenses for Future Facilities | - | - | - | - | 10,000 | 11,548 | 12,356 | 12,788 | 13,236 | 13,699 |
| **OPERATION AND MAINTENANCE EXPENSES** | $ 525,222 | $ 594,007 | $ 208,239 | $ 475,867 | $ 667,272 | $ 688,393 | $ 709,315 | $ 730,415 | $ 752,094 | $ 774,360 |
| Percent Change in Base Expenses | -10.2% | 13.1% | -5.5% | 14.9% | 3.5% | 3.2% | 3.0% | 3.0% | 3.0% | 3.0% |
| **O&M Expenses by Cost Center** | | | | | | | | | | |
| Airfield Area | | | | $ 43,456 | $ 51,749 | $ 53,022 | $ 54,377 | $ 56,085 | $ 57,844 | $ 59,564 |
| Airport Support Area | | | | 63,087 | 64,344 | 66,213 | 68,194 | 70,318 | 72,508 | 74,664 |
| Terminal Area | | | | 157,909 | 337,103 | 350,359 | 362,829 | 374,348 | 386,242 | 397,796 |
| Groundside Area | | | | 155,724 | 158,541 | 163,047 | 167,948 | 173,113 | 178,438 | 183,744 |
| Utility Area | | | | 45,753 | 45,347 | 45,307 | 45,260 | 45,574 | 45,809 | 47,171 |
| Total O&M Expenses by Cost Center | | | | $ 465,929 | $ 657,084 | $ 677,948 | $ 698,608 | $ 719,438 | $ 740,841 | $ 762,939 |
| Adjustment (b) | | | | 9,938 | 10,188 | 10,445 | 10,707 | 10,977 | 11,253 | 11,421 |
| **OPERATION AND MAINTENANCE EXPENSES** | | | | $ 475,867 | $ 667,272 | $ 688,393 | $ 709,315 | $ 730,415 | $ 752,094 | $ 774,360 |

(a) Excludes $57.5 million of expenses that were paid using a portion of proceeds of the Series 2021ABC Bonds. Those proceeds were issued to reimburse the Commission for prior years' bond interest expenses on capital projects.
(b) Adjustments are for the differences in other post-retirement benefit expenses between the amounts charged to the airlines and the amount recognized under GAAP.
Note: Figures may not sum to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

**Exhibit F**

**REVENUES - MODERATE RECOVERY**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | | | Historical | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** |
| **Aviation Revenues** | | | | | | | | | | |
| Landing Fees | $ 201,058 | $ 188,906 | $ 66,055 | $ 252,452 | $ 237,726 | $ 301,090 | $ 303,202 | $ 326,628 | $ 369,618 | $ 393,498 |
| Terminal Rentals | 270,027 | 330,201 | 187,544 | 292,500 | 382,030 | 430,040 | 389,660 | 447,529 | 456,553 | 480,617 |
| **Aviation Revenue - Airlines** | $ 471,085 | $ 519,108 | $ 253,600 | $ 544,952 | $ 619,756 | $ 731,131 | $ 692,862 | $ 774,157 | $ 826,171 | $ 874,115 |
| Other Rental Revenues | 57,033 | 55,856 | 48,516 | 51,206 | 53,118 | 55,133 | 58,317 | 63,358 | 64,690 | 66,054 |
| Other Aviation Revenues | 37,517 | 38,509 | 35,100 | 36,378 | 37,958 | 39,054 | 40,159 | 41,285 | 42,442 | 43,631 |
| | $ 565,635 | $ 613,473 | $ 337,215 | $ 632,536 | $ 710,832 | $ 825,317 | $ 791,338 | $ 878,800 | $ 933,303 | $ 983,801 |
| **Concession Revenues** | | | | | | | | | | |
| Parking | $ 96,882 | $ 65,328 | $ 34,237 | $ 57,134 | $ 74,120 | $ 90,550 | $ 104,410 | $ 112,490 | $ 115,166 | $ 117,077 |
| On-airport Rental Car | 44,393 | 33,221 | 14,748 | 24,869 | 32,262 | 39,414 | 45,447 | 48,964 | 50,129 | 50,961 |
| Duty Free | 35,149 | 21,301 | 3,355 | 11,360 | 22,573 | 42,000 | 43,050 | 44,126 | 45,229 | 46,360 |
| Retail | 18,059 | 14,556 | 3,369 | 9,607 | 12,636 | 15,685 | 18,393 | 20,181 | 21,062 | 21,828 |
| Food & Beverage | 26,752 | 21,503 | 4,626 | 14,797 | 19,463 | 24,159 | 28,330 | 31,085 | 32,442 | 33,622 |
| Other Services | 26,671 | 28,234 | 20,489 | 19,265 | 20,185 | 21,044 | 21,810 | 22,429 | 22,928 | 23,420 |
| TNC and Ground Transportation | 63,026 | 43,886 | 9,951 | 32,082 | 41,558 | 50,753 | 58,500 | 63,019 | 64,509 | 65,566 |
| Other Concession Revenues | 16,479 | 13,828 | 10,572 | 11,023 | 11,965 | 12,850 | 13,608 | 14,124 | 14,427 | 14,704 |
| | $ 327,412 | $ 241,857 | $ 101,347 | $ 180,136 | $ 234,763 | $ 296,456 | $ 333,549 | $ 356,418 | $ 365,891 | $ 373,538 |
| **Net Sales and Services** | | | | | | | | | | |
| Utilities (net of costs) | $ 12,061 | $ 10,777 | $ 8,830 | $ 9,410 | $ 10,235 | $ 11,133 | $ 12,112 | $ 13,179 | $ 14,342 | $ 15,610 |
| BART Payments | 3,599 | 3,111 | 3,430 | 3,384 | 3,409 | 3,434 | 3,461 | 3,487 | 3,515 | 3,543 |
| Rental Car Facility Fees | 16,587 | 17,202 | 16,530 | 17,983 | 18,433 | 18,893 | 19,366 | 19,850 | 20,346 | 20,855 |
| Rental Car Transportation Fees | 31,431 | 19,332 | 7,057 | 15,853 | 20,566 | 25,125 | 28,971 | 31,212 | 31,955 | 32,485 |
| Other Sales and Services | 23,719 | 24,646 | 28,439 | 20,084 | 20,941 | 21,701 | 22,390 | 22,944 | 23,194 | 23,451 |
| | $ 87,397 | $ 75,068 | $ 64,287 | $ 66,714 | $ 73,583 | $ 80,287 | $ 86,299 | $ 90,673 | $ 93,352 | $ 95,943 |
| **TOTAL OPERATING REVENUES** | $ 980,444 | $ 930,398 | $ 502,848 | $ 879,386 | $ 1,019,178 | $ 1,202,060 | $ 1,211,186 | $ 1,325,891 | $ 1,392,546 | $ 1,453,282 |
| PFCs Classified as Revenues (a) | 63,260 | 151,810 | - | - | 124,265 | 131,545 | 199,764 | 157,121 | 173,450 | 148,347 |
| Interest Income (b) | 21,430 | 49,441 | 16,623 | 3,850 | 6,142 | 8,535 | 10,979 | 11,752 | 12,312 | 12,399 |
| **TOTAL REVENUES** | $ 1,065,134 | $ 1,131,649 | $ 519,472 | $ 883,237 | $ 1,149,585 | $ 1,342,139 | $ 1,421,929 | $ 1,494,764 | $ 1,578,308 | $ 1,614,028 |

(a) Portion of PFC receipts used to pay debt service in such fiscal year, based on the Airport Commission's expectations.
(b) Certain interest income included by the Commission in Airline Rates and Charges calculations.
Note: Figures may not sum to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

**Exhibit F-1**

## LANDING FEES - MODERATE RECOVERY

**Airport Commission, City and County of San Francisco**

(for Fiscal Years ending June 30; amounts in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | Projected 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|
| **Airfield Area** | | | | | | | |
| Operation and Maintenance Expenses | $ 43,456 | $ 51,749 | $ 53,022 | $ 54,377 | $ 56,085 | $ 57,844 | $ 59,564 |
| Existing Debt Service | 18,381 | 24,347 | 23,338 | 26,432 | 27,775 | 27,837 | 27,967 |
| Future Debt Service | (3,092) | (11,817) | 5,876 | 9,778 | 11,871 | 17,827 | 18,797 |
| Subordinate Lien Debt | 1,757 | 1,941 | 2,254 | 2,384 | 2,384 | 2,384 | 2,384 |
| Small Capital Outlays | - | - | - | - | - | - | - |
| Equipment | 1,056 | 945 | 974 | 1,003 | 1,033 | 1,064 | 1,064 |
| **Airfield Area Expenses** | $ 61,559 | $ 67,166 | $ 85,463 | $ 93,974 | $ 99,147 | $ 106,956 | $ 109,776 |
| Allocated Expenses from Utility Area | 4,118 | 4,099 | 5,122 | 5,352 | 5,536 | 5,851 | 5,924 |
| PFCs Classified as Revenues | - | (1,000) | (1,000) | (1,000) | (29,000) | - | - |
| Airfield Nonairline Revenues | (1,305) | (1,434) | (1,695) | (1,936) | (2,055) | (2,192) | (2,277) |
| Deficit/(Surplus) from Prior Fiscal Years | - | (62,873) | (62,873) | - | - | - | - |
| **Adjusted Airfield Area Expenses** | $ 64,372 | $ 5,957 | $ 25,016 | $ 96,390 | $ 73,628 | $ 110,614 | $ 113,423 |
| Deficit/(Surplus) from Airport Support Area | 32,261 | 34,264 | 66,501 | 70,678 | 74,341 | 86,119 | 88,210 |
| **Gross Landing Fee Payable by Airlines** | $ 96,633 | $ 40,222 | $ 91,517 | $ 167,068 | $ 147,969 | $ 196,733 | $ 201,633 |
| Landed Weight of Scheduled Airlines | 25,692 | 29,980 | 36,050 | 41,352 | 44,353 | 45,298 | 46,008 |
| **Basic Landing Fee Rate (per 1,000 lbs)** | $ 3.76 | $ 1.34 | $ 2.54 | $ 4.04 | $ 3.34 | $ 4.34 | $ 4.38 |
| | | | | | | | |
| **Total Terminal and Groundside Area Surcharge** | $ 311,637 | $ 269,261 | $ 293,400 | $ 272,268 | $ 361,108 | $ 347,987 | $ 383,780 |
| Airfield Portion (50%) | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |
| **Terminal Area Rental Surcharge** | $ 155,819 | $ 134,631 | $ 146,700 | $ 136,134 | $ 180,554 | $ 173,994 | $ 191,890 |
| Surplus of Groundside Area | - | - | - | - | (1,895) | (1,109) | (25) |
| **Subtotal** | $ 155,819 | $ 134,631 | $ 146,700 | $ 136,134 | $ 178,659 | $ 172,884 | $ 191,865 |
| Landed Weight of Scheduled Airlines | 25,692 | 29,980 | 36,050 | 41,352 | 44,353 | 45,298 | 46,008 |
| **Landing Fee Surcharge Rate (per 1,000 lbs)** | $ 6.06 | $ 4.49 | $ 4.07 | $ 3.29 | $ 4.03 | $ 3.82 | $ 4.17 |
| | | | | | | | |
| Basic Landing Fee Rate | $ 3.76 | $ 1.34 | $ 2.54 | $ 4.04 | $ 3.34 | $ 4.34 | $ 4.38 |
| Landing Fee Surcharge Rate | 6.06 | 4.49 | 4.07 | 3.29 | 4.03 | 3.82 | 4.17 |
| **Effective Landing Fee Rate (per 1,000 lbs)** | $ 9.83 | $ 5.83 | $ 6.61 | $ 7.33 | $ 7.36 | $ 8.16 | $ 8.55 |
| | | | | | | | |
| **Total Landing Fee Revenues** | $ 252,452 | $ 174,852 | $ 238,217 | $ 303,202 | $ 326,628 | $ 369,618 | $ 393,498 |
| Adjustment for Deferred Aviation Revenues | - | 62,873 | 62,873 | - | - | - | - |
| **Landing Fee Revenues Recognized** | $ 252,452 | $ 237,726 | $ 301,090 | $ 303,202 | $ 326,628 | $ 369,618 | $ 393,498 |

Note: Figures may not sum to totals due to rounding. The landing fee and associated landing fee revenues for FY 2022 shown in this exhibit reflect updated estimates, and differ from the budgeted amounts (landing fee rate of $11.40 and revenues of $240.9 million).
Source: LeighFisher.

**Exhibit F-2**

**TERMINAL AREA RENTALS - MODERATE RECOVERY**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; amounts in thousands except rates)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | Projected 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|---|---|---|---|---|---|---|---|
| **Terminal Area** | | | | | | | |
| Operation and Maintenance Expenses | $ 157,909 | $ 337,103 | $ 350,359 | $ 362,829 | $ 374,348 | $ 386,242 | $ 397,796 |
| Existing Debt Service | 228,500 | 319,181 | 310,757 | 314,465 | 330,442 | 331,186 | 332,734 |
| Future Debt Service | (18,308) | (69,980) | 34,795 | 57,903 | 70,297 | 105,569 | 111,316 |
| Subordinate Lien Debt | 10,404 | 11,496 | 13,345 | 14,118 | 14,118 | 14,118 | 14,118 |
| Small Capital Outlays | - | - | - | - | - | - | - |
| Equipment | 1,804 | 2,135 | 2,200 | 2,265 | 2,333 | 2,402 | 2,402 |
| **Terminal Area Expenses** | $ 380,308 | $ 599,935 | $ 711,457 | $ 751,581 | $ 791,538 | $ 839,517 | $ 858,366 |
| Allocable Expenses from Utility Area | 35,515 | 35,355 | 44,177 | 46,165 | 47,750 | 50,463 | 51,091 |
| Annual Service Payments | 27,020 | 35,214 | 44,468 | 50,032 | 53,463 | 54,884 | 56,031 |
| **Total Terminal Area Expenses** | $ 442,844 | $ 670,505 | $ 800,102 | $ 847,778 | $ 892,751 | $ 944,863 | $ 965,488 |
| Deficit/(Surplus) from Prior Fiscal Years | - | (62,873) | (62,873) | - | - | - | - |
| **Adjusted Terminal Area Expenses** | $ 442,844 | $ 607,631 | $ 737,229 | $ 847,778 | $ 892,751 | $ 944,863 | $ 965,488 |
| Divided by Gross Building Area (square feet) | 5,691 | 5,894 | 6,097 | 6,097 | 6,097 | 6,097 | 6,097 |
| **Annual Cost per Square Foot ("Basic Rate")** | $ 77.81 | $ 103.09 | $ 120.92 | $ 139.05 | $ 146.43 | $ 154.98 | $ 158.36 |
| Airline Leased Space (square feet) | 1,757 | 1,790 | 1,823 | 1,823 | 1,823 | 1,823 | 1,823 |
| **Airline Rental Payable** | $ 136,681 | $ 184,526 | $ 220,467 | $ 253,526 | $ 266,975 | $ 282,559 | $ 288,727 |
| **Annual Cost per Square Foot ("Basic Rate")** | $ 77.81 | $ 103.09 | $ 120.92 | $ 139.05 | $ 146.43 | $ 154.98 | $ 158.36 |
| Public Space (square feet) | 3,935 | 4,104 | 4,274 | 4,274 | 4,274 | 4,274 | 4,274 |
| Cost of Public Space | $ 306,163 | $ 423,105 | $ 516,762 | $ 594,252 | $ 625,776 | $ 662,304 | $ 676,761 |
| CARES Act Grant | | | | | | | |
| PFCs Classified as Revenues | - | (123,265) | (130,545) | (198,764) | (128,121) | (173,450) | (148,347) |
| Terminal Nonairline Revenues | (68,341) | (90,029) | (119,579) | (129,741) | (136,547) | (140,867) | (144,634) |
| Deficit of Groundside Area | 73,816 | 59,451 | 26,761 | 6,521 | - | - | - |
| Total Terminal and Groundside Area Surcharge | $ 311,637 | $ 269,261 | $ 293,400 | $ 272,268 | $ 361,108 | $ 347,987 | $ 383,780 |
| Terminal Portion (50%) | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% | 50.0% |
| **Terminal Area Rental Surcharge** | $ 155,819 | $ 134,631 | $ 146,700 | $ 136,134 | $ 180,554 | $ 173,994 | $ 191,890 |
| Airline Leased Space | 1,757 | 1,790 | 1,823 | 1,823 | 1,823 | 1,823 | 1,823 |
| Rental Surcharge Rate | $ 88.70 | $ 75.22 | $ 80.46 | $ 74.67 | $ 99.03 | $ 95.43 | $ 105.25 |
| **Basic Rate (per square foot)** | $ 77.81 | $ 103.09 | $ 120.92 | $ 139.05 | $ 146.43 | $ 154.98 | $ 158.36 |
| Rental Surcharge Rate | 88.70 | 75.22 | 80.46 | 74.67 | 99.03 | 95.43 | 105.25 |
| **Effective Average Rental Rate (per square foot)** | $ 166.52 | $ 178.31 | $ 201.38 | $ 213.72 | $ 245.46 | $ 250.41 | $ 263.61 |
| **Total Airline Terminal Rentals** | $ 292,500 | $ 319,157 | $ 367,167 | $ 389,660 | $ 447,529 | $ 456,553 | $ 480,617 |
| Adjustment for Deferred Aviation Revenues | - | 62,873 | 62,873 | - | - | - | - |
| **Terminal Revenues Recognized** | $ 292,500 | $ 382,030 | $ 430,040 | $ 389,660 | $ 447,529 | $ 456,553 | $ 480,617 |

Note: Figures may not sum to totals due to rounding. The terminal rental rate and associated rental revenues for FY 2022 shown in this exhibit reflect updated estimates, and differ from the budgeted amounts (rental rate of $196.45 per sq. ft. and $343.4 million of rental revenues.)
Source: LeighFisher.

**Exhibit F-3**

**AIRLINE PAYMENTS PER ENPLANED PASSENGER - MODERATE RECOVERY**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; amounts in thousands except ratios)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | | | Historical | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| Aviation Revenue - Airlines | | | | | | | | | | |
| Landing Fees | $ 201,058 | $ 188,906 | $ 66,055 | $ 252,452 | $ 237,726 | $ 301,090 | $ 303,202 | $ 326,628 | $ 369,618 | $ 393,498 |
| Terminal Area Rentals | 270,027 | 330,201 | 187,544 | 292,500 | 382,030 | 430,040 | 389,660 | 447,529 | 456,553 | 480,617 |
| Aviation Revenue - Airlines | $ 471,085 | $ 519,108 | $ 253,600 | $ 544,952 | $ 619,756 | $ 731,131 | $ 692,862 | $ 774,157 | $ 826,171 | $ 874,115 |
| Adjustment for Deferred Aviation Revenues (a) | 41,152 | (27,183) | 183,980 | 91,304 | (125,747) | (125,747) | - | - | - | - |
| Subtotal | $ 512,237 | $ 491,925 | $ 437,580 | $ 636,256 | $ 494,009 | $ 605,384 | $ 692,862 | $ 774,157 | $ 826,171 | $ 874,115 |
| Estimated Cargo Carrier Landing Fees | (5,504) | (6,533) | (5,829) | (13,420) | (10,949) | (11,836) | (10,495) | (10,646) | (11,914) | (12,613) |
| Passenger Airline Payments | $ 506,733 | $ 485,392 | $ 431,751 | $ 622,836 | $ 483,060 | $ 593,548 | $ 682,367 | $ 763,511 | $ 814,257 | $ 861,502 |
| Enplaned Passengers | 28,622 | 20,215 | 6,925 | 16,263 | 21,067 | 25,728 | 29,655 | 31,946 | 32,701 | 33,237 |
| Airline Cost per Enplaned Passenger | $ 17.70 | $ 24.01 | $ 62.35 | $ 38.30 | $ 22.93 | $ 23.07 | $ 23.01 | $ 23.90 | $ 24.90 | $ 25.92 |

(a) The amount reflects the difference between actual receipts and recalculated airline requirement.
Note: Figures may not sum to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

**Exhibit G**

**APPLICATION OF REVENUES - MODERATE RECOVERY**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; dollars in thousands)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | | | Historical | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** |
| **REVENUES** | | | | | | | | | | |
| **Operating Revenues** | | | | | | | | | | |
| Aviation | $ 565,635 | $ 613,473 | $ 337,215 | $ 632,536 | $ 710,832 | $ 825,317 | $ 791,338 | $ 878,800 | $ 933,303 | $ 983,801 |
| Concession | 327,412 | 241,857 | 101,347 | 180,136 | 234,763 | 296,456 | 333,549 | 356,418 | 365,891 | 373,538 |
| Net Sales and Service | 87,397 | 75,068 | 64,287 | 66,714 | 73,583 | 80,287 | 86,299 | 90,673 | 93,352 | 95,943 |
| | $ 980,444 | $ 930,398 | $ 502,848 | $ 879,386 | $ 1,019,178 | $ 1,202,060 | $ 1,211,186 | $ 1,325,891 | $ 1,392,546 | $ 1,453,282 |
| PFCs Classified as Revenues | 63,260 | 151,810 | - | - | 124,265 | 131,545 | 199,764 | 157,121 | 173,450 | 148,347 |
| Interest Income | 21,430 | 49,441 | 16,623 | 3,850 | 6,142 | 8,535 | 10,979 | 11,752 | 12,312 | 12,399 |
| **Total Revenues** | $ 1,065,134 | $ 1,131,649 | $ 519,472 | $ 883,237 | $ 1,149,585 | $ 1,342,139 | $ 1,421,929 | $ 1,494,764 | $ 1,578,308 | $ 1,614,028 |
| | | | | | | | | | | |
| **APPLICATION OF REVENUES** | | | | | | | | | | |
| Operation and Maintenance Expenses | $ 525,222 | $ 594,007 | $ 208,239 | $ 475,867 | $ 667,272 | $ 688,393 | $ 709,315 | $ 730,415 | $ 752,094 | $ 774,360 |
| Debt Service on Bonds - Deposit Basis | 442,442 | 487,379 | 277,427 | 361,963 | 426,875 | 585,859 | 637,758 | 686,012 | 746,452 | 758,752 |
| Reserve Fund Deposits | - | - | - | - | - | - | - | - | - | - |
| Subordinate Debt Service | 8,424 | 4,946 | 5,496 | 17,450 | 19,282 | 22,383 | 23,679 | 23,679 | 23,679 | 23,679 |
| Deposit to General Purpose Account | | | | | | | | | | |
| For Annual Service Payment to City | 49,112 | 33,743 | 14,736 | 27,020 | 35,214 | 44,468 | 50,032 | 53,463 | 54,884 | 56,031 |
| Other Deposits to the General Purpose Account | 38,910 | 9,594 | 13,491 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Deposits to the Contingency Account (a) | 1,024 | 1,981 | 82 | 836 | 841 | 935 | 1,045 | 1,095 | 1,100 | 1,106 |
| **Total Application of Revenues** | $ 1,065,134 | $ 1,131,649 | $ 519,472 | $ 883,237 | $ 1,149,585 | $ 1,342,139 | $ 1,421,929 | $ 1,494,764 | $ 1,578,308 | $ 1,614,028 |

(a) Equal to interest income earned in the Contingency Account.
Note: Figures may not sum to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

**Exhibit H**

**RATE COVENANT COMPLIANCE - MODERATE RECOVERY**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; amounts in thousands except ratios)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | Historical | | | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** |
| **RATE COVENANT CALCULATIONS** | | | | | | | | | | |
| **Requirement 6.04(a)(i)** | | | | | | | | | | |
| Revenues (a) | $ 1,065,134 | $ 1,131,649 | $ 519,472 | $ 883,237 | $ 1,149,585 | $ 1,342,139 | $ 1,421,929 | $ 1,494,764 | $ 1,578,308 | $ 1,614,028 |
| Less: Operation and Maintenance Expenses | (525,222) | (594,007) | (208,239) | (475,867) | (667,272) | (688,393) | (709,315) | (730,415) | (752,094) | (774,360) |
| Net Revenues | $ 539,913 | $ 537,642 | $ 311,233 | $ 407,369 | $ 482,312 | $ 653,746 | $ 712,613 | $ 764,349 | $ 826,215 | $ 839,668 |
| Debt Service on Bonds - Deposit Basis | (442,442) | (487,379) | (277,427) | (361,963) | (426,875) | (585,859) | (637,758) | (686,012) | (746,452) | (758,752) |
| Deposit to Debt Service Reserve Fund | - | - | - | - | - | - | - | - | - | - |
| Subordinate Debt Service | (8,424) | (4,946) | (5,496) | (17,450) | (19,282) | (22,383) | (23,679) | (23,679) | (23,679) | (23,679) |
| Annual Service Payment to City | (49,112) | (33,743) | (14,736) | (27,020) | (35,214) | (44,468) | (50,032) | (53,463) | (54,884) | (56,031) |
| Equals: Remaining Amounts (must not be < zero) | $ 39,935 | $ 11,575 | $ 13,573 | $ 936 | $ 941 | $ 1,035 | $ 1,145 | $ 1,195 | $ 1,200 | $ 1,206 |
| **Requirement 6.04(a)(ii)** | | | | | | | | | | |
| Contingency Account Balance | $ 155,164 | $ 166,213 | $ 167,295 | $ 168,132 | $ 186,973 | $ 208,907 | $ 218,952 | $ 220,047 | $ 221,147 | $ 222,253 |
| Net Revenues | $ 539,913 | $ 537,642 | $ 311,233 | $ 407,369 | $ 482,312 | $ 653,746 | $ 712,613 | $ 764,349 | $ 826,215 | $ 839,668 |
| Transfer (b) | 155,164 | 166,213 | 167,295 | 88,899 | 99,554 | 143,911 | 157,421 | 169,163 | 184,751 | 193,657 |
| Total Amount Available | $ 695,076 | $ 703,855 | $ 478,528 | $ 496,269 | $ 581,866 | $ 797,657 | $ 870,034 | $ 933,511 | $ 1,010,966 | $ 1,033,325 |
| Debt Service on Bonds - Cash Basis (c) | $ 436,459 | $ 479,168 | $ 290,261 | $ 355,598 | $ 398,217 | $ 575,645 | $ 629,683 | $ 676,651 | $ 739,005 | $ 774,628 |
| Coverage (must not be < 125%) | 159% | 147% | 165% | 140% | 146% | 139% | 138% | 138% | 137% | 133% |

(a) Revenue totals include PFCs classified as Revenues.
(b) Transfer amounts for FY 2022 to FY 2028 are limited to 25% of annual Debt Service for the purposes of this Report.
(c) Annual Debt Service is presented net of accrued interest and net of capitalized interest.
Note: Figures may not sum to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

**Exhibit I**

**SUMMARY OF FINANCIAL PROJECTIONS - MODERATE RECOVERY**
**Airport Commission, City and County of San Francisco**
(for Fiscal Years ending June 30; amounts in thousands except rates and ratios)

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by, Airport Commission management, as described in the accompanying text. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those projected, and the variations could be material.

| | | | Historical | Projected | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
| **ENPLANED PASSENGERS** | 28,622 | 20,215 | 6,925 | 16,263 | 21,067 | 25,728 | 29,655 | 31,946 | 32,701 | 33,237 |
| Percentage Change | -0.7% | -29.4% | -65.7% | 134.9% | 29.5% | 22.1% | 15.3% | 7.7% | 2.4% | 1.6% |
| **DEBT SERVICE COVERAGE** | | | | | | | | | | |
| Revenues (a) | $ 1,065,134 | $ 1,131,649 | $ 519,472 | $ 883,237 | $ 1,149,585 | $ 1,342,139 | $ 1,421,929 | $ 1,494,764 | $ 1,578,308 | $ 1,614,028 |
| Operation and Maintenance Expenses | (525,222) | (594,007) | (208,239) | (475,867) | (667,272) | (688,393) | (709,315) | (730,415) | (752,094) | (774,360) |
| Net Revenues | $ 539,913 | $ 537,642 | $ 311,233 | $ 407,369 | $ 482,312 | $ 653,746 | $ 712,613 | $ 764,349 | $ 826,215 | $ 839,668 |
| Debt Service on Bonds - Cash Basis | 436,459 | 479,168 | 290,261 | 355,598 | 398,217 | 575,645 | 629,683 | 676,651 | 739,005 | 774,628 |
| Debt Service Coverage (without Transfer) | 124% | 112% | 107% | 115% | 121% | 114% | 113% | 113% | 112% | 108% |
| Transfer Amount (b) | $ 155,164 | $ 166,213 | $ 167,295 | $ 88,899 | $ 99,554 | $ 143,911 | $ 157,421 | $ 169,163 | $ 184,751 | $ 193,657 |
| Debt Service Coverage (with Transfer) | 159% | 147% | 165% | 140% | 146% | 139% | 138% | 138% | 137% | 133% |
| PFCs Classified as Revenues | $ 63,260 | $ 151,810 | $ - | $ - | $ 124,265 | $ 131,545 | $ 199,764 | $ 157,121 | $ 173,450 | $ 148,347 |
| **AIRLINE FEES AND CHARGES** | | | | | | | | | | |
| Landing Fee Rate | $ 5.54 | $ 5.80 | $ 7.29 | $ 9.83 | $ 5.83 | $ 6.61 | $ 7.33 | $ 7.36 | $ 8.16 | $ 8.55 |
| Average Terminal Rate | 179.21 | 191.50 | 196.45 | 166.52 | 178.31 | 201.38 | 213.72 | 245.46 | 250.41 | 263.61 |
| Airline Payments per Enplaned Passenger | 17.70 | 24.01 | 62.35 | 38.30 | 22.93 | 23.07 | 23.01 | 23.90 | 24.90 | 25.92 |

(a) Revenue totals include PFCs classified as Revenues.
(b) Transfer amounts for FY 2022 to FY 2028 are limited to 25% of annual Debt Service for the purposes of this Report.
Note: Figures may not sum to totals due to rounding.
Sources: Historical - Airport Commission; Projected - LeighFisher.

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# APPENDIX B

## FINANCIAL STATEMENTS WITH SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES JUNE 30, 2021 AND 2020 (WITH INDEPENDENT AUDITORS' REPORT THEREON)

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KPMG

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

Financial Statements with
Schedule of Passenger Facility Charge Revenues and Expenditures

June 30, 2021 and 2020

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

# Independent Auditors' Report

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

We have audited the accompanying 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, California (the City), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Airport's financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Commission, City and County of San Francisco, San Francisco International Airport, as of June 30, 2021 and 2020, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

## Emphasis of Matter

As discussed in Note 1, the financial statements are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the City that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion has not been modified with respect to this matter.

## Other Matters

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 4–37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic 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 and Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The accompanying Schedule of Passenger Facility Charge Revenues and Expenditures as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Passenger Facility Charge Revenues and Expenditures is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

KPMG

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2022 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 solely 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.

KPMG LLP

San Francisco, California
January 7, 2022

The management of the Airport Commission (Commission), City and County of San Francisco, San Francisco International Airport (the Airport or SFO), an enterprise fund 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 years ended June 30, 2021 and 2020.

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

*Statements of Net Position* present 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 statements of net position provide information about the nature and amount of resources and obligations at the year end, the *Statements of Revenues, Expenses, and Changes in Net Position* present 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. These statements 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 Statements of Cash Flows* present changes in cash and cash equivalents resulting from operating, noncapital financing, capital financing, and investing activities. These statements summarize 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 2021 passenger traffic at SFO concluded with 13.7 million passengers, a decrease of 66.3% compared to the prior fiscal year. Domestic enplaned passengers decreased 59.5%, and international enplaned passengers decreased 83.9%. The year-over-year decline was predominately due to airline service suspensions resulting from the COVID-19 pandemic. Total cargo and U.S. mail tonnage decreased by 3.7% also due to the impact of the COVID-19 pandemic.

Published scheduled departing seats indicate sharp reductions in capacity for SFO, Oakland (OAK) and Mineta San Jose International (SJC) of 55.1%, 35.3%, and 52.4% respectively for fiscal year 2021. The total reduction of scheduled departing seats for the Bay Area was 51.3%.

### Passenger and Other Traffic Activity

The number of flight operations (takeoffs and landings) decreased by 42.8% fiscal year over year. Aircraft revenue landed weight, which affects revenue generated by landing fees, decreased by 49.1% in comparison to the prior fiscal year. Total Airport passengers, which are comprised of enplaned, deplaned and in transit passengers (defined as passengers who fly into and out of SFO on the same aircraft), were 13.7 million, which was 66.3% below last fiscal year. Overall enplaned passengers declined by 65.7% to 6.9 million. Domestic enplanements decreased by 59.5% to 6.1 million, and the international enplanements decreased by 83.9% to 0.8 million enplaned passengers. Total cargo tonnage decreased by 3.7%, mainly due to mail decreases of 33.3%, while freight was flat over previous fiscal year.

The following table[1] presents a comparative summary of passenger and other traffic at the Airport for fiscal years ended June 30, 2021, 2020, and 2019:

| | FY 2021 | FY 2020* | FY 2019 | Percentage change FY 2021 | Percentage change FY 2020 |
|---|---|---|---|---|---|
| Flight operations | 208,764 | 364,932 | 462,774 | (42.8)% | (21.1)% |
| Landed weight (in 000 lbs.) | 15,686,706 | 30,799,288 | 39,363,708 | (49.1) | (21.8) |
| Total Airport passengers | 13,676,314 | 40,641,300 | 57,575,054 | (66.3) | (29.4) |
| Enplaned passengers | 6,924,578 | 20,214,905 | 28,621,806 | (65.7) | (29.4) |
| Domestic enplaned passengers | 6,091,685 | 15,055,132 | 21,301,043 | (59.5) | (29.3) |
| International enplaned passengers | 832,893 | 5,159,773 | 7,320,763 | (83.9) | (29.5) |
| Cargo and U.S. mail tonnage (in metric tons) | 471,793 | 490,073 | 564,485 | (3.7) | (13.2) |

*Numbers updated to include revised data received subsequent to the 2020 fiscal year end.

## Fiscal Year 2021

### Passenger Traffic

Passenger enplanements in fiscal year 2021 decreased by 65.7% from 20.2 million to 6.9 million passengers. Domestic passenger enplanements decreased by 59.5%, and international enplanements decreased by 83.9%. Overall enplanements decreased by 13.3 million passengers, with an 8,963,447 decline in domestic and a 4,326,880 decline in international enplanements. The impact of the COVID-19 pandemic continued to weaken the demand for travel throughout the first half of the fiscal year. The second half of the fiscal year showed signs of improvement with the development and distribution of vaccines in late 2020 and into 2021, which helped increase confidence in domestic air travel. Passenger enplanements in the month of June surpassed one million for the first time since the pandemic started. Conversely, international enplanements lagged as the foreign government quarantine requirements and travel restrictions continued to hamper the international sector. As a result, enplanements to Asia declined by 85.0%, Europe declined by 89.1%, Latin America declined by 51.8%, Canada declined by 94.7%, Middle East declined by 74.0%, and Australia/Oceania declined by 91.9%. However, global vaccination efforts are showing a positive effect on international travel demand, especially from regions with increasing vaccination rates such as Europe, Canada, and the Middle East.

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[1] Sources: Airport's Analysis of Airline Traffic, Fiscal Years 2019, 2020 and 2021.

Quarter to quarter, enplanements declined until the fourth quarter when the low base from the previous year as well as the positive impact of COVID-19 vaccination on travel demand resulted in nearly fivefold increase over the fourth quarter of last year. Overall enplanements declined by 83.5%, 77.9%, 72.7% for first through third quarter respectively, and increased by 454.7% in the fourth quarter of fiscal year 2021 relative to the same quarter in fiscal year 2020.

Overall airline seat capacity decreased by 55.1% during fiscal year 2021 as compared to fiscal year 2020, with a domestic decrease of 50.7% and an international decrease of 68.4%. The overall load factor (the percentage of seats filled on flights) decreased by 17.7 percentage points to 56.8%. The domestic load factor decreased by 13.2 percentage points to 60.6% while the international load factor decreased by 37.5 percentage points to 39.2%.

### Flight Operations

During fiscal year 2021, the number of aircraft operations (takeoffs and landings) decreased by 156,168 flights (42.8%) as compared to fiscal year 2020. Scheduled passenger aircraft arrivals and departures decreased by 153,007 flights (43.3%). Civil and military traffic decreased by 3,161 flights (28.0%). Total scheduled airline passenger and cargo landings decreased by 45.1% with a decrease in revenue landed weight of 49.1%. Domestic passenger landings decreased by 43.7%, while domestic landed weight decreased by 47.7%. International passenger landings decreased by 59.3%, while international landed weight decreased by 59.8%. Average passenger aircraft size decreased from approximately 156 to 139 seats per flight. Domestic scheduled seats per flight decreased from 140 to 129, while international scheduled seats per flight decreased from 232 to 226. The overall balance between mainline passenger aircraft (wide body and narrow body) and commuter aircraft (regional jets and turbo props) shifted towards commuter aircraft, which increased in share by 13.9 percentage points to 36.7% for domestic and international operations combined. Mainline landings decreased by 71,675, and commuter landings decreased by 5,187.

### Cargo Tonnage

Fiscal year 2021 cargo and U.S. mail tonnage decreased by 18,280 metric tons (3.7%). Domestic cargo and mail increased by 26,881 metric tons (14.5%), while international cargo and mail decreased by 45,162 metric tons (14.8%), primarily due to the impact of COVID-19. Cargo-only carriers' tonnage share increased by 8.9% to 31.2%. Tonnage on cargo-only carriers increased by 34.9%, while tonnage on passenger carriers decreased by 14.8%, as a result of the impact of COVID-19.

### Fiscal Year 2020

### Passenger Traffic

Compared to fiscal year 2019, passenger enplanements in fiscal year 2020 decreased by 29.4% from 28.6 million to 20.2 million passengers. Domestic passenger enplanements decreased 29.3%, and international enplanements decreased 29.5%. Overall enplanements decreased by 8.4 million passengers, with a 6,245,911 decline in domestic, and a 2,160,348 decline in international enplanements. Enplanements declined from March 2020 to June 2020 with the onset of the COVID-19 pandemic. The international sector was the first to see enplanement reductions resulting from COVID-19, as traffic to China, Hong Kong and the rest of Asia was the first to experience declines. Enplanements to Asia declined 33.0% over fiscal year 2019, and, despite the reductions, airline service continued to other Asian destinations such as Japan, Korea, and Taiwan through the end of fiscal year 2020. Enplanements to Europe declined 28.4%, Latin America declined 31.3%, Canada declined 26.2%, Middle East declined 20.3%, and Australia/Oceania declined 19.8%, relative to fiscal year 2019 levels. Passenger service to Europe was mostly suspended from mid-March 2020 through May 2020, while service to the Middle East and Latin America was suspended from April 2020 through June 2020. Passenger service to Canada and Australia/Oceania continued at much reduced levels.

**Flight Operations**

During fiscal year 2020, the number of aircraft operations (takeoffs and landings) decreased by 97,842 flights (21.1%) as compared to fiscal year 2019. Scheduled passenger aircraft arrivals and departures decreased by 94,994 flights (21.2%). Civil and military traffic decreased by 2,848 flights (20.2%). Total scheduled airline passenger and cargo landings decreased by 21.4% with a decrease in revenue landed weight of 21.8%. Domestic passenger landings decreased by 21.5%, while domestic landed weight decreased by 22.2%. International passenger landings decreased by 22.1%, while international landed weight decreased by 22.9%. Average passenger aircraft size decreased from approximately 159 to 156 seats per flight. Domestic scheduled seats per flight decreased from 142 to 140, while international scheduled seats per flight decreased from 246 to 232. The overall balance between mainline passenger aircraft (wide body and narrow body) and commuter aircraft (regional jets and turbo props) shifted towards commuter aircraft, which increased in share by 1.7 percentage points to 22.8% for domestic and international operations combined. Mainline landings decreased by 38,991, and commuter landings decreased by 6,763 attributable to the impact of COVID-19.

**Cargo Tonnage**

Fiscal year 2020 cargo and U.S. mail tonnage decreased by 74,980 metric tons (13.3%). Domestic cargo and mail decreased by 15,904 metric tons (7.9%), with decreases for domestic and international cargo and mail, and cargo volume excluding mail decreased by 59,076 metric tons (16.3%), primarily attributable to the impact of COVID-19. Cargo-only carriers' tonnage share increased by 4.5% to 22.3%. Tonnage on cargo-only carriers increased by 8.9%, while tonnage on passenger carriers decreased by 18.1%, attributable to the impact of COVID-19.

**Financial Highlights, Fiscal Year 2021**

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the fiscal year by $494.8 million.
- Total revenue bonds payable by the Airport decreased by $4.6 million.
- Operating revenues were $515.4 million.
- Operating expenses were $914.4 million.
- Nonoperating expenses, net of revenues from nonoperating sources (including revenues of $29.5 million from Passenger Facility Charges (PFC) and revenues of $296.1 million from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) grant reimbursements received by the Airport) were $53.1 million.
- Capital contributions consist of grants from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP), Transportation Security Administration's (TSA) Airport Checked Baggage

Screening System, and Bay Area Air Quality Management District (BAAQMD) of $28.4 million and asset contributions from SFO Fuel of $36.3 million.

- Transfers to the City and County of San Francisco as annual service payment were $14.7 million.
- Net position decreased by $402.1 million primarily attributable to lower operating revenues as a result of the COVID-19 pandemic.

**Financial Highlights, Fiscal Year 2020**

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the fiscal year by $92.7 million.
- Total revenue bonds payable by the Airport increased by $839.9 million.
- Operating revenues were $943.9 million.
- Operating expenses were $931.1 million.
- Nonoperating expenses, net of revenues from nonoperating sources (including revenues of $73.0 million from Passenger Facility Charges (PFC)) were $245.3 million.
- Capital contributions from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP), Transportation Security Administration's (TSA) Airport Checked Baggage Screening System, and Association of Bay Area Governments (ABAG) Wastewater Treatment Plant were $49.3 million.
- Transfers to the City and County of San Francisco as annual service payment were $33.7 million.
- Net position decreased by $216.9 million primarily attributable to the financial impact of the COVID-19 pandemic on the airport operating revenues.

## Overview of the Airport's Financial Statements

### Net Position Summary

A condensed summary of the Airport's net position for the fiscal years 2021, 2020, and 2019 is shown below (in thousands):

**SAN FRANCISCO INTERNATIONAL AIRPORT'S NET POSITION**

| | FY 2021 | FY 2020 | FY 2019 | Percentage increase (decrease) FY 2021 | Percentage increase (decrease) FY 2020 |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Unrestricted current assets | $ 719,602 | 596,234 | 597,189 | 20.7 % | (0.2)% |
| Restricted current assets | 625,641 | 608,347 | 678,516 | 2.8 | (10.3) |
| Restricted noncurrent assets | 1,147,970 | 1,572,623 | 1,438,161 | (27.0) | 9.3 |
| Capital assets, net | 7,070,878 | 6,737,388 | 6,131,342 | 4.9 | 9.9 |
| Total assets | 9,564,091 | 9,514,592 | 8,845,208 | 0.5 | 7.6 |
| Deferred outflows of resources: | | | | | |
| Unamortized loss on refunding of debt | 52,746 | 49,470 | 64,272 | 6.6 | (23.0) |
| Deferred outflows on derivative instruments | 21,374 | 28,221 | 38,828 | (24.3) | (27.3) |
| Deferred outflows related to OPEB | 39,632 | 32,003 | 20,584 | 23.8 | 55.5 |
| Deferred outflows related to pensions | 94,882 | 94,151 | 80,371 | 0.8 | 17.1 |
| Total deferred outflows of resources | 208,634 | 203,845 | 204,055 | 2.3 | (0.1) |
| Liabilities: | | | | | |
| Current liabilities | 268,178 | 273,521 | 265,115 | (2.0) | 3.2 |
| Current liabilities payable from restricted assets | 459,508 | 256,196 | 252,616 | 79.4 | 1.4 |
| Noncurrent liabilities | 8,860,986 | 8,637,322 | 7,800,699 | 2.6 | 10.7 |
| Net OPEB liability | 258,525 | 256,506 | 236,160 | 0.8 | 8.6 |
| Net pension liability | 340,330 | 278,176 | 254,206 | 22.3 | 9.4 |
| Derivative instruments | 21,374 | 28,221 | 46,085 | (24.3) | (38.8) |
| Total liabilities | 10,208,901 | 9,729,942 | 8,854,881 | 4.9 | 9.9 |
| Deferred inflows of resources: | | | | | |
| Deferred inflows related to OPEB | 43,768 | 18,448 | 21,901 | 137.3 | (15.8) |
| Deferred inflows related to pensions | 14,859 | 62,787 | 48,297 | (76.3) | 30.0 |
| Total deferred inflows of resources | 58,627 | 81,235 | 70,198 | (27.8) | 15.7 |
| Net position: | | | | | |
| Net investment in capital assets | (1,030,427) | (725,562) | (646,073) | (42.0) | (12.3) |
| Restricted for debt service | 117,856 | 220,591 | 237,449 | (46.6) | (7.1) |
| Restricted for capital projects | 436,516 | 406,194 | 488,746 | 7.5 | (16.9) |
| Unrestricted | (18,748) | 6,037 | 44,062 | (410.6) | 86.3 |
| Total net position | $ (494,803) | (92,740) | 124,184 | (433.5)% | (174.7)% |

**Fiscal Year 2021**

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 $494.8 million and 92.7 million as of June 30, 2021 and 2020, respectively, representing a decrease of $402.1 million (433.5%).

Unrestricted current assets consist primarily of cash and investments available to meet the Airport's current obligations. Unrestricted current assets increased by $123.4 million (20.7%) as of June 30, 2021, primarily due to the increases in the cash and investments held in the City Treasury from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding provided to the Airport in response to the COVID-19 pandemic. As of June 30, 2021, the Airport has set aside $146.1 million in a separate fund for purposes of its Other Postemployment Benefit (OPEB) obligations and such amount is included in unrestricted cash and investments held in the City Treasury in the statements of net position. The disposition of this fund is under management's discretion and has not been placed in a trust fund.

Restricted current assets consist of cash and investments held in the City Treasury and outside the City Treasury. Cash and investments held in the City Treasury consist primarily of PFCs collected, debt service funds held by the bond trustee, grants receivable, and PFCs receivable. Restricted current assets increased by $17.3 million (2.8%) as of June 30, 2021. The increase was primarily due to higher grants and PFCs receivables and partially offset by lower cash balances in the capitalized interest accounts held by the bond trustee.

Restricted noncurrent assets decreased by $424.7 million (27.0%) as of June 30, 2021. The decrease was primarily due to the capital project spending which lowered the cash and investments held in the City Treasury.

Capital assets consist of land, buildings, structures, improvements, equipment, and intangible assets. Capital assets, net of depreciation, increased by $333.5 million (4.9%) as of June 30, 2021, primarily due to the capitalization of capital improvement project costs.

Unamortized loss on refunding of debt increased by $3.3 million (6.6%) as of June 30, 2021. The increase was primarily due to issuance of the Airport's Second Series Revenue Refunding Bonds 2020ABC and 2021ABC.

Deferred outflows on derivative instruments decreased by $6.8 million (24.3%) as of June 30, 2021, representing deferred outflows of resources offsetting interest rate swap liabilities in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* (GASB 53) and GASB Statement No. 72 – *Fair Value Measurement and Application* (GASB 72).

Deferred outflows related to OPEB increased $7.6 million (23.8%) primarily due to assumption changes. See additional information in note 10b.

Deferred outflows related to pensions increased by $0.7 million (0.8%) primarily due to investment losses, experience losses, and additional pension liabilities from the replacement benefits plan. See additional information in note 10a.

Current liabilities payable from unrestricted assets decreased by $5.3 million (2.0%) as of June 30, 2021, primarily due to the increases in accounts payable, unearned aviation revenue and partially offset by the decrease in current maturities of long-term debt.

Current liabilities payable from restricted assets increased by $203.3 million (79.4%) as of June 30, 2021, primarily due to the issuance of commercial paper.

Noncurrent liabilities before net OPEB liability, net pension liability, and derivative instruments increased by $223.7 million (2.6%) as of June 30, 2021, primarily due to the issuance of the Airport's Second Series Revenue Refunding Bonds 2020ABC and 2021ABC.

Net OPEB liability increased by $2.0 million (0.8%) primarily due to increases in proportionate share and assumption changes offset by experience gains. See additional information in note 10b.

Net pension liability (NPL) increased by $62.2 million (22.3%) primarily due to investment losses, experience losses, and additional pension liabilities from the replacement benefits plan. See additional information in note 10a.

Derivative instruments liabilities decreased by $6.8 million (24.3%) as of June 30, 2021, due to the change in fair value of the interest rate swap contract per GASB 53 and GASB 72.

Deferred inflows related to OPEB increased by $25.3 million (137.3%) primarily due to the amortization of deferrals. See additional information in note 10b.

Deferred inflows related to pensions decreased by $47.9 million (76.3%) primarily due to the impact of recognizing prior periods investment earnings and amortization of other deferrals. See additional information in note 10a.

The Airport's net investment in capital assets decreased by $304.9 million (42.0%) as of June 30, 2021, primarily due to the residual effect of the Airport depreciating its capital assets faster than repaying its bonded debt.

Net position restricted for debt service decreased by $102.7 million (46.6%) as of June 30, 2021, primarily due to less cash and investments held outside City Treasury for debt services.

Net position restricted for capital projects increased by $30.3 million (7.5%) as of June 30, 2021, primarily due to an increase in cash balance from PFC revenue.

Unrestricted net position decreased by $24.8 million (410.6%) as of June 30, 2021, primarily due to lower operating revenues from the impact of COVID-19 pandemic and an increase in liability attributable to the unearned aviation revenue.

### Fiscal Year 2020

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 $92.7 million as of June 30, 2020, representing a decrease of $216.9 million (174.7%) from June 30, 2019. The Airport's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $124.2 million as of June 30, 2019.

Unrestricted current assets consist primarily of cash and investments available to meet the Airport's current obligations. Unrestricted current assets decreased by $1.0 million (0.2%) as of June 30, 2020, primarily due to the decrease in accounts receivable as the Airport operations were disrupted by the COVID-19 pandemic. As of June 30, 2020, the Airport has set aside $142.5 million in a separate fund for purposes of its Other Postemployment Benefit (OPEB) obligations and such amount is included in unrestricted cash and investments held in the City Treasury in the statements of net position. The disposition of this fund is under management's discretion and has not been placed in a trust fund.

Restricted current assets consist of cash and investments held in the City Treasury and outside the City Treasury. Cash and investments held in the City Treasury consist primarily of PFC collected, debt service funds held by the bond trustee, grants receivable and PFC receivable. Restricted current assets decreased by $70.2 million (10.3%) as of June 30, 2020. The decrease was primarily due to use of the PFC balance and lower cash balances in the capitalized interest accounts held by the bond trustee.

Restricted noncurrent assets increased by $134.5 million (9.3%) as of June 30, 2020. The increase was primarily due to the increased cash and investments held in the City Treasury and outside the City Treasury in connection with the issuances of the Airport's Second Series Revenue Bonds.

Capital assets consist of land, buildings, structures, improvements, equipment, and intangible assets. Capital assets, net of depreciation, increased by $606.0 million (9.9%) as of June 30, 2020, primarily due to the capitalization of capital improvement project costs.

Unamortized loss on refunding of debt decreased by $14.8 million (23.0%) as of June 30, 2020. The decrease was primarily due to the refunding of the Airport's Second Series Revenue Refunding Bonds, Series 37C, 2009A/B, 2009C-2, and 2010A-3 in fiscal year 2020.

Deferred outflows on derivative instruments decreased by $10.6 million (27.3%) as of June 30, 2020, representing deferred outflows of resources offsetting interest rate swap liabilities in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* (GASB 53) and GASB Statement No. 72 – *Fair Value Measurement and Application* (GASB 72).

Deferred outflows related to OPEB increased $11.4 million (55.5%) primarily due to the differences between expected and actual experiences related to OPEB. See additional information in note 10b.

Deferred outflows related to pensions increased by $13.8 million (17.1%) primarily due to the amortization of the Airport's proportionate share of Citywide pension costs. See additional information in note 10a.

Current liabilities payable from unrestricted assets increased by $8.4 million (3.2%) as of June 30, 2020, primarily due to the increases in current maturities of long-term debt, accounts payable, and accrued payroll.

Current liabilities payable from restricted assets increased by $3.6 million (1.4%) as of June 30, 2020, primarily due to the increase in accrued bond interest payable related to the issuance of the Airport's Second Series Revenue Bonds and the Second Series Revenue Refunding Bonds, and the decrease in accounts payable.

Noncurrent liabilities before net OPEB liability, net pension liability, and derivative instruments increased by $836.6 million (10.7%) as of June 30, 2020, primarily due to the issuance of the Airport's Second Series Revenue Bonds and the Second Series Revenue Refunding Bonds.

Net OPEB liability increased by $20.3 million (8.6%) primarily due to experience losses. See additional information in note 10b.

Net pension liability (NPL) increased by $24.0 million (9.4%) primarily due to the amortization of deferrals. See additional information in note 10a.

Derivative instruments liabilities decreased by $17.9 million (38.8%) as of June 30, 2020, due to the change in fair value of the interest rate swap contract per GASB 53 and GASB 72.

Deferred inflows related to OPEB decreased by $3.5 million (15.8%) primarily due to the amortization of deferrals. See additional information in note 10b.

Deferred inflows related to pensions increased by $14.5 million (30.0%) primarily due to the impact of actual investment earnings and proportionate share amortization. See additional information in note 10a.

The Airport's net investment in capital assets decreased by $79.5 million (12.3%) as of June 30, 2020, primarily due to the residual effect of the Airport depreciating its capital assets faster than repaying its bonded debt.

Net position restricted for debt service decreased by $16.9 million (7.1%) as of June 30, 2020, primarily due to the issuance of the Airport's Second Series Revenue Bonds and the Second Series Revenue Refunding Bonds.

Net position restricted for capital projects decreased by $82.6 million (16.9%) as of June 30, 2020, primarily due to use of the PFC balance in fiscal year 2020.

Unrestricted net position decreased by $38.0 million (86.3%) as of June 30, 2020, primarily due to COVID-19 which led to decreased operating revenues and increased operating expenses of the Airport operations, and the $1.2 million operating loss incurred by the on-Airport hotel in its first year of operations.

### Highlights of Changes in Net Position

The following table shows a condensed summary of changes in net position for fiscal years 2021, 2020, and 2019 (in thousands):

**SAN FRANCISCO INTERNATIONAL AIRPORT'S CHANGES IN NET POSITION**

| | FY 2021 | FY 2020 | FY 2019 | FY 2021 percentage increase (decrease) | FY 2020 percentage increase (decrease) |
|---|---|---|---|---|---|
| Operating revenues | $ 515,416 | 943,879 | 980,443 | (45.4)% | (3.7)% |
| Operating expenses | (914,385) | (931,072) | (764,011) | (1.8) | 21.9 |
| Operating (loss) income | (398,969) | 12,807 | 216,432 | (3,215.2) | (94.1) |
| Nonoperating expenses, net | (53,093) | (245,280) | (99,126) | (78.4) | 147.4 |
| Income (loss) before capital contributions and transfers | (452,062) | (232,473) | 117,306 | (94.5) | (298.2) |
| Capital contributions | 64,735 | 49,292 | 23,611 | 31.3 | 108.8 |
| Transfers to City and County of San Francisco | (14,736) | (33,743) | (49,112) | (56.3) | (31.3) |
| Changes in net position (deficit) | (402,063) | (216,924) | 91,805 | (85.3) | (336.3) |
| Total net position (deficit) – beginning of year | (92,740) | 124,184 | 32,379 | (174.7) | (283.5) |
| Total net position (deficit) - end of year | $ (494,803) | (92,740) | 124,184 | (433.5)% | (174.7)% |

### 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. Terminal rental rates and landing fees assessed to air carriers are set periodically based on formulas and procedures described in the Lease and Use Agreement (Agreement).[2]

[2] In fiscal year 2010, the Airport and airlines reached agreement on a new form of Lease and Use Agreement that became effective on July 1, 2011, and originally expired June 30, 2021, and were extended by mutual agreement to June 30, 2023. The Lease and Use Agreements are referred to generally as the "Lease and Use Agreement," and the airlines that are parties to those agreements are referred to as the "Signatory Airlines."

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

The Agreement establishes a residual rate-setting methodology for the calculation of the landing fees and terminal rental rates using certain cost centers. Under this methodology, landing fees and terminal rentals are established each fiscal year to produce projected revenues from the airlines equal to the difference between the Airport's estimated nonairline revenues and the Airport's budgeted total costs, including operating expenses, debt service expenses and the annual service payment to the City for that year. The 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 amounts estimated in the calculation of airline fees and charges for that fiscal year result in adjustments of terminal rentals and landing fees in subsequent years. Such differences are recorded on the statements 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.

There was an overcharge balance as of June 30, 2021 of $184.0 million. $23.8 million of the overcharge for fiscal year 2021 was offset by the undercharge balance as of June 30, 2020, and so the Airport recorded $160.2 million of unearned aviation revenue in the statements of net position as of June 30, 2021. See note 2j.

The following table shows the air carriers that served the Airport in fiscal year 2021:

**Air Carriers Serving the Airport in Fiscal Year 2021**

| Domestic passenger air carriers | Foreign flag carriers | Cargo-only carriers |
|---|---|---|
| Alaska Airlines | Aeromexico | ABX Air |
| American Airlines | 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 | Nippon Cargo Airlines |
| Southwest Airlines | All Nippon Airways | |
| Sun Country Airlines | Asiana Airlines | |
| United Airlines | British Airways | |
| | COPA Airlines, Inc. | |
| | Cathay Pacific | |
| | China Airlines | |
| | China Eastern | |
| | China Southern | |
| | EVA Airways | |
| | Emirates | |
| | Iberia | |
| | Japan Airlines | |
| **Commuter air carriers** | KLM Royal Dutch Airlines | |
| Horizon Air (Alaska Airlines) | Korean Air Lines | |
| Jazz Aviation (Air Canada) | Lufthansa German Airlines | |
| SkyWest Airlines (Alaska Airlines) | Philippine Airlines | |
| SkyWest Airlines (American Airlines) | Qatar Airways | |
| SkyWest Airlines (Delta Air Lines) | SAS Airlines | |
| SkyWest Airlines (United Airlines) | Singapore Airlines | |
| | Swiss International | |
| | TACA International Airlines, S.A. | |
| | TAP Air Portugal | |
| | Turkish Airlines | |

The following table shows a comparison of terminal rental rates and airline landing fees for fiscal years 2021, 2020, and 2019:

**SAN FRANCISCO INTERNATIONAL AIRPORT TERMINAL RENTAL RATES AND LANDING FEES**

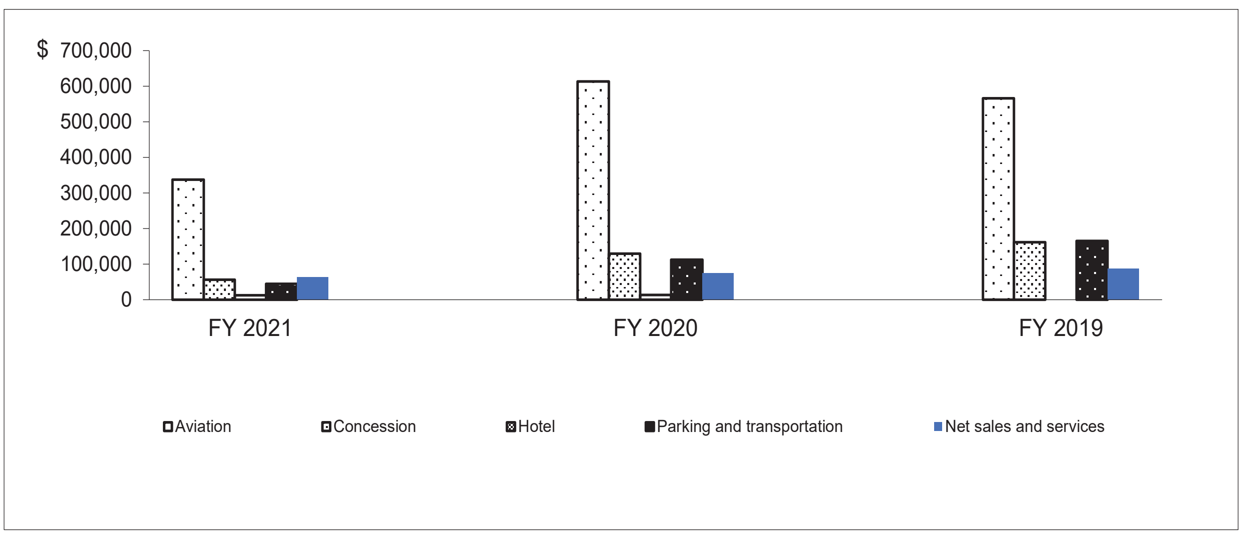
| | FY 2021 | FY 2020 | FY 2019 |
|---|---|---|---|
| Effective average terminal rental rate (per sq. ft.) | $ 196.45 | 191.50 | 179.21 |
| Signatory Airline – landing fee rate (per 1,000 lbs.) | 7.29 | 5.80 | 5.54 |
| Non-Signatory Airline – landing fee rate (per 1,000 lbs.) | 9.11 | 7.25 | 6.93 |
| General aviation and itinerant aircraft – landing fee rate (per 1,000 lbs.) | 9.11 | 7.25 | 6.93 |

During fiscal years ended June 30, 2021, 2020, and 2019, revenues realized from the following source equaled or exceeded 5% of the Airport's total operating revenues:

| | FY 2021 | FY 2020 | FY 2019 |
|---|---|---|---|
| United Airlines | 32.0 % | 27.0 % | 24.7 % |
| American Airlines | 5.5 % | 4.1 % | 3.8 % |

The following shows a comparative summary of operating revenues for fiscal years 2021, 2020, and 2019 (in thousands):

| | FY 2021 | FY 2020 | FY 2019 | FY 2021 percentage increase (decrease) | FY 2020 percentage increase (decrease) |
|---|---|---|---|---|---|
| Aviation | $ 337,215 | 613,473 | 565,635 | (45.0)% | 8.5 % |
| Concession | 56,528 | 129,127 | 161,889 | (56.2) | (20.2) |
| Hotel | 12,567 | 13,481 | — | (6.8) | 100.0 |
| Parking and transportation | 44,819 | 112,730 | 165,523 | (60.2) | (31.9) |
| Net sales and services | 64,287 | 75,068 | 87,396 | (14.4) | (14.1) |
| Total operating revenues | $ 515,416 | 943,879 | 980,443 | (45.4)% | (3.7)% |




## Fiscal Year 2021

Operating revenues decreased by 45.4%, from $943.9 million in fiscal year 2020 to $515.4 million in fiscal year 2021, primarily due to the impact of COVID-19 pandemic on airport operations and passenger traffic.

Aviation revenues decreased from $613.5 million in fiscal year 2020 to $337.2 million in fiscal year 2021, primarily due to the net effect of the unearned aviation revenue adjustment in fiscal year 2021, which reduced aviation revenue by $184.0 million.

As determined by the calculation method in the Agreement, scheduled airline landing fees per thousand pounds increased from $5.80 in fiscal year 2020 to $7.29 in fiscal year 2021. The airline average annual terminal rent per square foot increased from $191.50 in fiscal year 2020 to $196.45 in fiscal year 2021, partially due to a 3.6% increase in the residual airline terminal rental revenue requirement. Airline leased space increased 2.7% to 1.75 million square feet.

Before the unearned aviation revenue adjustment of $184.0 million, revenues from landing fees decreased by $65.0 million (36.3%) as a result of reductions in flight activity due to the effect of the COVID-19 pandemic. Terminal rentals increased by $10.7 million (3.4%), based on the terminal rental rate increase combined with an increase in airline leased space in Harvey Milk Terminal 1. In aggregate, all other aviation revenues decreased by $10.8 million (11.4%), from $94.4 million in fiscal year 2020 to $83.6 million in fiscal year 2021, with net aviation rental revenue and activity-based fees including aircraft parking, parking-airline employees, common use gate fees and airline support services all showing a decrease.

Concession revenues, consisting of rentals and fees derived from food and beverage concessions, duty free, retail merchandise (gifts, candy, tobacco, and news) and rental car concessions decreased by 56.2%, from $129.1 million in fiscal year 2020 to $56.5 million in fiscal year 2021. The lower revenues resulted mainly from a 69.3% decrease in airport food & beverage and retail overall spending due to lower passenger levels attributable to the COVID-19 pandemic. Food and beverage revenues decreased by $16.9 million (78.5%) mainly due to airline service suspensions and passenger reductions attributable to the COVID-19 pandemic. The passenger food and beverage spend rate decreased by 15.2% from $9.76 to $8.28. Retail merchandise revenues excluding duty free revenues were lower by $11.2 million (76.9%) because of reduced passenger volumes and because several locations continue to be closed due to reduced passenger levels related to the ongoing COVID-19 pandemic. The Airport-wide per passenger spend rate for such merchandise increased by 2.4% from $3.61 in fiscal year 2020 to $3.69 in fiscal year 2021. This increase was driven by sales in Harvey Milk Terminal 1 with the opening of several new concessions, the relocation of American Airlines from Boarding Area D, and the opening of the remaining seven gates. While the newly renovated DFS Duty Free Galleria store opened in December 2020 in Boarding Areas A and G, several other stores have remained closed since mid-March 2020, and this, combined with much lower volumes of international passengers, resulted in a net impact of a $17.9 million (84.3%) decrease in revenues from duty free merchandise sales. On- and off-Airport rental car revenues decreased by $19.6 million (55.5%) because of lower numbers of passengers resulting from the COVID-19 pandemic. Other concession revenues decreased by $6.9 million (19.1%); this was mainly driven by the decrease in passenger services (currency exchange) due to the closure of all Travelex locations in September 2020. Minimum annual guaranteed rental requirements in concession leases continue to be suspended until enplanements exceed 80% of pre-pandemic levels for two consecutive months.

The on-Airport hotel operating revenue decreased by 6.8% from $13.5 million in fiscal year 2020 (earned from the hotel opening date of October 4, 2019 to the end of fiscal year 2020) to $12.6 million in fiscal year 2021, primarily due to reduced demand and restrictions on meeting and conference room use from the COVID-19 pandemic. This is consistent with trends in the overall hospitality sector, which has seen reduced revenues because of a decline in travel during the COVID-19 pandemic.

Public parking and transportation revenues, consisting of rentals and fees derived from parking facilities and ground transportation operations, decreased by 60.2%, from $112.7 million in fiscal year 2020 to $44.8 million in fiscal year 2021. The combined net effect of an 11.3% increase in the average revenue per ticket, from $27.89 in fiscal year 2020 to $31.04 in fiscal year 2021, and a 52.9% decrease in parking transactions resulted in a parking revenue decrease of $31.1 million (47.6%). The increase in average revenue per ticket was not enough to offset the decrease in parking exits caused by the reduction in passenger levels related to COVID-19. Ground transportation revenues, including taxi trip fee revenue, decreased by $36.7 million (77.8%) in fiscal year 2021 primarily due to lower passenger levels attributable to COVID-19. Transportation network company (TNC) operations at the Airport (including Uber Technologies Inc., Lyft, Inc., and Tickengo, Inc., d/b/a/ Wingz) decreased by 77.6%. TNC Airport pick-ups/drop-offs totaled nearly 1.8 million, during fiscal year 2021 resulting in $8.3 million in trip fee revenue. Other modes of transportation also experienced activity declines compared to fiscal year 2020, including hotel shuttles (down 71.8%), shared ride vans (down 97.9%), door to door pre-arranged vans (down 82.8%), limousines (down 77.5%), taxis (down 83.5%), scheduled buses (down 67.5%), charter buses (down 79.7%) and off-airport parking vans (down 50.5%). The Airport has seen a shift in passenger behavior where parking is preferred over TNC use, as compared to relative market share of ground transportation options prior to the pandemic.

Net 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 net sales and services decreased by 14.4%, from $75.1 million in fiscal year 2020 to $64.3 million in fiscal year 2021. Revenue from the sale of water sewage disposal decreased by $1.6 million (29.1%). The 7.3% water rate increase in fiscal year 2021 was not sufficient to make up for the lower tenant usage. Telecommunication fees were lower by $0.1 million (1.2%) because of decreased demand for telecommunication access services. Licenses and permit fees decreased $1.3 million (57.3%) as a result of less badging activity by tenant employees and contractors. The transportation and facility fee (AirTrain fee charged on rental car contracts) decreased by $12.3 million (63.5%) due to a 63.5% decline in the number of rental car contracts. Fees collected for the cost of the Rental Car Center decreased $0.7 million (3.9%) primarily due to changes to tenant leased space at the Rental Car Center as a result of the new rental car lease. Revenue from penalties from the enforcement of airfield safety rules and regulations decreased by $0.6 million (40.8%) due to lower level of activity and decreased passenger levels. Miscellaneous terminal fees increased by $4.4 million (82.7%), reflecting the increase for the Terminal 1 baggage handling system, passenger boarding bridges and equipment maintenance contract costs. Governmental agency rent revenue increased by $0.6 million (10.6%) compared to fiscal year 2020 primarily because of higher rent based on increased land valuation. Miscellaneous Airport Revenues increased $0.2 million (550.5%) due to rent from a temporary lease to PG&E in the West of Bayshore area. Net revenue from all other sales and services including sale of electricity, sale of natural gas, food court infrastructure/cleaning fees, refuse disposal, collection charges and settlements increased $0.7 million (5.0%).

**Fiscal Year 2020**

Operating revenues decreased by 3.7%, from $980.4 million in fiscal year 2019 to $943.9 million in fiscal year 2020, primarily due to the impact of COVID-19 on airline activity and passenger traffic at the airport.

Aviation revenues increased from $565.6 million in fiscal year 2019 to $613.5 million in fiscal year 2020, primarily due to the net effect of the unearned aviation revenue adjustment in fiscal year 2019, which reduced aviation revenue by $41.2 million, and a receivable of $27.2 million due from the airlines as of June 30, 2020.

As determined by the calculation method in the Agreement, scheduled airline landing fees per thousand pounds increased from $5.54 in fiscal year 2019 to $5.80 in fiscal year 2020. The airline average annual terminal rent per square foot increased from $179.21 in fiscal year 2019 to $191.50 in fiscal year 2020, partially due to a 7.9% increase in the residual airline terminal rental revenue requirement. Airline leased space increased 3.2% to 1.70 million square feet.

Before the aviation revenue receivable adjustment, revenues from landing fees decreased by $39.6 million (18.1%) as a result of flight cancellations due to the effect of COVID-19 pandemic. Terminal rentals increased by $19.3 million (6.6%), based on the terminal rental rate increase combined with nominal rental space changes between air carriers. In aggregate, all other aviation revenues slightly decreased by $0.2 million (0.2%), from $94.6 million in fiscal year 2019 to $94.4 million in fiscal year 2020, with net aviation rental revenue and activity-based fees including aircraft parking and fixed base operations all showing a decrease.

Concession revenues, consisting of rentals and fees derived from food and beverage concessions, duty free, retail merchandise (gifts, candy, tobacco, and news) and rental car concessions decreased by 20.2%, from $161.9 million in fiscal year 2019 to $129.1 million in fiscal year 2020. The lower revenues resulted mainly from a 29.2% decrease in airport food & beverage and retail overall spending due to airline service suspensions and passenger reductions attributable to the COVID-19 pandemic. Food and beverage revenues decreased by $5.2 million (19.6%) mainly due to airline service suspensions and passenger reductions attributable to the COVID-19 pandemic. The passenger food and beverage spend rate increased by 1.7%, but this was not sufficient to make up for the decline in passenger traffic. Retail merchandise revenues excluding duty free revenues were lower by $3.5 million (19.4%) primarily as a result of lower retail sales activity attributable to the COVID-19 pandemic. In addition, the Airport-wide per passenger spend rate for such merchandise declined from $3.74 in fiscal year 2019 to $3.61 (3.6%) in fiscal year 2020. Revenues from duty free merchandise sales decreased by $13.8 million (39.4%) due to two factors: reduced merchandising space due to renovations of the DFS Group's retail locations, and because of international flight suspensions attributable to COVID-19. On- and off-Airport rental car revenues decreased by $12.3 million (25.7%) because of reductions in revenue attributable to COVID-19. Other concession revenues increased by $2.1 million (6.1%), primarily because of Consumer Price Index-based adjustments to Minimum Annual Guarantee (MAG) rent per lease terms.

The on-Airport hotel reported $13.5 million of operating revenues since its grand opening on October 4, 2019. No comparative data was available.

Public parking and transportation revenues, consisting of rentals and fees derived from parking facilities and ground transportation operations, decreased by 31.9%, from $165.5 million in fiscal year 2019 to $112.7 million in fiscal year 2020. Parking revenue decreased by $31.6 million (32.6%) due to the combined effect of a 2.3% decline in the average revenue per ticket, from $28.54 in fiscal year 2019 to $27.89 in fiscal year 2020, and a 30.6% decrease in parking transactions in fiscal year 2020. The decline in the average revenue per ticket is a combination of a decrease in the long-term parking charges effective May 1, 2019, and a reduction in passenger levels related to COVID-19. Ground transportation revenues, including taxi trip fee revenue, decreased by $21.2 million (31.0%) in fiscal year 2020 primarily due to lower passenger levels attributable to COVID-19. Transportation network company (TNC) operations at the Airport (including Uber Technologies Inc., Lyft, Inc., and Tickengo, Inc., d/b/a/ Wingz) decreased by 24.8%. TNC Airport pick-ups/drop offs totaled nearly 8.2 million during fiscal year 2020 resulting in $36.9 million in trip fee revenue. Other modes of transportation also experienced activity declines compared to fiscal year 2019, including hotel shuttles (down 19.7%), shared ride vans (down 53.1%), door to door pre-arranged vans (down 55.0%), limousines (down 36.5%), taxis (down 32.3%), scheduled buses (down 23.4%), charter buses (down 35.0%) and off-airport parking vans (down 24.6%).

Net 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 net sales and services decreased by 14.1%, from $87.4 million in fiscal year 2019 to $75.1 million in fiscal year 2020. Revenue from the sale of water sewage disposal decreased by $0.1 million (2.3%). The 14.3% water rate increase in fiscal year 2020 was not sufficient to make up for the lower tenant usage. Telecommunication fees were higher by $0.3 million (7.3%) because of increased demand for telecommunication access services. Licenses and permits fees decreased $0.6 million (20.9%) as a result of less badging activity by tenant employees and contractors attributable to COVID-19. The transportation and facility fee (AirTrain fee charged on rental car contracts) decreased by $12.1 million (38.5%) due to a 31.1% decline in the number of rental car contracts. Fees collected for the cost of the Rental Car Center slightly increased $0.6 million (3.7%) primarily as a result of annual Consumer Price Index (CPI) adjustments to lease rental charges. Revenue from penalties from the enforcement of airfield safety rules and regulations decreased by $0.6 million (31.3%) due to lower level of activity and flight cancellations related to COVID-19. Miscellaneous terminal fees increased by $0.8 million (17.7%) because of an increase in the Terminal 1 baggage handling maintenance contract costs and food court cleaning fee revenue from the new restaurant openings in the Harvey Milk Terminal 1B. Governmental agency rent revenue increased by $0.1 million (1.6%) compared to fiscal year 2019 mainly due to the renewal of the U.S. Post Office lease which includes higher rent based on increased land valuation. Miscellaneous Airport Revenues decreased $0.6 million (94.8%) because fiscal year 2019 reflected rent from a short-term lease to PG&E in the West of Bayshore area that did not continue in fiscal year 2020. Net revenue from all other sales and services including sale of electricity, sale of natural gas, food court infrastructure/cleaning fees, refuse disposal, collection charges and settlements decreased $0.1 million (0.8%).

**Operating Expenses**

The following table shows a comparative summary of operating expenses for fiscal years 2021, 2020, and 2019 (in thousands):

| | FY 2021 | FY 2020 | FY 2019 | Percentage increase (decrease) FY 2021 | Percentage increase (decrease) FY 2020 |
|---|---|---|---|---|---|
| Personnel | $ 363,451 | 356,902 | 290,125 | 1.8 % | 23.0 % |
| Depreciation | 331,135 | 312,118 | 268,789 | 6.1 | 16.1 |
| Contractual services | 77,077 | 103,991 | 91,498 | (25.9) | 13.7 |
| Hotel | 14,396 | 15,199 | — | (5.3) | — |
| Light, heat and power | 24,809 | 25,655 | 24,952 | (3.3) | 2.8 |
| Services provided by other City departments | 29,320 | 29,531 | 29,565 | (0.7) | (0.1) |
| Repairs and maintenance | 51,507 | 49,857 | 38,528 | 3.3 | 29.4 |
| Materials and supplies | 11,488 | 15,253 | 14,904 | (24.7) | 2.3 |
| General and administrative | 5,766 | 19,159 | 2,852 | (69.9) | 571.8 |
| Environmental remediation | 5,436 | 3,407 | 2,798 | 59.6 | 21.8 |
| Total operating expenses | $ 914,385 | 931,072 | 764,011 | (1.8)% | 21.9 % |

**Fiscal Year 2021**

Operating expenses decreased from $931.1 million in fiscal year 2020 to $914.4 million in fiscal year 2021, due to decreases in expenses for contractual services, on-Airport hotel, light, heat and power, services provided by other City departments, materials and supplies, and general and administrative. In fiscal year 2021, the Airport capitalized $19.2 million of indirect costs related to construction of capital projects as overhead, compared to $22.8 million in fiscal year 2020. The variances in the different categories are discussed below.

Personnel expenses increased $6.6 million (1.8%), from $356.9 million in fiscal year 2020 to $363.5 million in fiscal year 2021. The increase was primarily due to higher OPEB expenses and partially offset by lower pension expenses.

Depreciation increased $19.0 million (6.1%), from $312.1 million in fiscal year 2020 to $331.1 million in fiscal year 2021. The increase was primarily due to the additions of capital assets related to the phased opening of Terminal 1, the Terminal Management System upgrade, and the International Terminal Baggage Handling System upgrade.

Contractual services decreased $26.9 million (25.9%), from $104.0 million in fiscal year 2020 to $77.1 million in fiscal year 2021. The decrease was primarily due to lower professional services expenses such as parking and curbside management and shuttle bus, and fewer expenses related to debt financing.

The on-Airport hotel operating expense decreased $0.8 million (5.3%), from $15.2 million to $14.4 million. The decrease was primarily due to cost containment measures implemented and the reduction of fixed expenses in response to the impacts of COVID-19.

Light, heat and power expenses decreased $0.9 million (3.3%), from $25.7 million in fiscal year 2020 to $24.8 million in fiscal year 2021. The decrease was primarily due to lower consumption.

Expenses of services provided by other City departments decreased $0.2 million (0.7%), from $29.5 million in fiscal year 2020 to $29.3 million in fiscal year 2021. The decrease was primarily due to a decrease in legal services and partially offset by an increase in insurance expenses.

Repairs and maintenance expenses increased $1.6 million (3.3%), from $49.9 million in fiscal year 2020 to $51.5 million in fiscal year 2021. The increase was primarily due to higher equipment maintenance costs.

Materials and supplies expenses decreased $3.8 million (24.7%), from $15.3 million in fiscal year 2020 to $11.5 million in fiscal year 2021. The decrease was primarily due to the centralization of materials and supplies procurement which resulted in better pricing.

General and administrative expenses decreased $13.4 million (69.9%), from $19.2 million in fiscal year 2020 to $5.8 million in fiscal year 2021. The decrease was primarily due to higher estimated bad debt expense related to the Airport COVID-19 Emergency Rent Relief Program for concession tenants in fiscal year 2020.

Environmental remediation expenses increased $2.0 million (59.6%), from $3.4 million in fiscal year 2020 to $5.4 million in fiscal year 2021. The increase was primarily due to the expenses incurred in the Superbay Hangar Fire Protection Improvements project.

**Fiscal Year 2020**

Operating expenses increased from $764.0 million in fiscal year 2019 to $931.1 million in fiscal year 2020, primarily due to an increase in expenses for personnel, depreciation, contractual services, and general and administrative costs. In fiscal year 2020, the Airport capitalized $22.8 million of indirect costs related to construction of capital projects as overhead, compared to $23.0 million in fiscal year 2019. The variance in the different categories are discussed below.

Personnel expenses increased $66.8 million (23.0%), from $290.1 million in fiscal year 2019 to $356.9 million in fiscal year 2020. The increase was primarily due to an increase in pension expenses and cost of living adjustments.

Depreciation increased $43.3 million (16.1%), from $268.8 million in fiscal year 2019 to $312.1 million in fiscal year 2020. The increase was primarily due to the additions of capital assets related to the partial opening of the Terminal 1, the grand opening of the on-Airport hotel, and the completion of the security infrastructure project.

Contractual services increased $12.5 million (13.7%), from $91.5 million in fiscal year 2019 to $104.0 million in fiscal year 2020. The increase was primarily due to the increased expenses for various professional services contracts, such as parking and curbside management, shuttle bus, and technology services.

Excluding depreciation expense, the on-Airport hotel reported $15.2 million of operating expenses for its first partial year of operation.

Light, heat and power expenses increased $0.7 million (2.8%), from $25.0 million in fiscal year 2019 to $25.7 million in fiscal year 2020. The increase was primarily due to increases in rates and was partially offset by decreases in consumption.

Expenses of services provided by other City departments decreased $0.1 million (0.1%), from $29.6 million in fiscal year 2019 to $29.5 million in fiscal year 2020. The decrease was primarily due to water conservation.

Repairs and maintenance expenses increased $11.4 million (29.4%), from $38.5 million in fiscal year 2019 to $49.9 million in fiscal year 2020. The increase was primarily due to the structure of the new elevator and new escalator and moving walk maintenance contracts. The new contracts provided for 24-hour maintenance service and covered both labor and materials as one fixed price.

Materials and supplies expenses increased $0.4 million (2.3%), from $14.9 million in fiscal year 2019 to $15.3 million in fiscal year 2020. The increase was primarily due to the COVID-19 personal protective equipment (PPE).

General and administrative expenses increased $16.3 million (571.8%), from $2.9 million in fiscal year 2019 to $19.2 million in fiscal year 2020. The increase was primarily due to estimated bad debt expense related to the COVID-19 Emergency Rent Relief Program for concession tenants.

Environmental remediation expenses increased $0.6 million (21.8%), from $2.8 million in fiscal year 2019 to $3.4 million in fiscal year 2020. The increase was primarily due to the expenses incurred in the Terminal 1 Boarding Area B Redevelopment project.

### Nonoperating Revenues and Expenses

The following summary shows a comparison of nonoperating revenues and expenses in fiscal years 2021, 2020, and 2019 (in thousands):

| | FY 2021 | FY 2020 | FY 2019 | FY 2021 percentage increase (decrease) | FY 2020 percentage increase (decrease) |
|---|---|---|---|---|---|
| Nonoperating revenues: | | | | | |
| Passenger facility charges (PFC) | $ 29,473 | 72,967 | 110,899 | (59.6)% | (34.2)% |
| Investment income | — | 87,250 | 91,925 | (100.0) | (5.1) |
| Other | 299,655 | 8,165 | 1,304 | 3,570.0 | 526.2 |
| Total nonoperating revenues | 329,128 | 168,382 | 204,128 | 95.5 | (17.5) |
| Nonoperating expenses: | | | | | |
| Interest expense | 272,841 | 300,160 | 228,941 | (9.1) | 31.1 |
| Write-offs and loss on disposal | 41,976 | 25,461 | 15,341 | 64.9 | 66.0 |
| Other | 67,404 | 88,041 | 58,972 | (23.4) | 49.3 |
| Total nonoperating expenses | 382,221 | 413,662 | 303,254 | (7.6) | 36.4 |
| Total nonoperating expenses, net | (53,093) | (245,280) | (99,126) | (78.4) | 147.4 |
| Capital contributions | 64,735 | 49,292 | 23,611 | 31.3 | 108.8 |
| Transfers to City and County of San Francisco | (14,736) | (33,743) | (49,112) | (56.3) | (31.3) |
| Total | $ (3,094) | (229,731) | (124,627) | (98.7)% | 84.3 % |

### Fiscal Year 2021

Nonoperating revenues consist primarily of PFC revenues and investment income, while nonoperating expenses consist of interest expense, write-offs, and loss on the disposal of capital assets, and capital improvement costs that did not meet capitalization requirements. PFCs, which became effective in October 2001, generated $29.5 million during fiscal year 2021, a decrease of 59.6% compared to the $73.0 million received in fiscal year 2020. The decrease in PFC revenues was primarily due to a 65.7% decline in enplanements resulting from the impact of the COVID-19 pandemic.

Investment income decreased $87.3 million (100.0%), from $87.3 million in fiscal year 2020 to $0.0 million in fiscal year 2021, primarily due to lower interest rates, lower cash and investment balances held in the City Treasury and outside of the City Treasury, and the investment fair value adjustments. Excluding the fair value adjustments, the actual investment income decreased $42.9 million from $67.8 million in fiscal year 2020 to $24.9 million in fiscal year 2021.

Other nonoperating revenues increased $291.5 million (3,570.0%), from $8.2 million in fiscal year 2020 to $299.7 million in fiscal year 2021, primarily due to the CARES Act grant funding.

Interest expense decreased $27.4 million (9.1%), from $300.2 million in fiscal year 2020 to $272.8 million in fiscal year 2021, primarily due to a decrease in fixed rate bond interest.

Write-offs and loss on disposal increased $16.5 million (64.9%), from $25.5 million in fiscal year 2020 to $42.0 million in fiscal year 2021, primarily due to the write-offs of capital assets that were replaced and assets that did not meet the capitalization threshold.

Other nonoperating expenses decreased $20.6 million (23.4%), from $88.0 million in fiscal year 2020 to $67.4 million in fiscal year 2021, primarily due to capital improvement projects costs that did not meet the capitalization requirement.

Capital contributions received from federal grants and other sources increased $15.4 million (31.3%), from $49.3 million in fiscal year 2020 to $64.7 million in fiscal year 2021. The increase was primarily due to the two fuel storage tanks transferred from SFO Fuel to the Airport in November 2020.

The annual service payments transferred to the City decreased $19.0 million (56.3%), from $33.7 million in fiscal year 2020 to $14.7 million in fiscal year 2021. The decrease was due to lower concession, parking, and transportation revenues attributable to the COVID-19 pandemic.

**Fiscal Year 2020**

Nonoperating revenues consist primarily of PFC revenues and investment income, while nonoperating expenses consist of interest expense, write-offs, and loss on the disposal of capital assets, and capital improvement costs that did not meet capitalization requirements. PFCs, which became effective in October 2001, generated $73.0 million during fiscal year 2020, a decrease of 34.2% compared to the $110.9 million received in fiscal year 2019. The decrease in PFC revenues was primarily due to a 29.4% decline in enplanements attributable to airline service suspensions from the COVID-19 pandemic.

Investment income decreased $4.6 million (5.1%), from $91.9 million in fiscal year 2019 to $87.3 million in fiscal year 2020, primarily due to the net effect of $14.6 million of investment fair value adjustments. Excluding the fair value adjustments, actual investment income increased $9.9 million.

Other nonoperating revenues increased $6.9 million (526.2%), from $1.3 million in fiscal year 2019 to $8.2 million in fiscal year 2020, primarily due to the in-kind donation of PPE masks from Federal Emergency Management Agency (FEMA) attributable to the COVID-19 pandemic.

Interest expense increased $71.3 million (31.1%), from $228.9 million in fiscal year 2019 to $300.2 million in fiscal year 2020, primarily due to an increase in financing activities to fund capital improvement projects.

Write-offs and loss on disposal increased $10.2 million (66.0%), from $15.3 million in fiscal year 2019 to $25.5 million in fiscal year 2020, primarily due to the write-offs of capital assets that were replaced and assets that did not meet the capitalization threshold.

Other nonoperating expenses increased $29.0 million (49.3%), from $59.0 million in fiscal year 2019 to $88.0 million in fiscal year 2020, primarily due to higher demolition and capital improvement projects costs that did not meet the capitalization requirement.

Capital contributions received from federal grants increased $25.7 million (108.8%), from $23.6 million in fiscal year 2019 to $49.3 million in fiscal year 2020. The increase was primarily due to the increase of grants for the Airport Improvement Program, TSA Checked Baggage Recapitalization Construction Project, and the Association of Bay Area Governments Wastewater Treatment Plant.

The annual service payments transferred to the City decreased $15.4 million (31.3%), from $49.1 million in fiscal year 2019 to $33.7 million in fiscal year 2020. The decrease was due to lower concession, parking, and transportation revenues attributable to the COVID-19 pandemic.

### Capital Acquisitions and Construction

Under the Lease and Use Agreement, the Airport Commission 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 in the Agreement.

The Airport maintains a Capital Improvement Plan 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.

### Fiscal Year 2021

Expenses incurred during fiscal year 2021 with respect to major capital projects are listed below. The figures below do not reflect the total project budget. Most major capital projects at the Airport are implemented over multiple fiscal years (in thousands).

| | | Amount |
|---|---|---|
| Terminal 1 Redevelopment | $ | 221,686 |
| Runway Improvements | | 106,666 |
| Courtyard 3 Connector | | 94,094 |
| International Terminal Refresh Program | | 52,182 |
| International Terminal Baggage Handling System | | 23,723 |
| AirTrain Extension | | 20,885 |
| Power & Lighting Improvements | | 17,673 |
| Net Zero Energy Program | | 17,134 |
| Taxiway Improvements | | 15,268 |
| Gate Capacity Enhancements | | 12,860 |
| Wayfinding | | 11,784 |
| Capital Equipment | | 10,962 |
| Miscellaneous Airfield Improvements | | 9,964 |
| Technology Improvement | | 9,573 |
| Support Facility Improvements | | 6,883 |
| Waste Water System Improvements | | 5,048 |
| Capital Improvement Plan Support | | 4,976 |
| Security Improvements | | 4,720 |
| On-Airport Hotel | | 4,621 |
| Terminal 3 Renovation | | 3,809 |
| AirTrain Improvements | | 3,555 |
| Superbay Renovation | | 3,344 |
| Noise Insulation Program | | 2,944 |
| Shoreline Protection | | 2,510 |
| Airport Support Miscellaneous Improvements | | 2,316 |
| Apron Reconstruction | | 1,239 |
| Total | $ | 670,419 |

The Terminal 1 (T1) Redevelopment Program is in various stages of construction as of June 30, 2021. The first portion of the improvements consisted of nine gates which opened in July 2019, and the second phase opened in May 2020 adding an additional nine gates, for a total of 18 new operational gates. Construction of another seven gates was completed in May 2021, which now provides Harvey Milk Terminal 1 with a total of 25 operational gates. The next phase of construction will be focused on Terminal 1 North, and this work is forecasted to complete in fiscal year 2023.

Notable projects that were completed in fiscal year 2021 included the Boarding Area A Gate Enhancement project and the AirTrain Extension, which included the construction of a new AirTrain station and extension of the elevated guideway out to the long-term parking garages at Lot DD.

As a result of the COVID-19 pandemic and the resulting economic uncertainty, the Airport has reprioritized its capital projects and has suspended some projects while moving forward with those that have been identified as essential to the operations and safety of the Airport. Construction activity is still continuing on major projects such as the T1 Redevelopment Program, the Courtyard 3 Connector project which will construct a post-security passenger connector between Terminal 2 and Terminal 3 in conjunction with a multi-story office block, and improvements to the International Terminal, which will expand both security checkpoints. The other major project that is underway and is expected to complete in Fall 2021 is the Runway 10L-28R Reconstruction project, which will improve existing pavement and electrical systems on the airfield.

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

**Fiscal Year 2020**

Expenses incurred during fiscal year 2020 with respect to major capital projects are listed below. The figures below do not reflect the total project budget. Most major capital projects at the Airport are implemented over multiple fiscal years (in thousands).

| | Amount |
|---|---|
| Terminal 1 Redevelopment | $ 314,233 |
| Courtyard 3 Connector | 65,687 |
| AirTrain Extension | 62,587 |
| Terminal 3 Renovation | 59,266 |
| International Terminal Baggage Handling System | 51,075 |
| Gate Capacity Enhancements | 46,828 |
| International Terminal Refresh Program | 44,030 |
| Superbay Renovation | 35,975 |
| Net Zero Energy Program | 31,967 |
| Security Improvements | 28,341 |
| Waste Water System Improvements | 27,875 |
| On-Airport Hotel | 24,416 |
| Airport Traffic Control Tower | 20,122 |
| Energy and Efficiency Improvements | 18,545 |
| Wayfinding | 17,906 |
| Runway Improvements | 13,853 |
| Technology Improvement | 13,035 |
| Capital Equipment | 11,907 |
| Capital Improvement Plan Support | 8,703 |
| Support Facility Improvements | 7,484 |
| South McDonnell Road Realignment | 4,471 |
| Power & Lighting Improvements | 3,863 |
| Taxiway Improvements | 3,776 |
| Miscellaneous Airfield Improvements | 3,361 |
| Utility Improvements | 2,721 |
| Airport Support Miscellaneous Improvements | 2,602 |
| Noise Insulation Program | 2,353 |
| Viaduct Improvements | 2,284 |
| Shoreline Protection | 1,770 |
| AirTrain Improvements | 1,730 |
| Cargo and Hangar Improvements | 1,497 |

| | | Amount |
|---|---|---|
| Revenue Enhancement and Customer Hospitality (REACH) | $ | 1,321 |
| Parking and Garage Improvements | | 1,235 |
| Plot 700 Redevelopment | | 1,169 |
| Total | $ | 937,988 |

Terminal 1 (T1) Redevelopment Program is currently in various stages of design and construction. The first portion of the improvements, consisting of nine gates, opened in July 2019. The second phase opened in May 2020, which added an additional nine gates, for a total of 18 operational gates. When completed, the T1 project will provide a total of 25 gates.

The Plot 2 Aircraft Parking and South McDonnell Road project, SFO Grand Hyatt Hotel, Terminal 2 Office Tower, Industrial Waste Treatment Plant project, and the Airport Security Infrastructure Program were completed during fiscal year 2020.

As a result of the COVID-19 pandemic and the resulting economic uncertainty, the Airport reprioritized its capital projects and is moving forward with those that have been identified as essential to the operations and safety of the Airport. In addition, construction activity continues on major projects such as T1 Redevelopment Program, which will conclude with the reconstruction of a new 25-gate Boarding Area B and the expansion of T1 Central Area, the extension of the AirTrain system to the long-term parking garages, and improvements to the International Terminal Departures level, which includes expansion of both security checkpoints. The Boarding Area A gate enhancements project that will reconfigure and replace passenger boarding bridges to accommodate larger aircraft is ongoing, while the Courtyard 3 Connector project is underway to construct a post-security passenger connector between Terminal 2 and Terminal 3 in conjunction with a multi-story office block. Other notable projects are in programming and design such as the Runway 10L-28R Reconstruction project and the Taxiway A & B Rehabilitation project to improve existing pavement and electrical systems, and the International Terminal Arrivals level to renovate primary immigration screening and support areas.

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

**Debt Administration**

**Fiscal Year 2021**

*Refunding Bonds*: On August 20, 2020, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2020A (AMT), Second Series Revenue Refunding Bonds, Series 2020B (Non-AMT/Governmental Purpose), and Second Series Revenue Refunding Bonds, Series 2020C (Federally Taxable), in aggregate principal amount of $291.3 million to refund a combined $337.1 million of its Series 2010C Bonds, Series 2010D Bonds, Series 2010F Bonds, Series 2010G Bonds, Series 2011C Bonds, Series 2011F Bonds, and Series 2011G Bonds, to finance deposits to the reserve account, and to pay costs of issuance.

On April 21, 2021, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2021A (AMT), Second Series Revenue Refunding Bonds, Series 2021B (Non-AMT/Governmental Purpose), and Second Series Revenue Refunding Bonds, Series 2021C (Federally Taxable) in aggregate principal amount of $547.1 million to refund a combined $402.9 million of its Series 2011C Bonds, Series 2011D Bonds, Series 2011F Bonds, Series 2011G Bonds, Series 2011H Bonds, Series 2013A Bonds, Series 2016A Bonds, Series 2016D Bonds, Series 2017D Bonds, Series 2018A Bonds, Series 2019C Bonds, Series 2019G Bonds, and Series 2019H Bonds, to repay outstanding Commercial Paper Notes (issued for the purpose of the cash defeasance and certain other purposes described below), to finance deposits to the reserve account, and to pay costs of issuance.

*Cash Defeasance*: On January 28, 2021, the Airport legally defeased $6.8 million of its Series 2011B Bonds, $6.8 million of its Series 2011H Bonds, $5.7 million of its Series 2013A Bonds, $29.4 million of its Series 2016A Bonds, $9.1 million of its Series 2016D Bonds, $21.9 million of its Series 2017D Bonds, $15.9 million of its Series 2018A Bonds, $25.5 million of its Series 2019C Bonds, $8.8 million of its Series 2019G Bonds, and $37.0 million of its Series 2019H Bonds using proceeds from Commercial Paper Notes.

*Subordinate Commercial Paper Notes*: During fiscal year 2021, the Airport issued $506.1 million in commercial paper notes to fund capital improvement projects and costs of issuance related to the debt program, to reimburse the Airport for capitalized interest on revenue bonds, and to defease outstanding revenue bonds, then used proceeds of the Series 2021A Bonds, Series 2021B Bonds, and Series 2021C Bonds to retire $230.0 million in commercial paper notes. As of June 30, 2021, the Airport had $279.3 million in outstanding commercial paper notes.

*Interest Rate Swaps*: The Airport ended fiscal year 2021 with one interest rate swap outstanding with a total notional amount of $125.6 million and related deferred outflows on derivative instruments of $21.4 million recorded as a long-term obligation as of June 30, 2021. The Airport's interest rate swap is intended as a hedge against the potential volatility of the interest rates on the Airport's variable rate bonds. Under the Airport's swap agreement, the Airport receives a monthly variable rate payment from the counterparty that is intended to approximate the interest payments the Airport makes on the associated variable rate bonds, while the Airport makes a monthly fixed rate payment to the swap counterparty, resulting in a synthetic fixed rate for these bonds. As of June 30, 2021, the Airport's interest rate swap was associated with the Series 2010A Bonds.

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

*1991 Master Bond Resolution Covenant Compliance*: During fiscal year 2021, the Airport's operating revenues, together with the permitted transfers from the Airport's Contingency Account, were sufficient to meet the rate covenant requirements under the Airport's 1991 Master Bond Resolution. See "Debt Service Reserve and Covenants; Contingency Account" in note 7.

**Fiscal Year 2020**

*Capital Plan Bonds:* On September 10, 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019E (AMT), Series 2019F (Non-AMT/Governmental Purpose), and Series 2019G (Federally Taxable) in the aggregate principal amount of $896.9 million to finance and refinance (through repayment of commercial paper notes) a portion of the costs of capital projects, to fund deposits to capitalized interest accounts, to make a deposit to a contingency reserve account, to fund deposits to the debt service reserve account, and to pay costs of issuance.

*Refunding Bonds*: On September 10, 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019G (Federally Taxable), and Second Series Revenue Refunding Bonds, Series 2019H (AMT), in the aggregate principal amount of $292.3 million, to refund a combined $328.0 million of its Series 2009A Bonds, 2009B Bonds, 2009C-2 Bonds, Issue 37C Bonds and 2010A-3 Bonds, to finance (through repayment of commercial paper notes) related swap termination payments, and to pay costs of issuance.

*Cash Defeasance*: On September 12, 2019, the Airport legally defeased $5,000 of its Second Series Revenue Refunding Bonds, Series 2009D, $5,000 of its Second Series Revenue Refunding Bonds, Series 2010D, $160,000 of its Second Series Revenue Bonds, Series 2010F, $5,000 of its Second Series Revenue Refunding Bonds, Series 2011C, $5,000 of its Second Series Revenue Refunding Bonds, Series 2011F, $5,000 of its Second Series Revenue Refunding Bonds, Series 2012A, $5,000 of its Second Series Revenue Bonds, Series 2013A, $10,000 of its Second Series Revenue Bonds, Series 2014A, $5,000 of its Second Series Revenue Bonds, Series 2017A, $5,000 of its Second Series Revenue Refunding Bonds, Series 2018A, $5,000 of its Second Series Revenue Bonds, Series 2018D, and $5,000 of its Second Series Revenue Refunding Bonds, Series 2018G, using available cash on hand together with amounts held by the Trustee for purposes of paying future debt service on such bonds.

On November 1, 2019, the Trustee purchased and cancelled $5,000 of the Second Series Revenue Refunding Bonds, Series 2009D, at the direction of the Commission, using available cash on hand.

*Subordinate Commercial Paper Notes*: During fiscal year 2020, the Airport issued $49.4 million in new money commercial paper notes, then used proceeds of the Series 2019E, Series 2019F, and Series 2019G Bonds to retire $49.4 million in commercial paper notes, including commercial paper notes that were outstanding as of July 1, 2019. As of June 30, 2020, the Airport had $3.2 million in outstanding commercial paper notes.

*Interest Rate Swaps*: The Airport ended fiscal year 2020 with one interest rate swap outstanding with a total notional amount of $131.2 million and related deferred outflows on derivative instruments of $28.2 million recorded as a long-term obligation as of June 30, 2020. The Airport's interest rate swap is intended as a hedge against the potential volatility of the interest rates on the Airport's variable rate bonds. Under the Airport's swap agreement, the Airport receives a monthly variable rate payment from the counterparty that is intended to approximate the interest payments the Airport makes on the associated variable rate bonds, while the Airport makes a monthly fixed rate payment to the swap counterparty, resulting in a synthetic fixed rate for these bonds. As of June 30, 2020, the Airport's interest rate swap was associated with the Series 2010A Bonds.

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

*1991 Master Bond Resolution Covenant Compliance*: During fiscal year 2020, the Airport's operating revenues, together with the permitted transfers from the Airport's Contingency Account, were sufficient to meet the rate covenant requirements under the Airport's 1991 Master Bond Resolution. See "Debt Service Reserve and Covenants; Contingency Account" in note 7.

**Credit Ratings and Bond Insurance**

**Fiscal Year 2021**

*Credit Ratings*: During fiscal year 2021, Moody's Investors Service Inc. (Moody's) and Fitch Ratings Inc. (Fitch) affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1" and "A+", respectively. S&P Global Ratings (S&P) downgraded the Airport's credit rating from "A+" to "A".

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 July 24, 2020, Moody's affirmed the "A1" rating with a stable outlook, S&P downgraded the credit rating to "A" with a negative outlook, and Fitch affirmed the "A+" rating with negative outlook for the outstanding fixed rate bonds and assigned these ratings to the Series 2020A/B/C Bonds, which were issued on August 20, 2020. As of March 25, 2021, Moody's, S&P, and Fitch affirmed the credit ratings of "A1", "A", and "A+", respectively, for the outstanding fixed rate bonds and assigned these ratings to the Series 2021A/B/C Bonds, which were issued on April 21, 2021, and S&P revised the outlook from negative to stable.

*Bond Insurance*: Prior to fiscal year 2009, the Airport generally purchased municipal bond insurance policies in connection with the issuance of many series of its outstanding revenue bonds from monoline bond insurance companies that were rated "AAA" at the time. The insured credit ratings on these Airport bonds declined in tandem with the credit ratings of most bond insurance companies as a result of the global financial crisis that began in fiscal year 2008. Insured Airport bonds carry the higher of the Airport's underlying rating or the insured rating.

In fiscal year 2021, certain outstanding Airport bonds were supported by Assured Guaranty Municipal Corp. In fiscal year 2021, the public ratings of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) were "A2" by Moody's and "AA" by S&P. There were no insured Airport bonds outstanding at the end of fiscal year 2021.

**Fiscal Year 2020**

*Credit Ratings*: During fiscal year 2020, Moody's Investors Service Inc. (Moody's), Standard & Poor's Ratings Services, a Standard and Poor's Financial Services LLC business (S&P), and Fitch Inc. (Fitch) affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1", "A+", and "A+", respectively, but each rating agency adjusted its rating outlook during the fiscal year.

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.

As of July 29, 2019, Moody's, S&P, and Fitch assigned credit ratings of "A1", "A+", and "A+", respectively, to the fixed rate Series 2019E/F/G/H Bonds, which were issued on September 10, 2019. Following the Series 2019E/F/G/H bond issuance, S&P affirmed the "A+" credit rating but revised the Airport's rating outlook from stable to negative on March 26, 2020; Fitch affirmed the "A+" credit rating but revised the Airport's rating outlook from stable to negative on March 26, 2020; and Moody's affirmed the "A1" credit rating but revised the Airport's rating outlook from positive to stable on April 16, 2020.

*Bond Insurance*: Prior to fiscal year 2009, the Airport generally purchased municipal bond insurance policies in connection with the issuance of many series of its outstanding revenue bonds from monoline bond insurance companies that were rated "AAA" at the time. The insured credit ratings on these Airport bonds declined in tandem with the credit ratings of most bond insurance companies as a result of the global financial crisis that began in fiscal year 2008. Insured Airport bonds carry the higher of the Airport's underlying rating or the insured rating.

In fiscal year 2020, certain outstanding Airport bonds were supported by Assured Guaranty Municipal Corp. and National Public Finance Guarantee Corp. ("National"). In fiscal year 2020, the public ratings of Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) were "A2" by Moody's and "AA" by S&P. In fiscal year 2020, the public rating of National was "Baa2" by Moody's.

### Fiscal Year 2022 Airline Rates and Charges

Terminal rental rates and airline landing fees for fiscal year 2022 have been developed as part of the annual budget process that started in October 2020. 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 2022, which became effective on July 1, 2021, are as follows:

| | | |
|---|---|---|
| Effective average terminal rental rate (per sq. ft) | $ | 196.45 |
| Signatory Airline – landing fee rate (per 1,000 lbs.) | | 11.40 |
| Non-Signatory Airline – landing fee rate (per 1,000 lbs.) | | 14.25 |
| General aviation – landing fee rate (per 1,000 lbs.) | | 14.25 |

The effective average terminal rental rate remained flat at $196.45 per sq. ft. from fiscal year 2021 to fiscal year 2022. The fiscal year 2022 landing fee rate for Signatory Airlines increased by 56.4%, from $7.29 per 1,000 pounds in fiscal year 2021 to $11.40 per 1,000 pounds in fiscal year 2022, while the Non-Signatory Airline landing fee rate increased by 56.4%, from $9.11 per 1,000 pounds in fiscal year 2021 to $14.25 per 1,000 pounds in fiscal year 2022. The fiscal year 2022 landing fee rate for general aviation aircraft increased by 56.4%, from $9.11 per 1,000 pounds in fiscal year 2021 to $14.25 per 1,000 pounds in fiscal year 2022.

### 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 Office, San Francisco International Airport, P.O. Box 8097, San Francisco, California 94128.

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

Statements of Net Position

Years ended June 30, 2021 and 2020

(In thousands)

| | | 2021 | 2020 |
|---|---|---|---|
| Assets: | | | |
| Current assets: | | | |
| Cash and investments held in City Treasury | $ | 651,373 | 515,525 |
| Cash and investments outside City Treasury | | 17,733 | 18,871 |
| Cash – Revolving Fund | | 52 | 81 |
| Accounts receivable (net of allowance for doubtful accounts: 2021: $22,714; 2020: $18,074) | | 40,450 | 22,827 |
| Aviation revenue due | | — | 23,791 |
| Accrued interest – City Treasury | | 295 | 1,285 |
| Accrued interest – outside City Treasury | | 1,422 | 2,398 |
| Inventories | | 4,461 | 5,856 |
| Other current assets | | 3,816 | 5,600 |
| Restricted assets: | | | |
| Cash and investments held in City Treasury | | 417,587 | 395,065 |
| Cash and investments outside City Treasury | | 114,326 | 198,870 |
| Accounts Receivable | | 950 | 577 |
| Accrued interest – City Treasury | | 226 | 1,464 |
| Accrued interest – Other | | 70 | 370 |
| Grants receivable | | 83,278 | 11,080 |
| Passenger facility charges receivable | | 8,496 | — |
| Other current assets | | 708 | 921 |
| Total current assets | | 1,345,243 | 1,204,581 |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Cash and investments held in City Treasury | | 531,237 | 937,498 |
| Cash and investments outside City Treasury | | 616,398 | 631,919 |
| Accrued interest – City Treasury | | 335 | 3,206 |
| Capital assets, net | | 7,070,878 | 6,737,388 |
| Total noncurrent assets | | 8,218,848 | 8,310,011 |
| Total assets | | 9,564,091 | 9,514,592 |
| Deferred outflows of resources: | | | |
| Unamortized loss on refunding of debt | | 52,746 | 49,470 |
| Deferred outflows on derivative instruments | | 21,374 | 28,221 |
| Deferred outflows related to OPEB | | 39,632 | 32,003 |
| Deferred outflows related to pensions | | 94,882 | 94,151 |
| Total deferred outflows of resources | $ | 208,634 | 203,845 |



(Continued)

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

Statements of Net Position

Years ended June 30, 2021 and 2020

(In thousands)

| | 2021 | 2020 |
|---|---|---|
| Liabilities: | | |
| Current liabilities: | | |
| Accounts payable | $ 71,266 | 52,851 |
| Accrued payroll | 16,748 | 15,628 |
| Compensated absences | 12,837 | 11,692 |
| Accrued workers' compensation | 2,235 | 2,169 |
| Estimated claims payable | 20 | 52 |
| Due to City and County of San Francisco | — | 221 |
| Unearned aviation revenue | 160,189 | — |
| Current maturities of long-term debt | 4,883 | 190,908 |
| Payable from restricted assets: | | |
| Accounts payable | 116,891 | 147,602 |
| Accrued payroll | 803 | 634 |
| Grants received in advance | 638 | 4,523 |
| Accrued bond interest payable | 60,859 | 62,065 |
| Commercial paper | 279,340 | 3,190 |
| Current maturities of long-term debt | 977 | 38,182 |
| Total current liabilities | 727,686 | 529,717 |
| Noncurrent liabilities: | | |
| Compensated absences, net of current portion | 13,642 | 10,115 |
| Accrued workers' compensation, net of current portion | 8,093 | 6,550 |
| Estimated claims payable, net of current portion | 38 | 116 |
| Other liabilities | 116 | 90 |
| Long-term debt, net of current maturities | 8,839,097 | 8,620,451 |
| Net OPEB liability | 258,525 | 256,506 |
| Net pension liability | 340,330 | 278,176 |
| Derivative instruments | 21,374 | 28,221 |
| Total noncurrent liabilities | 9,481,215 | 9,200,225 |
| Total liabilities | 10,208,901 | 9,729,942 |
| Deferred inflows of resources: | | |
| Deferred inflows related to OPEB | 43,768 | 18,448 |
| Deferred inflows related to pensions | 14,859 | 62,787 |
| Total deferred inflows of resources | 58,627 | 81,235 |
| Net position: | | |
| Net investment in capital assets | (1,030,427) | (725,562) |
| Restricted for debt service | 117,856 | 220,591 |
| Restricted for capital projects | 436,516 | 406,194 |
| Unrestricted | (18,748) | 6,037 |
| Total net position | $ (494,803) | (92,740) |

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(In thousands)

| | | 2021 | 2020 |
|---|---|---|---|
| Operating revenues: | | | |
| Aviation | $ | 337,215 | 613,473 |
| Concession | | 56,528 | 129,127 |
| Hotel | | 12,567 | 13,481 |
| Parking and transportation | | 44,819 | 112,730 |
| Net sales and services | | 64,287 | 75,068 |
| Total operating revenues | | 515,416 | 943,879 |
| Operating expenses: | | | |
| Personnel | | 363,451 | 356,902 |
| Depreciation | | 331,135 | 312,118 |
| Contractual services | | 77,077 | 103,991 |
| Hotel | | 14,396 | 15,199 |
| Light, heat and power | | 24,809 | 25,655 |
| Services provided by other City departments | | 29,320 | 29,531 |
| Repairs and maintenance | | 51,507 | 49,857 |
| Materials and supplies | | 11,488 | 15,253 |
| General and administrative | | 5,766 | 19,159 |
| Environmental remediation | | 5,436 | 3,407 |
| Total operating expenses | | 914,385 | 931,072 |
| Operating (loss) income | | (398,969) | 12,807 |
| Nonoperating revenues (expenses): | | | |
| Investment income | | — | 87,250 |
| Interest expense | | (272,841) | (300,160) |
| Passenger facility charges | | 29,473 | 72,967 |
| Write-offs and loss on disposal | | (41,976) | (25,461) |
| Other nonoperating revenues | | 299,655 | 8,165 |
| Other nonoperating expenses | | (67,404) | (88,041) |
| Total nonoperating expenses, net | | (53,093) | (245,280) |
| Loss before capital contributions and transfers | | (452,062) | (232,473) |
| Capital contributions: | | | |
| Grants | | 28,416 | 49,292 |
| Other | | 36,319 | — |
| Transfers to City and County of San Francisco | | (14,736) | (33,743) |
| Changes in net position (deficit) | | (402,063) | (216,924) |
| Total net position (deficit) – beginning of year | | (92,740) | 124,184 |
| Total net position (deficit) – end of year | $ | (494,803) | (92,740) |

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

| | | 2021 | 2020 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Cash received from airline carriers, concessionaires, and others | $ | 694,223 | 979,219 |
| Cash paid for employees' services | | (322,847) | (320,001) |
| Cash paid to suppliers of goods and services | | (208,004) | (285,723) |
| Net cash provided by operating activities | | 163,372 | 373,495 |
| Cash flows from noncapital financing activities: | | | |
| Transfers to City and County of San Francisco | | (14,957) | (33,522) |
| Other noncapital financing revenues | | 228,133 | 12,790 |
| Other noncapital financing expenses | | (67,404) | (88,041) |
| Net cash provided by (used) in noncapital financing activities | | 145,772 | (108,773) |
| Cash flows from capital and related financing activities: | | | |
| Principal paid on revenue bonds and commercial paper notes | | (5,600) | (211,170) |
| Interest paid on revenue bonds and commercial paper notes | | (362,674) | (399,724) |
| Acquisition and construction of capital assets | | (659,434) | (890,511) |
| Revenues from passenger facility charges | | 21,468 | 91,921 |
| Proceeds from sale of revenue bonds | | 2,242 | 959,475 |
| Proceeds from commercial paper notes | | 335,606 | 49,375 |
| Capital contributed by federal agencies and others | | 23,525 | 53,074 |
| Net cash (used) in capital and related financing activities | | (644,867) | (347,560) |
| Cash flows from investing activities: | | | |
| Sales of investments with Trustee | | 905,573 | 1,327,477 |
| Purchases of investments with Trustee | | (837,722) | (1,266,897) |
| Interest received on investments | | 33,811 | 75,892 |
| Net cash provided by investing activities | | 101,662 | 136,472 |
| Net (decrease) increase in cash and cash equivalents | | (234,061) | 53,634 |
| Cash and cash equivalents, beginning of year | | 1,854,716 | 1,801,082 |
| Cash and cash equivalents, end of year | $ | 1,620,655 | 1,854,716 |
| Reconciliation of cash and cash equivalents to the statements of net position: | | | |
| Cash and investments held in City Treasury – unrestricted | $ | 651,373 | 515,525 |
| Cash and investments held in City Treasury – restricted | | 948,824 | 1,332,563 |
| Cash and investments outside City Treasury – unrestricted | | 17,733 | 18,871 |
| Cash and investments outside City Treasury – restricted | | 3,969 | 2,281 |
| Cash – Revolving Fund | | 52 | 81 |
| Cash, cash equivalents, and investments | | 1,621,951 | 1,869,321 |
| Unrealized (loss) on investments | | (1,296) | (14,605) |
| Cash and cash equivalents, June 30 | $ | 1,620,655 | 1,854,716 |



(Continued)

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

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands)

| | | 2021 | 2020 |
|---|---|---|---|
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating (loss) income | $ | (398,969) | 12,807 |
| Adjustments for noncash and other activities: | | | |
| Depreciation | | 331,135 | 312,118 |
| Allowance for doubtful accounts | | 4,640 | 16,767 |
| Cost of issuance paid from bond proceeds | | 1,687 | 1,902 |
| Hotel expense | | 52 | 27 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | | (22,806) | 21,832 |
| Aviation revenue due | | 23,791 | (23,791) |
| Inventories | | 1,395 | (5,632) |
| Other current assets | | 1,997 | 257 |
| Deferred outflows related to OPEB | | (7,629) | (11,419) |
| Deferred outflows related to pensions | | (731) | (13,780) |
| Accounts payable and other liabilities | | 19,655 | 3,700 |
| Accrued payroll | | 1,120 | 2,843 |
| Compensated absences | | 4,672 | 3,604 |
| Accrued workers' compensation | | 1,609 | 300 |
| Net OPEB liability | | 2,019 | 20,346 |
| Unearned aviation revenue | | 160,189 | (3,392) |
| Deferred inflows related to OPEB | | 25,320 | (3,454) |
| Deferred inflows related to pensions | | (47,928) | 14,490 |
| Net pension liability | | 62,154 | 23,970 |
| Net cash provided by operating activities | $ | 163,372 | 373,495 |
| Noncash transactions: | | | |
| Accrued capital asset costs | $ | 109,024 | 140,882 |
| Bond refunding through fiscal agent | | 242,990 | 331 |
| Bond proceeds held by fiscal agent | | — | 157,352 |
| Commercial paper repaid through fiscal agent | | 230,000 | 49,410 |
| Bond defeasance | | 170,544 | — |
| SFO Fuel capital asset contribution | | 36,319 | — |

See accompanying notes to financial statements.



(Continued)

## (1) Definition of Reporting Entity

The accompanying financial statements reflect the net position and changes in net position of the Airport Commission, City and County of San Francisco, San Francisco International Airport (the Airport or SFO), a commercial service airport owned and operated as an enterprise fund of the City and County of San Francisco (the City). The 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 City's Mayor 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 U.S. 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, and parking and transportation charges. Operating expenses of the Airport include personnel costs, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

As prescribed under GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement 27, net pension 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 No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* 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 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 measured at fair value.

### *(b) Implementation of New Governmental Accounting Standards Board (GASB)*

#### Governmental Accounting Standards Board (GASB) Statement No. 84

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for state and local governments to identify fiduciary activities and how those activities should be reported. The new standard is effective for periods beginning after December 15, 2018. The effective date was extended by the GASB to periods beginning after December 15, 2019. The Airport adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

#### Governmental Accounting Standards Board (GASB) Statement No. 87

In June 2017, the GASB issued Statement No. 87 – *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease liabilities that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. The effective date was extended by the GASB to periods beginning after June 15, 2021. The Airport will implement the provisions of Statement No. 87 in fiscal year 2022.

#### Governmental Accounting Standards Board (GASB) Statement No. 89

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. The new standard was to be effective for periods beginning after December 15, 2019. The effective date was extended by the GASB to periods beginning after December 15, 2020. The Airport will implement the provisions of Statement No. 89 in fiscal year 2022.

#### Governmental Accounting Standards Board (GASB) Statement No. 90

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests*. GASB Statement No. 90 establishes accounting reporting requirements of majority equity interests in legally separate organizations and certain component units. The new standard was to be effective for periods beginning after December 15, 2018. The effective date was extended by the GASB to periods beginning after December 15, 2019. The Airport adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

#### Governmental Accounting Standards Board (GASB) Statement No. 91

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. GASB Statement No. 91 establishes accounting requirements for recognition, measurement, and disclosure for issuers. The new standard was to be effective for periods beginning after December 15, 2020. The effective date was extended by the GASB to periods beginning after December 15, 2021. The Airport will implement the provisions of Statement No. 91 in fiscal year 2023.

**Governmental Accounting Standards Board (GASB) Statement No. 92**

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. GASB Statement No. 92 addresses practice issues that have been identified during implementation and application of certain GASB Statements. The new standard is effective for periods beginning after June 15, 2021. The Airport will implement the provisions of Statement No. 92 in fiscal year 2022.

**Governmental Accounting Standards Board (GASB) Statement No. 93**

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. GASB Statement No. 93 establishes accounting and financial reporting requirements related to the replacement of interbank offered rates (IBORs) in hedging derivative instruments and leases. The new standard was to be effective for periods beginning after June 15, 2020. The effective date was extended by the GASB to periods beginning after June 15, 2021. The Airport will implement the provisions of Statement No. 93 in fiscal year 2022.

**Governmental Accounting Standards Board (GASB) Statement No. 94**

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards of accounting and financial reporting for public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) for governments. The new standard is effective for periods beginning after June 15, 2022. The Airport will implement the provisions of Statement No. 94 in fiscal year 2023.

**Governmental Accounting Standards Board (GASB) Statement No. 95**

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB Statement No. 95 provides temporary relief in light of the COVID-19 pandemic and extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The new standard is effective immediately. The Airport adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

**Governmental Accounting Standards Board (GASB) Statement No. 96**

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 establishes standards of accounting and financial reporting for subscription-based information technology arrangements (SBITAs) by a government. The new standard is effective for periods beginning after June 15, 2022. The Airport will implement the provisions of Statement No. 96 in fiscal year 2023.

**Governmental Accounting Standards Board (GASB) Statement No. 97**

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. GASB Statement No. 97 clarifies rules related to reporting of fiduciary activities under Statements

No. 14 and No. 84 and enhances the accounting and financial reporting of IRS Code section 457 plans that meet the definition of a pension plan. The new standard is effective for periods beginning after June 15, 2021. The Airport adopted the provisions of this Statement in fiscal year 2021, which did not have a significant impact on its financial statements.

**Governmental Accounting Standards Board (GASB) Statement No. 98**

In October 2021, the GASB issued Statement No. 98 – *The Annual Comprehensive Financial Report*. GASB Statement No. 98 updates existing accounting standards by changing the name of the Comprehensive Annual Financial Report to the Annual Comprehensive Financial Report. The new standard is effective for periods ending after December 15, 2021. The Airport adopted the provisions of this Statement in fiscal year 2021, which did not have a significant impact on its financial statements.

### *(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 statements of net position as "Cash and investments held in City Treasury." Income earned or losses arising from pooled investments are allocated on a monthly basis to appropriate funds and entities based on their average daily cash balances.

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

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

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

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

### *(d) Capital Assets*

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

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

| | Years |
|---|---|
| Buildings, structures, and improvements | 5–50 |
| Equipment | 5–20 |
| Intangible assets | 3–20 |

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 complete 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 2007. The indirect cost rate applied is based on a cost allocation plan developed in accordance with the terms of 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance)*, as applicable. See note 5.

### *(e) Capitalized Interest*

Interest cost of debt issued for acquiring a capital asset is capitalized as part of the historical cost of the asset. Interest costs of tax-exempt bond funds used for specified construction purposes, net of interest earned on the temporary investment of the proceeds of such tax-exempt borrowings, are capitalized from the date of borrowings until the asset is ready for its intended use. Interest costs of other borrowings are capitalized based on average accumulated construction expenditures.

### *(f) Derivative Instruments*

The Airport has entered into certain derivative instrument agreements, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 72 – *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, an amendment of GASB Statement No. 53. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statements of net position, otherwise changes in fair values are recorded within the investment revenue classification.

### *(g) 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 discount or premium 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 using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

***(h) Compensated Absences***

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

***(i) 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 by any outstanding debt incurred to acquire, construct, or improve those assets (including any unamortized original issue discounts or premiums related to the debt). Deferred outflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt (such as deferred losses on advance refundings) 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).

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

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

***(j) Aviation Revenue, Unearned Revenue and Aviation Revenue Due***

Aviation revenue is based on reimbursable expenditures as defined in the Lease and Use Agreement with the airlines. Under the Lease and Use Agreement, the airlines are required to pay terminal rents and landing fees in amounts that, when aggregated with certain other Airport revenues, will be equal to the Airport's expenditures for: operating expenses other than depreciation and amortization; principal and interest on outstanding debt; annual service payments to the City; and certain acquisitions of capital assets. 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 2010, the Airport reached an agreement with the airlines on a new ten-year Lease and Use Agreement that became effective on July 1, 2011, that was originally set to expire on June 30, 2021, and that was extended by mutual agreement to June 30, 2023. Airlines that are not signatories to this agreement operate under month-to-month permits. As of June 30, 2021, 33 passenger airlines representing over 98% of enplaned passengers in fiscal year 2021 and six cargo airlines have executed the extension amendment. Other than extending the term of the Lease and Use Agreements through June 30, 2023, and continuing the preferential use gate allocations in effect as of June 30, 2021 through the end of the extended term, the extension amendments did not affect any of the terms and conditions of the Lease and Use Agreements.

Amounts billed to airlines are based on budgeted revenues and expenditures, including debt service, pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Commission may establish or the Board of Supervisors may require with respect to employees of the Commission. Noncash accrued pension obligations other than those actually paid or budgeted to be paid during the fiscal year are excluded. Noncash accrued Other Postemployment Benefit obligations are included. Unanticipated sources of Revenues, or unanticipated grant funding available to apply to offset Airport expenses, can result in aviation revenue collected in advance. Aviation revenue collected in advance will be applied to reduce future billings and is recorded as a liability in the financial statements. Aviation revenue due to be collected will be reduced by increases in future billings and is recorded as an asset in the financial statements. Pursuant to the terms of the Lease and Use Agreement, the Airport has a net aviation revenue collected in advance of $160.2 million as of June 30, 2021.

### *(k) 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 between the Airport and concessionaires and are the greater of a percentage of tenant’s gross revenues or, where applicable, a minimum annual guarantee (MAG) amount.

### *(l) Hotel Revenues*

Hotel revenues consist of rooms, food and beverage, garage, meeting and special event, and parking services.

### *(m) Parking and Transportation Revenues*

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

### *(n) Net Sales and Services Revenues*

Net sales and services revenues are collected for utility, security, and miscellaneous services provided to the tenants. Utility services are provided by the City. See note 11.

### *(o) 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.

### *(p) 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.

### *(q) 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *(r) Reclassification*

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

## (3) Cash, Cash Equivalents, and Investments

### *(a) Pooled Cash and Investments*

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

The Airport's cash and investments, at fair value, held in the City's pool as of June 30, 2021 and 2020 are as follows (in thousands):

| | | 2021 | 2020 |
|---|---|---|---|
| Pooled cash and investments: | | | |
| Cash and investments held in City Treasury – unrestricted | $ | 651,373 | 515,525 |
| Cash and investments held in City Treasury – restricted current | | 417,587 | 395,065 |
| Cash and investments held in City Treasury – restricted noncurrent | | 531,237 | 937,498 |
| Total cash and investments held in City Treasury | $ | 1,600,197 | 1,848,088 |

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** |
| 14.5% | 27.6% | 29.7% | 28.2% |

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

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

As of June 30, 2021 and 2020, the Senior Trustee held investments for the benefit of the Airport with maturities as follows (in thousands):

| Investments | Credit ratings June 30, 2021 (S&P/Moody's / Fitch) | June 30, 2021 Maturities | June 30, 2021 Fair value | June 30, 2020 Maturities | June 30, 2020 Fair value |
|---|---|---|---|---|---|
| Federal Home Loan Bank Notes | A-1+/P-1/NR | — | $ — | October 26, 2020 | $ 39,980 |
| Federal Home Loan Bank Notes | AA+/Aaa/NR | June 3, 2022 | 10,459 | October 12, 2021 | 1,036 |
| Federal Home Loan Bank Notes | AA+/Aaa/NR | February 17, 2023 | 11,980 | June 3, 2022 | 10,624 |
| Federal Home Loan Bank Notes | AA+/Aaa/NR | June 9, 2023 | 7,855 | February 17, 2023 | 12,219 |
| Federal Home Loan Bank Notes | AA+/Aaa/NR | December 8, 2023 | 9,044 | June 9, 2023 | 8,325 |
| Federal Home Loan Bank Notes | AA+/Aaa/NR | September 4, 2025 | 1,319 | December 8, 2023 | 9,685 |
| Federal Home Loan Bank Notes | AA+/Aaa/NR | — | — | February 13, 2024 | 6,834 |
| Federal Home Loan Bank Notes | AA+/Aaa/NR | — | — | April 14, 2025 | 13,542 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | January 11, 2022 | 547 | July 30, 2020 | 4,345 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | September 6, 2022 | 11,975 | December 28, 2020 | 4,205 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | May 22, 2023 | 10,834 | February 26, 2021 | 1,244 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | July 10, 2023 | 10,214 | June 22, 2021 | 8,455 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | January 7, 2025 | 19,330 | January 11, 2022 | 6,565 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | June 17, 2025 | 11,919 | April 5, 2022 | 6,609 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | August 25, 2025 | 8,456 | April 12, 2022 | 7,816 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | November 7, 2025 | 10,559 | September 6, 2022 | 12,406 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | — | — | May 22, 2023 | 11,003 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | — | — | February 5, 2024 | 11,988 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | — | — | July 2, 2024 | 14,358 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | — | — | September 6, 2024 | 5,474 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | — | — | October 15, 2024 | 8,432 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | — | — | January 7, 2025 | 19,975 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | — | — | April 22, 2025 | 31,050 |
| Federal National Mortgage Association Notes | AA+/Aaa/AAA | — | — | June 17, 2025 | 12,175 |

| Investments | Credit ratings June 30, 2021 (S&P/Moody's / Fitch) | June 30, 2021 Maturities | Fair value | June 30, 2020 Maturities | Fair value |
|---|---|---|---|---|---|
| US Treasury Notes | AA+/Aaa/AAA | July 31, 2021 | 551 | July 31, 2020 | 2,558 |
| US Treasury Notes | AA+/Aaa/AAA | September 30, 2021 | 551 | August 31, 2020 | 2,525 |
| US Treasury Notes | AA+/Aaa/AAA | October 31, 2021 | 13,837 | September 30, 2020 | 2,267 |
| US Treasury Notes | AA+/Aaa/AAA | November 30, 2021 | 549 | October 13, 2020 | 13,494 |
| US Treasury Notes | AA+/Aaa/AAA | December 31, 2021 | 550 | October 27, 2020 | 49,977 |
| US Treasury Notes | AA+/Aaa/AAA | February 28, 2022 | 496 | October 31, 2020 | 23,442 |
| US Treasury Notes | AA+/Aaa/AAA | March 31, 2022 | 491 | November 30, 2020 | 2,162 |
| US Treasury Notes | AA+/Aaa/AAA | April 30, 2022 | 2,517 | December 31, 2020 | 2,169 |
| US Treasury Notes | AA+/Aaa/AAA | May 31, 2022 | 7,253 | January 31, 2021 | 2,049 |
| US Treasury Notes | AA+/Aaa/AAA | June 30, 2022 | 452 | March 31, 2021 | 1,013 |
| US Treasury Notes | AA+/Aaa/AAA | July 31, 2022 | 14,741 | April 30, 2021 | 19,521 |
| US Treasury Notes | AA+/Aaa/AAA | August 31, 2022 | 20,960 | May 15, 2021 | 11,555 |
| US Treasury Notes | AA+/Aaa/AAA | September 30, 2022 | 17,271 | May 31, 2021 | 20 |
| US Treasury Notes | AA+/Aaa/AAA | November 30, 2022 | 539 | June 30, 2021 | 555 |
| US Treasury Notes | AA+/Aaa/AAA | December 31, 2022 | 15,986 | July 31, 2021 | 14,426 |
| US Treasury Notes | AA+/Aaa/AAA | March 31, 2023 | 946 | August 15, 2021 | 18,606 |
| US Treasury Notes | AA+/Aaa/AAA | June 30, 2023 | 733 | August 31, 2021 | 36,527 |
| US Treasury Notes | AA+/Aaa/AAA | August 15, 2023 | 21,086 | September 30, 2021 | 557 |
| US Treasury Notes | AA+/Aaa/AAA | October 31, 2023 | 567 | October 31, 2021 | 29,701 |
| US Treasury Notes | AA+/Aaa/AAA | November 15, 2023 | 20,186 | November 30, 2021 | 557 |
| US Treasury Notes | AA+/Aaa/AAA | December 31, 2023 | 22,597 | December 31, 2021 | 560 |
| US Treasury Notes | AA+/Aaa/AAA | February 15, 2024 | 17,824 | January 31, 2022 | 10,750 |
| US Treasury Notes | AA+/Aaa/AAA | April 30, 2024 | 14,466 | February 28, 2022 | 504 |
| US Treasury Notes | AA+/Aaa/AAA | June 30, 2024 | 8,620 | March 31, 2022 | 498 |
| US Treasury Notes | AA+/Aaa/AAA | July 31, 2024 | 13,875 | April 30, 2022 | 15,084 |
| US Treasury Notes | AA+/Aaa/AAA | August 31, 2024 | 19,112 | May 31, 2022 | 14,417 |
| US Treasury Notes | AA+/Aaa/AAA | October 31, 2024 | 18,916 | June 30, 2022 | 459 |
| US Treasury Notes | AA+/Aaa/AAA | February 28, 2025 | 14,799 | July 31, 2022 | 15,563 |
| US Treasury Notes | AA+/Aaa/AAA | April 30, 2025 | 33,997 | August 31, 2022 | 21,247 |
| US Treasury Notes | AA+/Aaa/AAA | June 30, 2025 | 10,317 | September 30, 2022 | 17,530 |
| US Treasury Notes | AA+/Aaa/AAA | July 31, 2025 | 18,942 | November 30, 2022 | 548 |
| US Treasury Notes | AA+/Aaa/AAA | November 30, 2025 | 8,940 | January 31, 2023 | 380 |
| US Treasury Notes | AA+/Aaa/AAA | January 31, 2026 | 14,019 | March 31, 2023 | 959 |
| US Treasury Notes | AA+/Aaa/AAA | — | — | June 30, 2023 | 11,310 |
| US Treasury Notes | AA+/Aaa/AAA | — | — | August 15, 2023 | 21,593 |
| US Treasury Notes | AA+/Aaa/AAA | — | — | October 31, 2023 | 1,572 |
| US Treasury Notes | AA+/Aaa/AAA | — | — | December 31, 2023 | 23,124 |
| US Treasury Notes | AA+/Aaa/AAA | — | — | April 30, 2024 | 15,862 |
| US Treasury Notes | AA+/Aaa/AAA | — | — | June 30, 2024 | 653 |
| US Treasury Notes | AA+/Aaa/AAA | — | — | August 31, 2024 | 374 |
| US Treasury Notes | AA+/Aaa/AAA | — | — | November 15, 2024 | 6,758 |

| Investments | Credit ratings June 30, 2021 (S&P/Moody's / Fitch) | June 30, 2021 | | June 30, 2020 | |
|---|---|---|---|---|---|
| | | Maturities | Fair value | Maturities | Fair value |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | June 8, 2022 | 10,816 | September 29, 2020 | 4,411 |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | July 25, 2022 | 6,601 | November 17, 2020 | 2,078 |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | April 20, 2023 | 17,319 | February 16, 2021 | 6,947 |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | May 5, 2023 | 16,211 | June 8, 2022 | 10,969 |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | June 26, 2023 | 10,804 | April 20, 2023 | 17,508 |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | August 24, 2023 | 11,022 | May 5, 2023 | 16,382 |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | September 8, 2023 | 11,763 | June 26, 2023 | 10,948 |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | November 6, 2023 | 1,413 | February 12, 2025 | 15,240 |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | December 4, 2023 | 9,907 | — | — |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | July 21, 2025 | 10,948 | — | — |
| Federal Home Loan Mortgage Corp Notes | AA+/Aaa/AAA | September 23, 2025 | 8,548 | — | — |
| Federal Farm Credit Banks Funding Corp | AA+/Aaa/AAA | May 6, 2022 | 6,007 | April 8, 2022 | 8,296 |
| Federal Farm Credit Banks Funding Corp | AA+/Aaa/AAA | April 8, 2024 | 8,170 | May 6, 2022 | 6,001 |
| Federal Farm Credit Banks Funding Corp | AA+/Aaa/AAA | — | — | April 8, 2024 | 8,300 |
| Bank Montreal Chicago | A-1/P-1/F1+ | — | — | August 3, 2020 | 452 |
| Apple Inc | AA+/Aa1/NR | July 4, 2021 | 550 | May 6, 2021 | 1,022 |
| Apple Inc | AA+/Aa1/NR | — | — | August 4, 2021 | 558 |
| International Bank for Reconstruction & Development | AAA/Aaa/AAA | July 1, 2022 | 545 | May 24, 2021 | 404 |
| International Bank for Reconstruction & Development | AAA/Aaa/AAA | October 7, 2022 | 408 | July 23, 2021 | 431 |
| International Bank for Reconstruction & Development | AAA/Aaa/AAA | April 19, 2023 | 821 | July 1, 2022 | 555 |
| International Bank for Reconstruction & Development | AAA/Aaa/AAA | March 19, 2024 | 475 | October 7, 2022 | 415 |
| International Bank for Reconstruction & Development | AAA/Aaa/AAA | January 15, 2025 | 983 | April 19, 2023 | 832 |

| Investments | Credit ratings June 30, 2021 (S&P/Moody's / Fitch) | June 30, 2021 Maturities | Fair value | June 30, 2020 Maturities | Fair value |
|---|---|---|---|---|---|
| International Bank for Reconstruction & Development | AAA/Aaa/AAA | — | — | March 19, 2024 | 485 |
| International Bank for Reconstruction & Development | AAA/Aaa/AAA | — | — | January 15, 2025 | 1,000 |
| Inter-American Development Bank | AAA/Aaa/AAA | April 14, 2022 | 506 | April 14, 2022 | 513 |
| Inter-American Development Bank | AAA/Aaa/AAA | September 14, 2022 | 917 | September 14, 2022 | 929 |
| Inter-American Development Bank | AAA/Aaa/AAA | May 24, 2023 | 422 | May 24, 2023 | 423 |
| State of California | AA-/Aa2/AA | — | — | April 1, 2021 | 864 |
| State of Oregon Department of Tranportation | AAA/Aa1/AA+ | November 15, 2023 | 233 | November 15, 2023 | 233 |
| State of Wisconsin | AA/Aa1/NR | May 1, 2024 | 165 | May 1, 2024 | 165 |
| State of Wisconsin | NR/Aa2/AA | May 1, 2024 | 243 | May 1, 2024 | 243 |
| State of Maryland | AAA/Aaa/AAA | August 1, 2023 | 281 | August 1, 2024 | 593 |
| State of Maryland | AAA/Aaa/AAA | August 1, 2024 | 573 | — | — |
| State of Minnesota | AAA/Aa1/AAA | August 1, 2025 | 204 | — | — |
| State of Mississippi | AA/Aa2/AA | November 1, 2023 | 130 | — | — |
| City of San Jose | AA+/Aa1/AAA | September 1, 2023 | 509 | September 1, 2023 | 512 |
| University of California | AA/Aa2/AA | May 15, 2023 | 437 | May 15, 2021 | 510 |
| Long Beach Community College | AA/Aa2/NR | August 1, 2023 | 232 | August 1, 2023 | 230 |
| Ventura County Community College | AA+/Aa1/NR | August 1, 2023 | 550 | August 1, 2023 | 549 |
| Los Angeles Community College | AA+/Aaa/NR | August 1, 2025 | 218 | - | - |
| Fannie Mae-Aces | AA+/Aaa/AAA | September 1, 2021 | 4 | September 1, 2021 | 111 |
| Fannie Mae-Aces | AA+/Aaa/AAA | August 1, 2022 | 141 | August 1, 2022 | 233 |
| Fannie Mae-Aces | AA+/Aaa/AAA | December 1, 2022 | 189 | December 3, 2022 | 224 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | January 1, 2022 | 338 | January 1, 2022 | 370 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | March 1, 2022 | 241 | March 1, 2022 | 327 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | April 1, 2022 | 67 | April 1, 2022 | 145 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | June 1, 2022 | 1,029 | June 1, 2022 | 1,052 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | July 1, 2022 | 536 | July 1, 2022 | 547 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | August 1, 2022 | 747 | August 1, 2022 | 761 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | October 1, 2022 | 514 | October 1, 2022 | 521 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | November 1, 2022 | 544 | November 1, 2022 | 551 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | January 1, 2023 | 704 | January 1, 2023 | 808 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | February 1, 2023 | 100 | February 1, 2023 | 160 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | March 1, 2023 | 478 | March 1, 2023 | 483 |

| Investments | Credit ratings June 30, 2021 (S&P/Moody's / Fitch) | June 30, 2021 Maturities | June 30, 2021 Fair value | June 30, 2020 Maturities | June 30, 2020 Fair value |
|---|---|---|---|---|---|
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | April 1, 2023 | 74 | April 1, 2023 | 105 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | July 1, 2023 | 12 | July 1, 2023 | 74 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | August 1, 2023 | 620 | August 1, 2023 | 629 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | October 1, 2023 | 374 | October 1, 2023 | 498 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | November 1, 2023 | 273 | July 1, 2024 | 150 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | July 1, 2024 | 123 | December 1, 2024 | 520 |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | December 1, 2024 | 457 | — | — |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | January 1, 2025 | 136 | — | — |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | June 1, 2025 | 183 | — | — |
| Freddie Mac Multifamily Structured Pass | AA+/Aaa/AAA | December 1, 2025 | 94 | — | — |
| Pfizer Inc | A+/A2/A | — | — | June 3, 2021 | 508 |
| Toyota Motor Credit Corp | A+/A1/A+ | — | — | April 8, 2021 | 506 |
| Toyota Motor Credit Corp | A+/A1/A+ | — | — | May 17, 2021 | 545 |
| Swedbank (New York) Cert Depos | A-1/P-1/F1+ | — | — | November 16, 2020 | 302 |
| Royal Bank of Canada NY | A-1+/P-1/F1+ | — | — | June 7, 2021 | 410 |
| Nordea Bank ABP New York | AA-/Aa3/AA- | August 26, 2022 | 917 | August 26, 2022 | 932 |
| Skandinaviska Enskilda Bank | A+/Aa2/AA | August 26, 2022 | 1,100 | August 26, 2022 | 1,118 |
| International Finance Corp | AAA/Aaa/NR | — | — | March 9, 2021 | 304 |
| New York State Urban Development Corp | AA+/NR/AA+ | March 15, 2025 | 555 | — | — |
| State Board of Administration Finance | AA/Aa3/AA | July 1, 2025 | 136 | — | — |
| Goldman Sachs Financial Square Obligations Fund | AAAm/Aaa-mf/NR | — | 20,188 | — | 19,210 |
| First American Government Obligation Fund | AAAm/Aaa-mf/AAAmmf | — | 3,009 | — | 5,610 |
| Cash and Cash Equivalent | | | 94,466 | | 11,177 |
| Total | | | $ 748,457 | | $ 849,660 |

### Fair Value Hierarchy

The City 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, 2021 and June 30, 2020 (in thousands):

| | Fiscal year 2021 | | | | |
|---|---|---|---|---|---|
| | | | Fair value measurement using | | |
| | Fair value June 30, 2021 | Investments exempt from fair value | 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 | $ 2,017 | — | — | 2,017 | — |
| State and local agencies | 4,466 | — | — | 4,466 | — |
| Supranationals | 5,077 | — | — | 5,077 | — |
| U.S. agencies | 261,998 | — | — | 261,998 | — |
| U.S. corporate bonds/notes (medium term notes) | 550 | — | — | 550 | — |
| U.S. treasury securities | 356,686 | — | 356,686 | — | — |
| Cash and cash equivalents | 94,466 | 94,466 | — | — | — |
| Investments exempt from fair value* | 23,197 | 23,197 | — | — | — |
| Total | $ 748,457 | 117,663 | 356,686 | 274,108 | — |

* Money market funds

| | | | | | |
|---|---|---|---|---|---|
| | **Fiscal year 2020** | | | | |
| | | | **Fair value measurement using** | | |
| | **Fair value June 30, 2020** | **Investments exempt from fair value** | **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 | $ 3,214 | — | — | 3,214 | — |
| State and local agencies | 3,899 | — | — | 3,899 | — |
| Supranationals | 6,291 | — | — | 6,291 | — |
| U.S. agencies | 383,694 | — | — | 383,694 | — |
| U.S. corporate bonds/notes (medium term notes) | 3,139 | — | — | 3,139 | — |
| U.S. treasury securities | 413,426 | — | 413,426 | — | — |
| Cash and cash equivalents | 11,177 | 11,177 | — | — | — |
| Investments exempt from fair value* | 24,820 | 24,820 | — | — | — |
| Total | $ 849,660 | 35,997 | 413,426 | 400,237 | — |

* Money market funds

Investments outside the City Treasury pool may consist of U.S. Treasury securities, U.S. Government Agency securities, and other investments such as commercial paper, money market funds, negotiable certificates of deposit, supranational securities, and other investments permitted under the applicable bond documents. U.S. Treasury securities are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Government Agency securities are valued using mid pricing and 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. As one strategy to attain this objective, investments are diversified.

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 investments in any principal and interest payment accounts are to mature no later than the dates on which the principal or interest payments are due.

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

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

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

The Airport had approximately $748.5 million and $849.7 million in investments held by, and in the name of, the Senior Trustee and the Subordinate Trustee, collectively, as of June 30, 2021 and 2020, respectively.

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

## (4) Grants Receivable

The Airport receives federal funding from the FAA, the TSA, and other federal agencies. Grants receivable of $83.3 million and $11.1 million as of June 30, 2021 and 2020, respectively, were based on actual costs incurred, subject to federal reimbursement limits.

On June 17, 2020, the Airport executed a grant agreement with the FAA for approximately $254.8 million of federal CARES Act grant funds, available to reimburse the Airport for amounts spent for any lawful airport purpose. Included in the Airport's grants receivable as of June 30, 2021 is $29.8 million of CARES Act funding.

In fiscal year 2021, the FAA established the Airport Coronavirus Response Grant Program to distribute Coronavirus Response and Relief Supplemental Appropriation Act (CRRSAA) funds to eligible U.S. airports and eligible concessions at those airports affected by the COVID-19 public health emergency. On June 29, 2021, the Airport executed a grant agreement with the FAA for approximately $40.6 million of federal CRRSAA funds for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. This amount is included in the grants receivable as of June 30, 2021.

On June 29, 2021, the Airport executed a grant agreement with the FAA for approximately $5.9 million of federal CRRSAA grant funds to provide relief to eligible concessions. This amount is not included in the grants receivable as of June 30, 2021. Each airport receiving these CRRSAA funds must provide its eligible concessions with rent relief in an amount that reflects each eligible airport concession's proportional share of the total amount of rent of all eligible concessions at the airport. FAA requires airports receiving funding through CRRSAA to prepare an allocation plan indicating how it will distribute funds for eligible concessions at the airport and submit it to FAA for approval before the airport can receive these CRRSAA funds. As of June 30, 2021, the Airport was preparing its allocation plan for FAA's approval. The period over which relief can be provided starts on December 27, 2020, and continues until all concession relief funds are exhausted. The Airport may retain up to two percent of the amount allocated for concession relief purposes to administer the relief program. The Airport will recognize these costs once the FAA has approved its allocation plan.

When determining the distribution of discretionary grants, the Secretary of Transportation may consider, as a militating factor, whether the Airport uses its revenues for purposes other than capital or operating costs, when those revenues exceed the amount used by the Airport for such costs in the base year ending June 30, 1995 as adjusted for inflation. The Airport Commission 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 four fiscal years, the annual service payment has exceeded the base year payment when adjusted for inflation since fiscal year 1996.

In the past, the Commission has received a lower amount of FAA discretionary grants than it requested as a result of the amount of the annual service payment. For example, the FAA militated $6.4 million in discretionary grants in the federal fiscal year ended September 30, 2021, and so the Commission received only $29.3 million in FAA discretionary grants. The FAA may reduce discretionary grants in the future. Furthermore, AIP funding may be reduced in the future as a result of legislation or the failure of the U.S. Congress to pass an annual appropriation bill including such funding. Reduction in grants awarded to the Commission could result in the delay or cancellation of projects or the incurrence of additional debt by the Commission.

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.



(Continued)

### (5) Capital Assets

Capital assets consist of the following (in thousands):

**Fiscal Year 2021**

| | July 1, 2020 | Additions | Deletions | June 30, 2021 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 29,813 | — | — | 29,813 |
| Intangible assets | 6,881 | — | — | 6,881 |
| Construction in progress | 1,315,289 | 669,148 | (883,417) | 1,101,020 |
| Total capital assets not being depreciated | 1,351,983 | 669,148 | (883,417) | 1,137,714 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings, structures, and improvements | 8,115,444 | 679,400 | (143,883) | 8,650,961 |
| Equipment | 733,778 | 238,515 | (7,948) | 964,345 |
| Intangible assets | 56,271 | 1,457 | (7,224) | 50,504 |
| Total capital assets being depreciated/amortized | 8,905,493 | 919,372 | (159,055) | 9,665,810 |
| Less accumulated depreciation/amortization: | | | | |
| Buildings, structures, and improvements | (3,210,745) | (250,586) | 102,130 | (3,359,201) |
| Equipment | (262,263) | (77,779) | 9,223 | (330,819) |
| Intangible assets | (47,080) | (2,770) | 7,224 | (42,626) |
| Total accumulated depreciation/amortization | (3,520,088) | (331,135) | 118,577 | (3,732,646) |
| Total capital assets being depreciated/amortized, net | 5,385,405 | 588,237 | (40,478) | 5,933,164 |
| Total capital assets, net | $ 6,737,388 | 1,257,385 | (923,895) | 7,070,878 |

Total interest costs were approximately $315.6 million for fiscal year 2021 and $363.0 million for fiscal year 2020, of which approximately $42.8 million and $62.8 million, respectively, were capitalized.

In fiscal year 2007, 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 years ended June 30, 2021 and 2020, were $19.2 million and $22.8 million, respectively.

**Fiscal Year 2020**

| | July 1, 2019 | Additions | Deletions | June 30, 2020 |
|---|---|---|---|---|
| Capital assets not being depreciated: | | | | |
| Land | $ 29,813 | — | — | 29,813 |
| Intangible assets | 6,881 | — | — | 6,881 |
| Construction in progress | 2,409,431 | 941,859 | (2,036,001) | 1,315,289 |
| Total capital assets not being depreciated | 2,446,125 | 941,859 | (2,036,001) | 1,351,983 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings, structures, and improvements | 6,588,997 | 1,642,431 | (115,984) | 8,115,444 |
| Equipment | 360,820 | 392,009 | (19,051) | 733,778 |
| Intangible assets | 118,965 | 2,275 | (64,969) | 56,271 |
| Total capital assets being depreciated/amortized | 7,068,782 | 2,036,715 | (200,004) | 8,905,493 |
| Less accumulated depreciation/amortization: | | | | |
| Buildings, structures, and improvements | (3,045,528) | (259,653) | 94,436 | (3,210,745) |
| Equipment | (229,823) | (48,630) | 16,190 | (262,263) |
| Intangible assets | (108,214) | (3,835) | 64,969 | (47,080) |
| Total accumulated depreciation/amortization | (3,383,565) | (312,118) | 175,595 | (3,520,088) |
| Total capital assets being depreciated/amortized, net | 3,685,217 | 1,724,597 | (24,409) | 5,385,405 |
| Total capital assets, net | $ 6,131,342 | 2,666,456 | (2,060,410) | 6,737,388 |

## (6) Subordinate Commercial Paper Notes

On May 20, 1997, the Airport Commission adopted Resolution No. 97-0146 (as amended and supplemented, the 1997 Note Resolution). The 1997 Note Resolution authorizes the issuance of subordinate commercial paper (CP) notes in an aggregate principal amount not to exceed the lesser of $600.0 million or the stated amount of the letter(s) of credit securing the CP. (On January 19, 2021, the Airport Commission adopted Resolution No. 21-0003, which amended the 1997 Note Resolution to increase the authorized maximum aggregate principal amount by $100.0 million, from $500.0 million to $600.0 million.)

The Airport issues CP 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 Commission's San Francisco International Airport Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Commission on December 3, 1991 (as amended and supplemented, the 1991 Master Bond Resolution).

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

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

Events of default with respect to the letters of credit supporting the CP notes include nonpayment events (both on CP notes and Senior Bonds), bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1997 Note Resolution, or a determination of taxability of interest on the tax-exempt CP notes. A downgrade of the Commission's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch is an event of termination with respect to all of the letters of credit supporting the CP notes. In addition, the State Street Bank and Trust letter of credit supporting $100.0 million of CP notes includes certain changes in law affecting the Commission's payment obligations to the bank as events of termination. 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-, four-, or five-year period.

**Fiscal Year 2021**

On May 27, 2021, the Airport closed a $100.0 million expansion of the commercial paper program, increasing the aggregate principal amount of the commercial paper notes that can be outstanding at any one time from $500.0 million to $600.0 million. A three-year irrevocable letter of credit issued by Barclays Bank PLC supports the additional $100.0 million principal amount of the Airport's subordinate commercial paper notes, reviving the Series A-3, Series B-3 and Series C-3 commercial paper notes that had not been supported by a letter of credit since 2020. The Barclays letter of credit will expire May 24, 2024.

As of June 30, 2021, the CP program was supported by six direct-pay letters of credit with a combined maximum stated principal amount of $600 million, from State Street Bank and Trust Company ($100 million, expires May 2, 2024), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100 million, expires June 21, 2022), Barclays Bank PLC ($100 million, expires May 24, 2024), U.S. Bank National Association ($100 million, expires November 15, 2023), Barclays Bank PLC ($125 million, expires

April 28, 2023), and Bank of America, N.A. ($75 million, expires May 26, 2023). Each of the letters of credit supports a separate subseries of Notes.

As of June 30, 2021, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2021, the Airport issued new money CP notes in the aggregate principal amount of $80.7 million (AMT), $166.4 million (Non-AMT), and $259.0 million (Taxable) to fund capital improvement projects and costs of issuance related to the debt program, to reimburse the Airport for capitalized interest on Senior Bonds, and to defease outstanding Senior Bonds.

The following table summarizes CP activity (excluding refunding CP) during the fiscal year ended June 30, 2021 (in thousands):

| | Interest rate | | July 1, 2020 | Increases | Decreases | June 30, 2021 |
|---|---|---|---|---|---|---|
| Commercial paper (Taxable) | 0.15%-0.16% | $ | — | 259,000 | (230,000) | 29,000 |
| Commercial paper (AMT) | 0.14%-0.20% | | — | 80,725 | — | 80,725 |
| Commercial paper (Non-AMT) | 0.13%-0.24% | | 3,190 | 166,425 | — | 169,615 |
| Total | | $ | 3,190 | 506,150 | (230,000) | 279,340 |

**Fiscal Year 2020**

As of June 30, 2020, the CP program was supported by six direct-pay letters of credit with a combined maximum stated principal amount of $500.0 million from Royal Bank of Canada, acting through its New York branch ($25.0 million, expires August 28, 2020), Bank of America, N.A. ($75.0 million, expires May 26, 2021), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires June 21, 2022), Barclays Bank PLC ($100.0 million, expires April 28, 2023), U.S. Bank National Association ($100.0 million, expires November 15, 2023), and State Street Bank and Trust Company ($100.0 million, expires May 2, 2024). Each letter of credit supports separate subseries of CP. In aggregate, the letters of credit permitted the Airport to issue CP up to a combined maximum principal amount of $500.0 million as of June 30, 2020.

As of June 30, 2020, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2020, the Airport issued new money CP notes in the aggregate principal amount of $4.7 million (AMT), $14.1 million (Non-AMT), and $30.6 million (Taxable) to fund capital improvement projects and costs of issuance related to the debt program.

The following table summarizes CP activity (excluding refunding CP) during the fiscal year ended June 30, 2020 (in thousands):

| | Interest rate | July 1, 2019 | Increases | Decreases | June 30, 2020 |
|---|---|---|---|---|---|
| Commercial paper (Taxable) | 2.16%-2.30% | $ — | 30,600 | (30,600) | — |
| Commercial paper (AMT) | 1.24%-1.52% | 350 | 4,700 | (5,050) | — |
| Commercial paper (Non-AMT) | 0.86%-5.00% | 3,225 | 14,075 | (14,110) | 3,190 |
| Total | | $ 3,575 | 49,375 | (49,760) | 3,190 |

## (7) Long-Term Obligations

Long-term obligation activity for the years ended June 30, 2021 and 2020, was as follows (in thousands):

| | July 1, 2020 | Additions | Reductions | June 30, 2021 | Due within one year |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 7,951,185 | 838,380 | (912,495) | 7,877,070 | 5,860 |
| Less unamortized discounts | (232) | — | 232 | — | — |
| Add unamortized premiums | 898,588 | 142,135 | (72,836) | 967,887 | — |
| Total revenue bonds payable | 8,849,541 | 980,515 | (985,099) | 8,844,957 | 5,860 |
| Compensated absences | 21,807 | 15,090 | (10,418) | 26,479 | 12,837 |
| Accrued workers' compensation | 8,719 | 4,625 | (3,016) | 10,328 | 2,235 |
| Estimated claims payable | 168 | — | (110) | 58 | 20 |
| Other liabilities | 90 | 26 | — | 116 | — |
| Net OPEB liability (see note 10b) | 256,506 | 2,019 | | 258,525 | — |
| Net pension liability (see note 10a) | 278,176 | 62,154 | — | 340,330 | — |
| Derivative instruments | 28,221 | — | (6,847) | 21,374 | — |
| Total | $ 9,443,228 | 1,064,429 | (1,005,490) | 9,502,167 | 20,952 |

| | July 1, 2019 | Additions | Reductions | June 30, 2020 | Due within one year |
|---|---|---|---|---|---|
| Revenue bonds payable | $ 7,300,825 | 1,189,175 | (538,815) | 7,951,185 | 229,090 |
| Less unamortized discounts | (243) | — | 11 | (232) | — |
| Add unamortized premiums | 709,070 | 244,069 | (54,551) | 898,588 | — |
| Total revenue bonds payable | 8,009,652 | 1,433,244 | (593,355) | 8,849,541 | 229,090 |
| Compensated absences | 18,203 | 15,111 | (11,507) | 21,807 | 11,692 |
| Accrued workers' compensation | 8,419 | 3,226 | (2,926) | 8,719 | 2,169 |
| Estimated claims payable | 146 | 550 | (528) | 168 | 52 |
| Other liabilities | — | 90 | — | 90 | — |
| Net OPEB liability (see note 10b) | 236,160 | 20,346 | — | 256,506 | — |
| Net pension liability (see note 10a) | 254,206 | 23,970 | — | 278,176 | — |
| Derivative instruments | 46,085 | — | (17,864) | 28,221 | — |
| Total | $ 8,572,871 | 1,496,537 | (626,180) | 9,443,228 | 243,003 |

### Bond Transactions and Balances

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

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

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

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

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

As of June 30, 2021 and 2020, long-term revenue bonds consisted of the following (in thousands):

| Description | Date of issue | Interest rate | 2021 | 2020 |
|---|---|---|---|---|
| Second Series Revenue Bonds: | | | | |
| Issue 2009D | 11/04/09 | 3.00%–3.50% | $ 51,615 | $ 51,615 |
| Issue 2010A | 02/10/10 | Variable rate | 125,605 | 131,205 |
| Issue 2010C | 04/07/10 | 4.00%-5.00% | — | 56,645 |
| Issue 2010D | 04/07/10 | 4.00%-5.00% | — | 25,685 |
| Issue 2010F | 08/05/10 | 5.00% | — | 121,200 |
| Issue 2010G | 08/05/10 | 5.00% | — | 7,100 |
| Issue 2011B | 02/22/11 | 5.50% | — | 6,840 |
| Issue 2011C | 07/21/11 | 5.00% | — | 129,055 |
| Issue 2011D | 07/21/11 | 5.00% | — | 84,865 |
| Issue 2011F | 09/20/11 | 5.00% | — | 123,320 |
| Issue 2011G | 09/20/11 | 5.00%-5.25% | — | 29,660 |
| Issue 2011H | 09/20/11 | 3.95%-4.15% | — | 9,300 |
| Issue 2012A | 03/22/12 | 5.00% | 208,020 | 208,020 |
| Issue 2012B | 03/22/12 | 4.00%-5.00% | 107,465 | 107,465 |
| Issue 2013A | 07/31/13 | 5.00%-5.50% | 303,940 | 316,540 |
| Issue 2013B | 07/31/13 | 5.00% | 87,860 | 87,860 |
| Issue 2014A | 09/24/14 | 5.00% | 376,310 | 376,310 |
| Issue 2014B | 09/24/14 | 5.00% | 97,290 | 97,290 |
| Issue 2016A | 02/25/16 | 3.00%-5.00% | 171,700 | 232,075 |
| Issue 2016B | 09/29/16 | 5.00% | 574,970 | 574,970 |
| Issue 2016C | 09/29/16 | 5.00% | 165,155 | 165,155 |
| Issue 2016D | 09/29/16 | 5.00% | 119,660 | 146,465 |
| Issue 2017A | 10/31/17 | 5.00% | 339,580 | 339,580 |
| Issue 2017B | 10/31/17 | 5.00% | 231,985 | 231,985 |
| Issue 2017D | 10/31/17 | 5.00% | 96,190 | 141,030 |
| Issue 2018A | 02/01/18 | 5.00% | 28,055 | 70,370 |
| Issue 2018D | 05/30/18 | 5.00%-5.25% | 722,800 | 722,800 |
| Issue 2018E | 05/30/18 | 5.00% | 116,275 | 116,275 |
| Issue 2018F | 05/30/18 | 3.80% | 7,025 | 7,025 |
| Issue 2018G | 05/30/18 | 5.00% | 35,660 | 35,660 |
| Issue 2018B | 06/06/18 | Variable rate | 138,170 | 138,170 |
| Issue 2018C | 06/06/18 | Variable rate | 138,170 | 138,170 |

| Description | Date of issue | Interest rate | 2021 | 2020 |
|---|---|---|---|---|
| Issue 2019A | 02/07/19 | 4.00%-5.00% | $ 1,176,215 | $ 1,176,215 |
| Issue 2019B | 02/07/19 | 5.00% | 91,280 | 91,280 |
| Issue 2019C | 02/07/19 | 2.93%-3.51% | 21,455 | 74,920 |
| Issue 2019D | 02/07/19 | 5.00% | 407,320 | 407,320 |
| Issue 2019E | 09/10/19 | 4.00%-5.00% | 773,475 | 773,475 |
| Issue 2019F | 09/10/19 | 5.00% | 106,925 | 106,925 |
| Issue 2019G | 09/10/19 | 1.78%-2.39% | 20,220 | 37,890 |
| Issue 2019H | 09/10/19 | 5.00% | 198,300 | 253,455 |
| 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 | — |
| | | | 7,877,070 | 7,951,185 |
| Unamortized discount | | | — | (232) |
| Unamortized premium | | | 967,887 | 898,588 |
| Total revenue bonds payable | | | 8,844,957 | 8,849,541 |
| Less current portion | | | (5,860) | (229,090) |
| Total long-term revenue bonds payable | | | $ 8,839,097 | $ 8,620,451 |

## Interest Rate Swaps

*Objective and Terms* – On July 26, 2007, the Airport entered into four forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 37B/C, on May 15, 2008 (the 2007 swaps), and Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, on February 10, 2010 (the 2010 swaps). The swap structure was intended as a means to increase the Airport's debt service savings by setting a low synthetic fixed rate in advance of the first date that tax-exempt variable rate refunding bonds could be issued in the future to refinance callable bonds. The expiration dates of the 2007 and 2010 swaps were May 1, 2029 and 2030, respectively.

On August 9, 2019, the Airport terminated the 2010 swap with Merrill Lynch Capital Services, Inc., associated with the Series 2010A-3 Bonds, with a then-outstanding notional amount of $73.1 million, and the last remaining 2007 swap, which was with JPMorgan Chase Bank N.A., and associated with the Issue 37C Bonds, with a then-outstanding notional amount of $82.5 million.

Under the sole remaining 2010 swap, the Airport receives 61.85% of USD-LIBOR-BBA plus 0.34%. These payments are intended to approximate the variable interest rates on the bonds originally hedged by the swap. The Airport makes a monthly fixed rate payment to the counterparty, Goldman Sachs Bank USA, based on an assumed amortizing notional amount, which commenced on the date of issuance of the related bonds. The outstanding interest rate swap is terminable at any time upon making a market-based termination payment solely at the option of the Airport.

In July 2017, the United Kingdom's (UK) Financial Conduct Authority (FCA), the UK markets regulator, indicated that the London Interbank Overnight Rate (LIBOR) would be phased out. In March 2021, the FCA announced the cessation dates for LIBOR benchmarks, including a cessation date of June 30, 2023 for 1-month USD-LIBOR, which is the benchmark used for the monthly floating-rate payments that the Airport receives for the 2010 swap. The Commission's interest rate swap agreement calculates the variable rate payment owed from the counterparty to the Airport each month using LIBOR plus a certain spread. The Airport's swap is not scheduled to terminate until May 1, 2030. The Commission expects its interest rate swap agreement to be modified to reflect the permanent discontinuation of LIBOR and its substitution with a new variable rate benchmark or variable rate-setting mechanism.

*Risks*

*Basis Risk* – The Airport has chosen a variable rate index based on a percentage of LIBOR plus a spread, which historically has closely approximated the variable rates payable on the related bonds. However, the Airport is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable bond rates would cause a material mismatch between the two rates. Changes that cause the payments received from the counterparty to be insufficient to make the payments due on the associated bonds result in an increase in the synthetic interest rate on the bonds, while changes that cause the counterparty payments to exceed the payments due on the associated bonds result in a decrease in the synthetic interest rate on the bonds.

*Credit Risk* – Should long-term interest rates rise and the fair value of the swap becomes positive, the Airport would be exposed to credit risk in the amount of the swap's fair value. Under the terms of the swap, the counterparty is required to post collateral consisting of specified U.S. Treasury and Agency securities in an amount equal to the market value of a swap that exceeds specified thresholds linked to the counterparty's credit ratings. Any such collateral will be held by a custodial bank.

*Counterparty Risk* – The Airport is exposed to counterparty risk, which is related to credit and termination risk. While the insolvency or bankruptcy of a counterparty, or its failure to perform would be a default under the applicable swap documents, the Airport's swap would not automatically terminate. Rather, the Airport would have the option to terminate the swap at a market-based termination value, which may result in a payment to or from the counterparty. The Airport may also be exposed to counterparty risk in a high interest rate environment in the event the counterparty is unable to perform its obligations on a swap transaction leaving the Airport exposed to the variable rate on the associated debt. In order to diversify the Airport's swap counterparty credit risk and to limit the Airport's credit exposure to any one counterparty, the Airport's swap policy generally imposes limits on the maximum net termination exposure to any one counterparty. Maximum net termination exposure is calculated as of the date of execution of each swap and is monitored regularly during the term of the swap. The exposure limits vary for collateralized and noncollateralized swaps based upon the credit rating of the counterparty. Under the Commission's Swap Policy, if any exposure limit is exceeded by a counterparty during the term of a swap, the Airport Director is required to consult with the Airport's swap advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without limitation, transfer or substitution of a swap.

*Termination Risk* –The interest rate swap is terminable at the termination price at any time at the option of the Airport. The Airport has limited termination risk with respect to the interest rate swap. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty.

If the Airport is rated between Baa1/BBB+ and Baa3/BBB- (Moody's/S&P), the counterparty may terminate the swap and require the Airport to pay the termination value, if any, unless the Airport chooses to provide suitable credit enhancement, assign the Airport's interest in the swap to a suitable replacement counterparty, or post collateral to secure the swap termination value. If the Airport is rated below Baa3/BBB- (Moody's/S&P) or its ratings are withdrawn or suspended, the counterparty may terminate the swap and require the Airport to pay the termination value, if any.

Additional Termination Events under the swap documents with respect to a counterparty and/or its guarantor include a rating downgrade below a specific rating threshold, followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the Airport within 15 business days.

The downgrade of the swap counterparty is indicative of an increased risk to the Airport that such counterparty may become bankrupt or insolvent and not perform under the applicable swap. If the counterparty does not perform under its swap, the Airport may be required to continue making its fixed rate payments to the counterparty even though it does not receive a variable rate payment in return. The Airport may elect to terminate a swap with a nonperforming counterparty and may be required to pay a substantial termination payment related to the fair value of such swap, depending on market conditions at the time. The risks and termination rights related to the Airport's swap is discussed in further detail in this note.

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

The Airport Commission issues its senior lien San Francisco International Airport Second Series Revenue Bonds under the 1991 Master Bond Resolution, which provides, among other things, the general terms and conditions of the bonds, the funds and accounts relating to the bonds, and certain covenants made by the Airport Commission 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 Commission may establish one or more reserve accounts with different reserve requirements to secure one or more series of bonds. Accordingly, the Airport Commission has established three reserve accounts in the Reserve Fund: the Issue 1 Reserve Account, the 2009 Reserve Account, and the 2017 Reserve Account, all of which are held by the Senior Trustee. In conjunction with the defeasance of the Series 2010D Bonds on August 20, 2020, the 2009 Reserve Account was closed. As permitted under the 1991 Master Bond Resolution, the Airport Commission may establish separate reserve accounts for individual series of bonds, or may issue bonds without a reserve account.

*Issue 1 Reserve Account* – The Issue 1 Reserve Account is the Airport's original parity reserve account established in connection with the first issuance of bonds under the 1991 Master Bond Resolution and which now secures most of the Airport Commission's outstanding bonds. Specifically, as of June 30, 2021, the Issue 1 Reserve Account secures all outstanding bonds except the series listed below as being secured by the 2017 Reserve Account, and except for Series 2010A, Series 2018B and Series 2018C. The Airport Commission may designate any series of bonds as a "participating series" secured by the Issue 1 Reserve Account. The reserve requirement is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account.

*2009 Reserve Account* – The Airport Commission established an additional reserve account identified as the 2009 Reserve Account in the Reserve Fund, as security for each series of bonds that was designated as being secured by the 2009 Reserve Account. The 2009 Reserve Account was closed on August 20, 2020 in conjunction with the redemption of the 2010D bonds, which were the last remaining series of bonds secured by the 2009 Reserve Account. In connection with the defeasance and subsequent redemption of the Series 2010D Bonds, the remaining funds in the 2009 Reserve Account were contributed towards the redemption of the Series 2010D Bonds.

*2017 Reserve Account* - The Airport Commission 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, 2021, only the Series 2017D, 2018A, 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% 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% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds.

*Reserve Policies* – Under the 1991 Master Bond Resolution, the Airport Commission may satisfy a portion of a reserve requirement by depositing with the Senior Trustee one or more reserve policies issued by a credit provider rated in the highest category by at least two rating agencies. However, the 1991 Master Bond Resolution does not require that those ratings be maintained after the date of deposit. As of June 30, 2021, the Issue 1 Reserve Account contains reserve policies. Each of the providers of the reserve policies in the reserve accounts was rated "AAA" at the time the policies were deposited. However, as a result of the financial crisis that began in 2007, all of the major municipal bond insurance companies have been downgraded, and several are no longer providing current financial and operating information. In addition, under the terms of several of the reserve policies, the value of the policies is adjusted downward from time to time as related bonds are refunded and such policies have experienced a reduction in value and may have experienced a reduction in value to zero. The policies in the Issue 1 Reserve Account with remaining value have termination dates. The Airport has periodically deposited additional cash in the Issue 1 Reserve Account to satisfy the reserve requirement and compensate for the diminished value or downgraded providers of these reserve policies.

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

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

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

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differ from those required under GAAP, which are used to determine amounts reported in the Airport's financial statements. For example, the 1991 Master Bond Resolution includes in the definition of Operating and Maintenance Expenses (which is used to calculate Net Revenues) "the *payment* of pension charges … with respect to employees of the Commission…" (emphasis added) and excludes a number of noncash accrual items. Accordingly, the Commission excludes from its rate covenant calculations any noncash accrued pension obligations and includes only pension obligations actually paid during the fiscal year. As another example, the 1991 Master Bond Resolution excludes from the definition of Operating and Maintenance Expenses "any expense for which, or to the extent to which, the Commission 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 Commission excludes from its rate covenant both grant funds used toward operating costs (such as the CARES Act grant funds) and the operating costs reimbursed using such grant funds.

### Post-Issuance Compliance with Federal Tax Law

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

**Fiscal Year 2021**

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

Pursuant to resolutions adopted between fiscal years 2008 and 2021, as of June 30, 2021, the Airport Commission has authorized the issuance of up to $10.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2021, $4.6 billion of the authorized capital plan bonds remained unissued. No capital plan bonds were issued during fiscal year 2021.

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

Pursuant to resolutions adopted between fiscal years 2005 and 2020, as of June 30, 2021, the Airport Commission has authorized the issuance of up to $11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2021, $1.8 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2021, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

*Second Series Revenue Refunding Bonds, Series 2020A, Second Series Revenue Refunding Bonds, Series 2020B, and Second Series Revenue Refunding Bonds, Series 2020C.*

On August 20, 2020, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2020A (AMT), Second Series Revenue Refunding Bonds, Series 2020B (Non-AMT/Governmental Purpose), and Second Series Revenue Refunding Bonds, Series 2020C (Federally Taxable), in aggregate principal amount of $291.3 million to refund a combined $337.1 million of its Series 2010C Bonds, Series 2010D Bonds, Series 2010F Bonds, Series 2010G Bonds, Series 2011C Bonds, Series 2011F Bonds, and Series 2011G Bonds, to finance deposits to the reserve account, and to pay costs of issuance.

The net proceeds of the Series 2020A, Series 2020B, and Series 2020C (consisting of $291.3 million par amount and original issue premium of $39.5 million, less an underwriters' discount of $0.9 million), together with $21.4 million accumulated in the debt service fund and reserve fund relating to the refunded bonds were used to deposit $346.6 million into redemption accounts and escrow funds with the Senior Trustee to refund $337.1 million in revenue bonds as described below (in thousands), $3.9 million to deposit into the reserve account, and $1.0 million to pay costs of issuance.

| | | Amount refunded | Interest rate |
|---|---|---|---|
| Second Series Revenue Bonds Issue: | | | |
| Series 2010C (Non-AMT/Governmental Purpose) | $ | 56,645 | 4.00-5.00% |
| Series 2010D (Non-AMT/Private Activity) | | 25,685 | 4.00-5.00% |
| Series 2010F (Non-AMT/Private Activity) | | 121,200 | 5.00% |
| Series 2010G (Non-AMT/Governmental Purpose) | | 7,100 | 5.00% |
| Series 2011C (AMT) | | 110,030 | 5.00% |
| Series 2011F (AMT) | | 13,230 | 5.00% |
| Series 2011G (Non-AMT/Governmental Purpose) | | 3,240 | 5.00% |
| Total | $ | 337,130 | |

The Series 2010C, 2010D, 2010F, and 2010G Bonds were redeemed on August 21, 2020, and the Series 2011C, 2011F, and 2011G Bonds were redeemed on May 1, 2021.

In aggregate, the Series 2020A/B/C refundings resulted in the recognition of a deferred accounting loss of $7.7 million for the fiscal year ended June 30, 2021. Notably, the Series 2020A/B/C refundings decreased the Airport's aggregate gross debt service payments by approximately $189.9 million over the first eleven years and obtained an economic gain (the difference between the present values of the debt service on the old debt and the new debt) of $29.1 million.

*Second Series Revenue Refunding Bonds, Series 2021A, Second Series Revenue Refunding Bonds, Series 2021B, and Second Series Revenue Refunding Bonds, Series 2021C.*

On April 21, 2021, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2021A (AMT), Second Series Revenue Refunding Bonds, Series 2021B (Non-AMT/Governmental Purpose), and Second Series Revenue Refunding Bonds, Series 2021C (Federally Taxable) in aggregate principal amount of $547.1 million to refund a combined $402.9 million of its Series 2011C Bonds, Series 2011D Bonds, Series 2011F Bonds, Series 2011G Bonds, Series 2011H Bonds, Series 2013A Bonds, Series 2016A Bonds, Series 2016D Bonds, Series 2017D Bonds, Series 2018A Bonds, Series 2019C Bonds, Series 2019G Bonds, and Series 2019H Bonds, to repay $230.0 million of Commercial Paper Notes, to finance deposits to the reserve account, and to pay costs of issuance.

The net proceeds of the Series 2021A, Series 2021B, and Series 2021C (consisting of $547.1 million par amount and original issue premium of $102.6 million, less an underwriters' discount of $0.8 million), together with $9.7 million accumulated in the debt service fund relating to the refunded bonds were used to deposit $419.8 million into redemption accounts and escrow funds with the Senior Trustee to refund $402.9 million in revenue bonds as described below (in thousands), $230.0 million to repay outstanding commercial paper notes, $7.5 million to deposit into the reserve account, and $1.3 million to pay costs of issuance. The commercial paper notes had been used to reimburse the Airport for capitalized interest on revenue bonds, to defease outstanding revenue bonds, and for other purposes.

| | | Amount refunded | Interest rate |
|---|---|---|---|
| Second Series Revenue Bonds Issue: | | | |
| 2011C (AMT) | $ | 19,025 | 5.00% |
| 2011D (Non-AMT/Governmental Purpose) | | 84,865 | 5.00% |
| 2011F (AMT) | | 110,090 | 5.00% |
| 2011G (Non-AMT/Governmental Purpose) | | 26,420 | 5.00-5.25% |
| 2011H (Taxable) | | 2,495 | 4.15% |
| 2013A (AMT) | | 6,940 | 5.00% |
| 2016A (Non-AMT/Governmental Purpose) | | 30,990 | 3.00-5.00% |
| 2016D (Non-AMT/Governmental Purpose) | | 17,665 | 5.00% |
| 2017D (AMT) | | 22,990 | 5.00% |
| 2018A (AMT) | | 26,435 | 5.00% |
| 2019C (Taxable) | | 27,990 | 3.05% |
| 2019G (Taxable) | | 8,915 | 1.78% |
| 2019H (AMT) | | 18,125 | 5.00% |
| Total | $ | 402,945 | |

The Series 2011C, 2011D, 2011F, and 2011G Bonds were redeemed on May 3, 2021, and the Series 2011H, 2013A, 2016A, 2016D, 2017D, 2018A, 2019C, 2019G, and 2019H Bonds will be paid at maturity on May 1, 2022.

In aggregate, the Series 2021A/B/C refundings resulted in the recognition of a deferred accounting loss of $11.9 million for the fiscal year ended June 30, 2021. In aggregate, the Series 2021A/B/C refundings decreased the Airport's aggregate gross debt service payments by approximately $367.0 million over the first eleven years and obtained an economic loss (the difference between the present values of the debt service of the old debt and the new debt of $47.6 million).

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

As of June 30, 2021, the Airport Commission had outstanding an aggregate principal amount of $401.9 million, consisting of Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, and Second Series Variable Rate Revenue Bonds, Series 2018B and Series 2018C, (collectively, the "Variable Rate Bonds") with final maturity dates of May 1, 2030 (Series 2010A), and May 1, 2058

(Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

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

Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.28% and 0.39% per annum. As of June 30, 2021, 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, 2021, are as follows (in thousands):

| | Series 2010A | Series 2018B | Series 2018C |
|---|---|---|---|
| Principal amount | $ 125,605 | 138,170 | 138,170 |
| Expiration date | April 14, 2023 | June 3, 2022 | June 3, 2022 |
| Credit provider | Bank of America(1) | Barclays(2) | SMBC(3) |

(1) Bank of America, N.A.
(2) Barclays Bank PLC
(3) Sumitomo Mitsui Banking Corporation, acting through its New York branch

### (d) *Hotel Special Facility Bonds*

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, the Airport Commission authorized the issuance of $260.0 million of Special Facility Bonds to finance an on-Airport Hotel. These resolutions also designated the on-Airport Hotel as a "Special Facility" under the 1991 Master Bond Resolution, which allows the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. On June 6, 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the "Hotel Special Facility Bonds"), in the aggregate principal amount of $260.0 million to finance the on-Airport 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 trust agreement pursuant to which they were issued were amended and restated, including to delay the initial principal repayment until April 1, 2025 (instead of April 1, 2022) and temporarily reduce the interest rate on the Hotel Special Facility Bonds from 3.00% to 0.086% from April 1, 2020 through September 30, 2023. The interest rate will then increase incrementally until it is restored to 3.00% beginning on April 1, 2029. In addition, the amendments provided that October 1, 2020 is no longer an interest payment date, and there is no requirement to pay interest accrued on the Hotel Special Facility Bonds until October 1, 2023. The maximum principal amount of the Hotel Special Facility Bonds is not limited by the Hotel Trust Agreement, but the Commission must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Commission. Under the Hotel Trust Agreement, the Commission 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 Commission 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 Commission to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport’s Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport Hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel.

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

As of June 30, 2021, the Airport Commission had $260.0 million of outstanding Hotel Special Facility Bonds.

### *(e) Fuel System Special Facilities Lease Revenue Bonds*

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 Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International 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, 2021, the outstanding balance was $113.6 million.

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

### *(f) Interest Rate Swaps*

As of June 30, 2021, the Airport's derivative instrument comprised of one interest rate swap that the Airport entered into to hedge the interest payments on its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swap continued to be effective as of June 30, 2021. The following table is in thousands:

| No. | Current bonds | | Initial notional amount | Notional amount June 30, 2021 | Effective date |
|---|---|---|---|---|---|
| 1 | 2010A* | $ | 143,947 | 125,587 | 2/1/2010 |
| | Total | $ | 143,947 | 125,587 | |

* Hedges Series 2010A-1 and 2010A-2.

*Fair Value*

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swap. All values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swap to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

In addition, pursuant to GASB 72, the settlement amounts are then adjusted for the nonperformance risk of each party to the swap to arrive at the fair value. The nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB 72 fair value hierarchy.

As of June 30, 2021, the fair value of the Airport's outstanding swap, counterparty credit ratings, and fixed rate payable by the Airport Commission is shown in the following table (in thousands). Since the swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P's Long-Term Local Issuer Credit Rating, Moody's Long-Term Senior Unsecured Rating, and Fitch's Long-Term Issuer Default Rating.

| No. | Current bonds | Counterparty/guarantor* | Counterparty credit ratings (S/M/F) | Fixed rate payable by Commission | Fair value to commission |
|---|---|---|---|---|---|
| 1 | 2010A** | Goldman Sachs Bank USA/ Goldman Sachs Group, Inc. | BBB+/A2/A* | 3.925% | $ (21,374) |
| | | Total | | | $ (21,374) |

* Reflects ratings of the guarantor.
** Hedges Series 2010A-1 and 2010A-2

**Fair Value Hierarchy**

The following table is in thousands:

| | Fair value June 30, 2021 | Fair value measurements using significant other observable inputs (Level 2) |
|---|---|---|
| Interest rate swaps | $ (21,374) | (21,374) |

**Change in Fair Value**

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2021 is as follows (in thousands):

| | | Deferred outflows on derivative instruments | Derivative instruments |
|---|---|---|---|
| Balance as of June 30, 2020 | $ | 28,221 | 28,221 |
| Change in fair value to year-end | | (6,847) | (6,847) |
| Balance as of June 30, 2021 | $ | 21,374 | 21,374 |

The fair value of the interest rate swap is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statements of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow asset (if a termination payment would be due to the counterparty) or inflow liability (if a termination payment would be due to the Airport). Any off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2021.

*Basis Risk* – During the fiscal year ended June 30, 2021, the Airport paid a total of $0.438 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

*Credit Risk* – As of June 30, 2021, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

*Counterparty Risk* – As of June 30, 2021, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated).

*Termination Risk* – The Airport has not secured municipal swap insurance for its outstanding swap.

As of June 30, 2021, the fair value of the swap was negative to the Airport as shown above.

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

**Issue 1 Reserve Account**

As of June 30, 2021, the reserve requirement for the Issue 1 Reserve Account was $522.0 million, which was satisfied by $553.1 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of $108.6 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. In addition, $27.5 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

### 2017 Reserve Account

As of June 30, 2021, the reserve requirement for the 2017 Reserve Account was $45.9 million, which was satisfied by $56.0 million in cash and investment securities.

### Series Not Secured by Reserve Accounts

The Airport Commission does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A and Series 2018B/C, all of which are secured by letters of credit.

### Debt Service Requirements

Revenue bond debt service requirements to maturity as of June 30, 2021, are as follows (in thousands):

| | Principal | Interest | Total |
|---|---|---|---|
| Fiscal year: | | | |
| 2022 | $ 5,860 | 377,952 | 383,812 |
| 2023 | 166,175 | 377,064 | 543,239 |
| 2024 | 149,070 | 369,452 | 518,522 |
| 2025 | 165,525 | 362,247 | 527,772 |
| 2026 | 207,340 | 354,370 | 561,710 |
| 2027–2031 | 819,640 | 1,627,252 | 2,446,892 |
| 2032–2036 | 781,450 | 1,447,618 | 2,229,068 |
| 2037–2041 | 1,381,155 | 1,211,584 | 2,592,739 |
| 2040–2046 | 1,903,480 | 811,416 | 2,714,896 |
| 2047–2051 | 2,191,485 | 295,631 | 2,487,116 |
| 2052–2056 | 72,740 | 12,661 | 85,401 |
| 2057–2058 | 33,150 | 1,624 | 34,774 |
| Total | $ 7,877,070 | 7,248,871 | 15,125,941 |

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):

| | | Principal | Interest | Total |
|---|---|---|---|---|
| Fiscal year: | | | | |
| 2022 | $ | 282,200 | 378,788 | 660,988 |
| 2023 | | 278,430 | 367,858 | 646,288 |
| 2024 | | 139,035 | 356,047 | 495,082 |
| 2025 | | 155,005 | 349,272 | 504,277 |
| 2026 | | 196,330 | 341,790 | 538,120 |
| 2027–2031 | | 731,660 | 1,574,538 | 2,306,198 |
| 2032–2036 | | 762,710 | 1,404,924 | 2,167,634 |
| 2037–2041 | | 1,346,865 | 1,172,922 | 2,519,787 |
| 2042–2046 | | 1,853,630 | 779,423 | 2,633,053 |
| 2047–2051 | | 2,131,205 | 272,398 | 2,403,603 |
| Total | $ | 7,877,070 | 6,997,960 | 14,875,030 |

### (h) *Cash Defeasance of Bonds*

On January 28, 2021, the Airport legally defeased $6.8 million of its Series 2011B Bonds, $6.8 million of its Series 2011H Bonds, $5.7 million of its Series 2013A Bonds, $29.4 million of its Series 2016A Bonds, $9.1 million of its Series 2016D Bonds, $21.9 million of its 2017D Bonds, $15.9 million of its Series 2018A Bonds, $25.5 million of its Series 2019C Bonds, $8.8 million of its Series 2019G Bonds, and $37.0 million of its Series 2019H Bonds using proceeds of Commercial Paper Notes.

## Fiscal Year 2020

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

Pursuant to resolutions adopted between fiscal years 2008 and 2020, the Airport Commission has authorized the issuance of up to $10.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2020, $4.6 billion of the authorized capital plan bonds remained unissued.

*Second Series Revenue Bonds, Series 2019E/F/G*

On September 10, 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019E (AMT), Series 2019F (Non-AMT/Governmental Purpose), and Series 2019G (Federally Taxable) in an aggregate principal amount of approximately $896.9 million to finance and refinance (through repayment of commercial paper notes) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) construction of the Courtyard 3 Connector (a secure connector between Terminals 2 and 3), (d) renovation of the International Terminal departures level, (e) gate enhancements, and (f) extension of AirTrain service to the long-term parking garages; to fund deposits to debt service reserve accounts and the Contingency Account; to fund deposits to capitalized interest accounts; and to pay costs of issuance.

The net proceeds of the Series 2019E Bonds, Series 2019F Bonds and the Series 2019G Bonds issued as capital plan bonds (consisting of approximately $896.9 million par amount, net original issue premium of $194.4 million and net of the underwriters' discount of $1.5 million, together with a debt service reserve fund release of $11.9 million), were used to deposit $954.8 million to project accounts, $24.3 million to refund commercial paper notes (including $4.9 million of commercial paper notes that funded a deposit to the Airport's contingency account), $3.1 million to the Airport's contingency account, $59.9 million to the capitalized interest accounts, $58.4 million to the Original Reserve Account, and $1.1 million to pay costs of issuance.

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

Pursuant to resolutions adopted between fiscal years 2005 and 2020, the Airport Commission has authorized the issuance of up to $11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2020, $2.6 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2020, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

*Second Series Revenue Bonds, Series 2019G and Second Series Revenue Refunding Bonds, Series 2019H*

On September 10, 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019G (Federally Taxable), and Second Series Revenue Refunding Bonds, Series 2019H (AMT), in the aggregate principal amount of $292.3 million, to refund $328.0 million of its Issues 37C and 2010A-3 bonds, and Series 2009A, 2009B, 2009C-2 Bonds, in addition to refinancing two swap termination payments totaling $25.1 million.

The net proceeds of the Series 2019G and 2019H Bonds (consisting of $292.3 million par amount and original issue premium of $49.7 million, less an underwriters' discount of $0.4 million), together with $16.2 million accumulated in the debt service fund relating to the refunded bonds were used to deposit $332.3 million into irrevocable escrow funds with the Senior Trustee to refund $328.0 million in revenue bonds as described below (in thousands) and $0.5 million to pay costs of issuance.

| | | Amount refunded | Interest rate |
|---|---|---|---|
| Second Series Revenue Bonds Issue: | | | |
| Issue 37C (Non-AMT/Private Activity) | $ | 82,500 | 3.90% |
| Series 2009A (Non-AMT/Private Activity) | | 84,305 | 4.90% |
| Series 2009B (Non-AMT/Private Activity) | | 75,905 | 4.90% |
| Series 2009C-2 (Non-AMT/Private Activity) | | 19,080 | 4.13-5.00% |
| Issue 2010A-3 (AMT) | | 66,205 | 3.77% |
| Total | $ | 327,995 | |

The Series 2009C-2, Issue 37C, and Issue 2010A-3 Bonds were redeemed on September 11, 2019, and the Series 2009A and 2009B bonds were redeemed on November 1, 2019.

In aggregate, the Series 2019G/H refundings resulted in the recognition of a deferred accounting loss of $8.0 million for the fiscal year ended June 30, 2020. In aggregate, the Series 2019G/H refundings decreased the Airport's aggregate gross debt service payments by approximately $27.9 million over the next eleven years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $16.2 million.

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

As of June 30, 2020, the Airport Commission had outstanding an aggregate principal amount of $407.5 million of Second Series Variable Rate Revenue Refunding Bonds, consisting Series 2010A, and Second Series Variable Rate Revenue Bonds, consisting of Series 2018B and Series 2018C, (collectively, the "Variable Rate Bonds") with final maturity dates of May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

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

Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.28% and 0.39% per annum. As of June 30, 2020, there were no unreimbursed draws under these facilities.

Subsequent to the issuance and delivery of Series 2019H bonds on September 10, 2019, the letter of credit issued by MUFG Union Bank, N.A. (formerly known as Union Bank, N.A.) supporting the Issue 37C Bonds and the Remarketing Agreement with Stifel, Nicolaus & Company, Incorporated, as remarketing agent for the Issue 37C Bonds, were terminated.

On September 11, 2019, the principal amount of letter of credit issued by Bank of America, N.A., supporting the Series 2010A Bonds was reduced to $134.7 million.

On April 14, 2020, the Bank of America, N.A., letter of credit supporting the Series 2010A Bonds was extended to April 14, 2023.

The letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2020, are as follows (in thousands):

| | Series 2010A | Series 2018B | Series 2018C |
|---|---|---|---|
| Principal amount | $ 131,205 | 138,170 | 138,170 |
| Expiration date | April 14, 2023 | June 3, 2022 | June 3, 2022 |
| Credit provider | Bank of America[(1)] | Barclays[(2)] | SMBC[(3)] |

(1) Bank of America, N.A.
(2) Barclays Bank PLC
(3) Sumitomo Mitsui Banking Corporation, acting through its New York branch

### *(d) Hotel Special Facility Bonds*

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, the Airport Commission authorized the issuance of $260.0 million of Special Facility Bonds to finance an on-Airport Hotel. These resolutions also designated the on-Airport Hotel as a “Special Facility” under the 1991 Master Bond Resolution, which allows the hotel revenues to be segregated from the Airport’s other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. On June 6, 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the “Hotel Special Facility Bonds”), in the aggregate principal amount of $260.0 million to finance the on-Airport Hotel and to fund a capitalized interest account. The Hotel Special Facility Bonds bear interest at a fixed rate of 3.0% per annum, mature in 2058, and are subject to mandatory sinking fund redemption each year starting in 2022.

The Hotel Special Facility Bonds are issued pursuant to a Trust Agreement (the “Hotel Trust Agreement”). The maximum principal amount of such bonds is not limited by the Hotel Trust

Agreement, but the Commission must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Commission. Under the Hotel Trust Agreement, the Commission 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 Commission 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 Commission to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport's Net Revenues (as defined under the 1991 Master Bond Resolution) (see note 7). However, because the Airport is the owner of the on-Airport Hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel.

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

As of June 30, 2020, the Airport Commission had $260.0 million of outstanding Hotel Special Facility Bonds.

### *(e) Fuel System Special Facilities Lease Revenue Bonds*

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 Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International 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, 2020, the outstanding balance was $121.4 million.

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 Commission and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers for into-plane fueling at the Airport, and are not payable from or secured by the Net

Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel. The Fuel Bonds are therefore not reported in the accompanying financial statements.

### *(f) Interest Rate Swaps*

As of June 30, 2020, the Airport's derivative instrument comprised of one interest rate swap that the Airport entered into to hedge the interest payments on its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swap continued to be effective as of June 30, 2020. The following table is in thousands:

| No. | Current bonds | | Initial notional amount | Notional amount June 30, 2020 | Effective date |
|---|---|---|---|---|---|
| 1 | 2010A* | $ | 143,947 | 131,187 | 2/1/2010 |
| | Total | $ | 143,947 | 131,187 | |

* Hedges Series 2010A-1 and 2010A-2.

*Fair Value*

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of the swap. All values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swap to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

In addition, pursuant to GASB 72, the settlement amounts are then adjusted for the nonperformance risk of each party to the swap to arrive at the fair value. The nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB 72 fair value hierarchy.

As of June 30, 2020, the fair value of the Airport's outstanding swap, counterparty credit ratings, and fixed rate payable by the Airport Commission is shown in the following table (in thousands). Since the swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P's Long-Term Local Issuer Credit Rating, Moody's Long-Term Senior Unsecured Rating, and Fitch's Long-Term Issuer Default Rating.

| No. | Current bonds | Counterparty/guarantor* | Counterparty credit ratings (S/M/F) | Fixed rate payable by Commission | Fair value to commission |
|---|---|---|---|---|---|
| 1 | 2010A** | Goldman Sachs Bank USA/ Goldman Sachs Group, Inc. | BBB+/A3/A* | 3.925% | $ (28,221) |
| | | Total | | | $ (28,221) |

* Reflects ratings of the guarantor.
** Hedges Series 2010A-1 and 2010A-2

### Fair Value Hierarchy

The following table is in thousands:

| | Fair value June 30, 2020 | Fair value measurements using significant other observable inputs (Level 2) |
|---|---|---|
| Interest rate swaps | $ (28,221) | (28,221) |

**Change in Fair Value**

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2020 is as follows (in thousands):

| | | Deferred outflows on derivative instruments | Derivative instruments |
|---|---|---|---|
| Balance as of June 30, 2019 | $ | 38,828 | 46,085 |
| Change in fair value to year-end | | (10,607) | (17,864) |
| Balance as of June 30, 2020 | $ | 28,221 | 28,221 |

The fair value of the interest rate swap is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statements of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow asset (if a termination payment would be due to the counterparty) or inflow liability (if a termination payment would be due to the Airport). Any off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2020.

*Basis Risk* – During the fiscal year ended June 30, 2020, the Airport paid a total of $0.4 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

*Credit Risk* – As of June 30, 2020, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

*Counterparty Risk* – As of June 30, 2020, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated).

*Termination Risk* – The Airport has not secured municipal swap insurance for its outstanding swap.

As of June 30, 2020, the fair value of the swap was negative to the Airport as shown above.

***(g) Cash Defeasance of Bonds***

On September 12, 2019, the Airport legally defeased $5,000 of its Second Series Revenue Refunding Bonds, Series 2009D, $5,000 of its Second Series Revenue Refunding Bonds, Series 2010D,

$160,000 of its Second Series Revenue Bonds, Series 2010F, $5,000 of its Second Series Revenue Refunding Bonds, Series 2011C, $5,000 of its Second Series Revenue Refunding Bonds, Series 2011F, $5,000 of its Second Series Revenue Refunding Bonds, Series 2012A, $5,000 of its Second Series Revenue Bonds, Series 2013A, $10,000 of its Second Series Revenue Bonds, Series 2014A, $5,000 of its Second Series Revenue Bonds, Series 2017A, $5,000 of its Second Series Revenue Refunding Bonds, Series 2018A, $5,000 of its Second Series Revenue Bonds, Series 2018D, and $5,000 of its Second Series Revenue Refunding Bonds, Series 2018G using available cash on hand together with amounts held by the Trustee for purposes of paying future debt service on such bonds.

On November 1, 2019, the Trustee purchased and cancelled $5,000 of the Second Series Revenue Refunding Bonds, Series 2009D, at the direction of the Commission, using available cash on hand.

## (8) Pledged Revenue

The Airport Commission 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 Commission's Resolution No. 91-0210 adopted on December 3, 1991 (as amended and supplemented, the "1991 Master Bond Resolution"), and amounts due with respect to the letters of credit supporting the Senior Bonds to the extent provided in the 1991 Master Bond Resolution, (2) the San Francisco International Airport Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) issued and to be issued under the 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, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments. 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, 2021, the final maturities of the obligations secured by the Net Revenues are Senior Bonds that mature in fiscal year 2059.

Net Revenues are defined in the 1991 Master Bond Resolution and the 1997 Note Resolution as Revenues less Operation and Maintenance Expenses. Revenues are defined to include all revenues earned by the Commission with respect to the Airport, as determined in accordance with GAAP. Revenues do not include: (a) investment income from moneys in (i) the Construction Fund, (ii) the Debt Service Fund which constitute capitalized interest, or (iii) the Reserve Fund if and to the extent there is any deficiency therein; (b) interest income on, and any profit realized from, the investment of the proceeds of any Special Facility Bonds (as defined in the 1991 Master Bond Resolution); (c) Special Facility Revenues (as defined in the 1991 Master Bond Resolution) and any income realized from the investment thereof unless designated as Revenues by the Commission; (d) any passenger facility or similar charge levied by or on behalf of the Commission unless designated as Revenues by the Commission; (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; and (i) any money received by or for the account of the Commission from the levy or collection of taxes upon any property of the City.

Operation and Maintenance Expenses are defined in the 1991 Master Bond Resolution and the 1997 Note Resolution to include all expenses of the Commission 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 Commission will be paid or reimbursed from or through any source that is not included or includable as Revenues; (d) any extraordinary items arising from the early extinguishment of debt; (e) Annual Service Payments to the City; (f) any costs, or charges made therefor, for capital additions, replacements or improvements to the Airport which, under GAAP, are properly chargeable to a capital account or reserve for depreciation; and (g) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Airport properties. Operation and Maintenance Expenses include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Commission may establish or the Board of Supervisors may require with respect to Commission employees.

For fiscal year 2021, the calculation of Net Revenues excluded $296.1 million of revenue from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) relief grant reimbursements received by the Airport, which are not includable as revenue, and excluded $296.1 million of operating expenses that were reimbursed using the CARES and CRRSAA grant funds. In addition, this calculation excluded $57.0 million of operating expenses that were paid using proceeds of the Series 2021ABC Bonds that were issued to reimburse the Airport for prior years' bond interest expense on capital projects; bond proceeds are not includable as revenue.

| | | 2021 | 2020 |
|---|---|---|---|
| Bonds issued with revenue pledge | $ | 838,380 | 1,189,175 |
| Bond principal and interest remaining due at the end of the fiscal year | | 15,125,941 | 15,096,311 |
| Commercial paper issued with subordinate revenue pledge | | 506,150 | 49,375 |
| Commercial paper principal and interest remaining due at the end of the fiscal year | | 279,408 | 3,190 |
| Net revenues | | 311,233 | 537,642 |
| Bond principal and interest paid in the fiscal year | | 277,427 | 487,379 |
| Commercial paper principal, interest and fees paid in the fiscal year | | 3,751 | 2,874 |

**Pledged Revenue of the On-Airport Hotel**

Pursuant to the Hotel Trust Agreement, the Airport Commission 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 2058, and are subject to mandatory sinking fund redemption each year starting in 2025.

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

Total Operating Revenues are defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport Hotel, whether or not arranged by, for or on behalf of another person or at another location, properly attributable to the period under consideration (including rentals or other payments from licensees or concessionaires of retail space in the hotel, but not gross receipts of such licensees or concessionaires), determined in accordance with the Uniform System of Accounts and, to the extent consistent therewith, Generally Accepted Accounting Principles, 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 Generally Accepted Accounting Principles, 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 Commission to the hotel manager whether for hotel Operating Expenses or otherwise; (k) other income or proceeds that do not result from (i) the use or occupancy of the hotel, or any part thereof, or (ii) the sale of goods, services or other items by or from the hotel in the ordinary course of business; (l) interest earned on funds held in any fund or account under the Hotel Trust Agreement; (m) the value of any complimentary rooms, goods or services; (n) refunds to hotel guests of any sums or credits to any hotel customers for lost or damaged items; and (o) refunds to parking customers of any sums or credits to any parking customers for lost or damaged items.

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

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

The Commission 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 Commission's 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 $113.6 million as of June 30, 2021. 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, unless this date is extended because additional bonds (including refunding bonds) with a later maturity are issued.

## (9) Concession Revenue and Minimum Future Rents

Certain of the Airport's rental agreements with concessionaires specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees (to the extent applicable) were approximately $1.5 million and $11.0 million as of June 30, 2021 and 2020, respectively. Most of these concession agreements provide that the MAG does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months, and the reduced enplanement levels during the COVID-19 pandemic have resulted in inapplicability of the MAG pursuant to these provisions. The MAG is reinstated once monthly enplanements equal or exceed 80% of the reference month enplanements for two consecutive months.

Effective September 1, 2020, new five-year leases, with two (2) additional two-year extension options, exercisable at the sole discretion of the Airport, commenced with four rental car companies. The agreements provide for an aggregate MAG of $47.2 million. However, the MAG has been suspended since the effective date of the leases and will continue to be suspended until enplanements return to 80% of the levels seen for the "Reference Year" for the leases, which is 2017 (the calendar year before the leases were awarded), for a period of at least two months (compared to the same months in the Reference Year). While the MAG is suspended, only percentage rent equal to 10% of gross revenues will be due from the rental car operators.

Minimum future rents under noncancelable operating leases at the Airport having terms in excess of one year are as follows (in thousands). The table below assumes that minimum annual guaranteed rents continue to be payable; therefore, it does not reflect the suspension of minimum annual guaranteed rent that has occurred for most terminal concession and rental car lease obligations pending the return of normal passenger activity, as described above.

| | | |
|---|---|---|
| Fiscal year ending: | | |
| 2022 | $ | 82,489 |
| 2023 | | 80,842 |
| 2024 | | 76,910 |
| 2025 | | 73,263 |
| 2026 | | 31,597 |
| 2027 and thereafter | | 51,423 |
| | $ | 396,524 |

## (10) Employee Benefit Plans

### *(a) San Francisco City and County Employee's Retirement System Plan*

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

***Replacement Benefits Plan***

The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code 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 68 and 73 requires 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.

| | Fiscal year 2021 |
|---|---|
| Valuation Date (VD) | June 30, 2019 updated to June 30, 2020 |
| Measurement Date (MD) | June 30, 2020 |
| Measurement Period (MP) | July 1, 2019 to June 30, 2020 |
| | **Fiscal year 2020** |
| Valuation Date (VD) | June 30, 2018 updated to June 30, 2019 |
| Measurement Date (MD) | June 30, 2019 |
| Measurement Period (MP) | July 1, 2018 to June 30, 2019 |

***SFERS Plan***

The City is an employer of the plan with a proportionate share of 94.39% as of June 30, 2020 (measurement date), 0.26% increased from prior 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 2020. 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 6.65% as of the measurement date.

***Replacement Benefits Plan***

The Airport's allocation percentage was determined based on the Airport's headcount (both active members and retirees) divided by the City's total headcount for fiscal year 2020. 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 0.51% 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 after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authorities which establish and amend the benefit provisions and employer obligations of the Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained on the Retirement System's website or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

**Benefits**

The Retirement System provides service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and annual cost of living adjustments (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 and County. 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%. 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. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

**Funding and Contribution Policy**

***SFERS Plans***

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 13.0% as a percentage of gross covered salary in fiscal years 2021 and 2020. 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, 2019 actuarial report, the required employer contribution rate for fiscal year 2021 range from 22.40% to 26.90%. Based on the July 1, 2018 actuarial report, the required employer contribution rate for fiscal year 2020 ranges from 20.69% to 25.19%.

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, 2020 (measurement year) was $701.3 million. The Airport's allocation of employer contributions for fiscal year 2020 was $46.3 million, and $38.3 million for fiscal year 2019.

***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 $3.6 million replacement benefits in the year ended June 30, 2021.

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

**Fiscal Year 2021**

As of June 30, 2021, the City reported net pension liabilities (NPL) for its proportionate share of the net pension liability of the SFERS Plan and RBP of $5.3 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, 2020 (measurement date), and the total pension liability for the SFERS Plan and RBP used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020 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 for the SFERS Plan as of June 30, 2021 and 2020 (reporting years) was $339.4 million and $278.2 million, respectively. The Airport's allocation of the total pension liability for the RBP as of June 30, 2021 was $1.0 million.

For the year ended June 30, 2021, the City's recognized pension expense was $962.6 million including amortization of deferred outflows/inflows related pension items. The Airport's allocation of pension expense including amortization of deferred outflows/inflows related pension items was $66.1 million. Pension expense increased from the prior year, largely due to the amortization of deferrals. At June 30, 2021, the Airport's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source (in thousands).

**Schedule of Deferred Inflows and Outflows**

| | | SFERS Plan | | Replacement Benefits Plan | |
|---|---|---|---|---|---|
| | | Deferred outflows of resources | Deferred inflows of resources | Deferred outflows of resources | Deferred inflows of resources |
| Changes of assumptions | $ | 18,633 | 5,878 | 252 | 10 |
| Net difference between projected and actual earnings on pension plan investments | | 7,107 | — | — | — |
| Change in proportionate share | | 4,516 | 7,598 | 145 | 309 |
| Difference between expected and actual experience | | 11,526 | 1,064 | 90 | — |
| Pension contributions subsequent to the measurement date | | 52,613 | — | — | — |
| Total | $ | 94,395 | 14,540 | 487 | 319 |

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):

| | | SFERS Plan | Replacement Benefits Plan |
|---|---|---|---|
| | | Deferred outflows/ (inflows) of resources | Deferred outflows/ (inflows) of resources |
| Fiscal year: | | | |
| 2022 | $ | (6,355) | 88 |
| 2023 | | 6,563 | 77 |
| 2024 | | 13,857 | 1 |
| 2025 | | 13,177 | 2 |
| Total | $ | 27,242 | 168 |

**Fiscal Year 2020**

As of June 30, 2020, the City reported net pension liabilities for its proportionate share of the net pension liability of the Plan of $4.2 billion. The City's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2019 (measurement date), and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability 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 for the Plan as of June 30, 2020 and 2019 (reporting years) was $278.2 million and $254.2 million, respectively.

For the year ended June 30, 2020, the City's recognized pension expense was $883.4 million including amortization of deferred outflows/inflows related pension items. The Airport's allocation of pension expense including amortization of deferred outflows/inflows related pension items was $71.0 million. Pension expense increased from the prior year, largely due to the amortization of deferrals. At June 30, 2020, the Airport's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands).

**Schedule of Deferred Inflows and Outflows**

| | Deferred outflows of resources | Deferred inflows of resources |
|---|---|---|
| Changes of assumptions | $ 39,563 | — |
| Net difference between projected and actual earnings on pension plan investments | — | 51,259 |
| Change in proportionate share | 6,231 | 8,465 |
| Difference between expected and actual experience | 2,060 | 3,063 |
| Pension contributions subsequent to the measurement date | 46,297 | — |
| Total | $ 94,151 | 62,787 |

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):

| | | Deferred outflows/ (inflows) of resources |
|---|---|---|
| Fiscal year: | | |
| 2021 | $ | 10,325 |
| 2022 | | (19,353) |
| 2023 | | (6,556) |
| 2024 | | 651 |
| Total | $ | (14,933) |

**Actuarial Assumptions**

**Fiscal Year 2021**

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, 2020 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2019 actuarial valuation. Refer to the July 1, 2019 actuarial valuation report for a complete description of all other assumptions, which can be found on the Retirement System's website http://mysfers.org.

| | SFERS Plan |
|---|---|
| Key actuarial assumptions: | |
| Valuation date | June 30, 2019 updated to June 30, 2020 |
| Measurement date | June 30, 2020 |
| Actuarial cost method | Entry-Age Normal Cost Method |
| Expected rate of return | 7.40% net of pension plan investment, including inflation |
| Municipal bond yield | 3.50% as of June 30, 2019 |
| | 2.21% as of June 30, 2020 |
| | Bond Buyer 20-Bond GO Index, June 27, 2019 and June 25, 2020 |
| Inflation | 2.75 % |
| Salary increases | 3.50% plus merit component based on employee classification and years of service |
| Discount rate | 7.40% as of June 30, 2019 |
| | 7.40% as of June 30, 2020 |
| Administrative expenses | 0.60% of payroll as of June 30, 2019 |
| | 0.60% of payroll as of June 30, 2020 |

| | Old Miscellaneous and all New Plans | Old Police & Fire pre July 1, 1975 Retirements | Old Police & Fire, Charters A8.595 and A8.596 | Old Police & Fire, Charters A8.559 and A8.585 |
|---|---|---|---|---|
| Basic COLA: | | | | |
| June 30, 2019 | 2.00 % | 2.50 % | 3.10 % | 4.20 % |
| June 30, 2020 | 2.00 % | 2.50 % | 3.10 % | 4.20 % |

| | Replacement Benefit Plan |
|---|---|
| Key actuarial assumptions: | |
| Valuation date | June 30, 2019 updated to June 30, 2020 |
| Measurement date | June 30, 2020 |
| Actuarial cost method | Entry-Age Normal Cost Method |
| Municipal bond yield | 2.21% as of June 30, 2020<br>Bond Buyer 20-Bond GO Index, June 27, 2019 and June 25, 2020 |
| Inflation | 2.75 % |
| Salary increases | 3.50% plus merit component based on employee classification and years of service |
| Discount rate | 2.21% as of June 30, 2020 |
| Administrative expenses | 0.60% of payroll as of June 30, 2020 |

| | Old Miscellaneous | Old Police & Fire | Old Police & Fire Charters | Old Police & Fire Charters |
|---|---|---|---|---|
| Basic COLA: | | | | |
| June 30, 2020 | 2.00 % | 2.50 % | 3.10 % | 4.20 % |

***SFERS Plans***

For healthy annuitants, the sex distinct 2009 CalPERS healthy annuitant mortality table, adjusted 1.014 for females and 0.909 for males. For active members, the sex distinct 2009 CalPERS employee mortality tables, adjusted 0.918 for females and 0.948 for males. Rates are projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used at the June 30, 2020 measurement date was based upon the result of a demographic experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2019.



(Continued)

**Fiscal Year 2020**

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability as of June 30, 2019 (measurement period) is provided below, including any assumptions that differ from those used in the July 1, 2018 actuarial valuation. Refer to the July 1, 2018 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: | |
|---|---|
| Valuation date | June 30, 2018 updated to June 30, 2019 |
| Measurement date | June 30, 2019 |
| Actuarial cost method | Entry-Age Normal Cost Method |
| Expected rate of return | 7.4% net of pension plan investment, including inflation |
| Municipal bond yield | 3.87% as of June 30, 2018 |
| | 3.50% as of June 30, 2019 |
| | Bond Buyer 20-Bond GO Index, June 28, 2018 and June 27, 2019 |
| Inflation | 2.75 % |
| Salary increases | 3.50% plus merit component based on employee classification and years of service |
| Discount rate | 7.50% as of June 30, 2018 |
| | 7.40% as of June 30, 2019 |
| Administrative expenses | 0.60% of payroll as of June 30, 2018 |
| | 0.60% of payroll as of June 30, 2019 |

| | Old Miscellaneous and all New Plans | Old Police & Fire pre July 1, 1975 Retirements | Old Police & Fire, Charters A8.595 and A8.596 | Old Police & Fire, Charters A8.559 and A8.585 |
|---|---|---|---|---|
| Basic COLA: | | | | |
| June 30, 2018 | 2.00 % | 2.50 % | 3.10 % | 4.20 % |
| June 30, 2019 | 2.00 % | 2.50 % | 3.10 % | 4.20 % |

Mortality rates for active members and healthy annuitants were based upon the adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

**Discount Rate**

**Fiscal Year 2021**

***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 7.40% as of June 30, 2019 (measurement date) and June 30, 2020 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2020 was 7.40%. 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, 2019 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. The remaining unfunded actuarial liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the unfunded actuarial liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.50% 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 worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), 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 did not work after November 6, 1996 and before Proposition C passed, the market value of assets must also exceed the actuarial liability at the beginning of the year 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. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, an assumption was developed as of June 30, 2020 for the probability and amount of Supplemental COLA for each future year. There were no excess earnings during the fiscal year ending June 30, 2020; consequently, no Supplemental COLA will be paid effective July 1, 2020. 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**

| | 1996 – Prop C | Before November 6, 1996 or after Prop C |
|---|---|---|
| Fiscal year: | | |
| 2022 | 0.75 % | 0.19 % |
| 2024 | 0.75 | 0.27 |
| 2026 | 0.75 | 0.30 |
| 2028 | 0.75 | 0.33 |
| 2030 | 0.75 | 0.35 |
| 2032 | 0.75 | 0.37 |
| 2034+ | 0.75 | 0.38 |

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

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.21% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2020 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

| Asset class | Target allocation | Long-term expected real rate of return |
|---|---|---|
| Global equity | 31 % | 4.9 % |
| Treasuries | 6 | (0.5) |
| Liquid credit | 3 | 2.7 |
| Private credit | 10 | 4.8 |
| Private equity | 18 | 7.9 |
| Real assets | 17 | 5.7 |
| Hedge funds/absolute return | 15 | 3.0 |
| | 100 % | |

***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 2.21% as of June 30, 2020. 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 27, 2019 and June 25, 2020. These are the rates used to determine the total pension liability as of June 30, 2020.

The inflation assumption of 2.75% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $230 for 2020 was used for the 2020 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, 2021, City’s membership in the RBP had a total of 683 active members and 105 retirees and beneficiaries currently receiving benefits. The Airport has 3 active members and 1 retirees and beneficiaries currently receiving benefits.

**Fiscal Year 2020**

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 7.50% as of June 30, 2018 (measurement date) and 7.40% as of June 30, 2019 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2019 was 7.40%. 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, 2018 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. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. The full amortization payment for the 2015 assumption changes is phased in over a period of 5 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.50% 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 worked after November 6, 1996 and before Proposition C passed (Post 97 Retirees), 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 did not work after November 6, 1996 and before Proposition C passed, the Market Value of Assets must also exceed the actuarial liability at the beginning of the year 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. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System for certain members, the following assumptions were developed for the probability and amount of Supplemental COLA for each future year. The City has assumed that a full Supplemental COLA will be paid to all Post 97 Retirees effective July 1, 2019. 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**

| | 1996 – Prop C | Before November 6, 1996 or after Prop C |
|---|---|---|
| Fiscal year: | | |
| 2021 | 0.75 % | 0.27 % |
| 2023 | 0.75 | 0.34 |
| 2025 | 0.75 | 0.36 |
| 2027 | 0.75 | 0.37 |
| 2030+ | 0.75 | 0.38 |

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

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.50% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2019 is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

| Asset class | Target allocation | Long-term expected real rate of return |
|---|---|---|
| Global equity | 31 % | 5.3 % |
| Treasuries | 6 | 0.9 |
| Liquid credit | 3 | 3.6 |
| Private credit | 10 | 5.2 |
| Private equity | 18 | 8.3 |
| Real assets | 17 | 5.4 |
| Hedge funds/absolute return | 15 | 3.9 |
| | 100 % | |

**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 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):

**Fiscal Year 2021**

| Employer | 1% decrease share of NPL @ 6.40% | Share of NPL @ 7.40% | 1% increase share of NPL @ 8.40% |
|---|---|---|---|
| Airport | $ 600,082 | 339,389 | 124,008 |

**Fiscal Year 2020**

| Employer | 1% decrease share of NPL @ 6.40% | Share of NPL @ 7.40% | 1% increase share of NPL @ 8.40% |
|---|---|---|---|
| Airport | $ 525,081 | 278,176 | 74,178 |

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):

**Fiscal Year 2021**

| Employer | | 1% decrease @ 1.21% | Measurement Date @ 2.21% | 1% increase @ 3.21% |
|---|---|---|---|---|
| Airport | $ | 1,135 | 941 | 792 |

### *(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.

**Fiscal Year 2021**

GASB 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 2021 | |
|---|---|
| Valuation Date (VD) | June 30, 2020 |
| Measurement Date (MD) | June 30, 2020 |
| Measurement Period (MP) | July 1, 2019 to June 30, 2020 |

The Airport's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the year ended June 30, 2020. The Airport's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense is based on the Airport's allocated percentage. The Airport's proportionate share of the City's OPEB elements was 6.76% as of the measurement date.

### Benefits

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

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

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

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

| | |
|---|---|
| Medical: | PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured) |
| | HMO – Kaiser (fully-insured) and Blue Shield (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, 2021, the City's funding was based on "pay-as-you-go" plus a contribution of $39.6 million to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was $206.4 million for a total contribution of $246.0 million for the fiscal year ended June 30, 2021. The Airport's proportionate share of the City's contributions for fiscal year 2021 was $16.6 million.

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

As of June 30, 2021, the City reported net OPEB liabilities related to the Plan of $3.8 billion. The Airport's proportionate share of the City's net OPEB liability as of June 30, 2021 was $258.5 million.

For the year ended June 30, 2021, the City's recognized OPEB expense was $320.7 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 expense was $36.3 million.

As of June 30, 2021, 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 | $ | 16,634 | — |
| Differences between expected and actual experience | | 9,373 | 37,040 |
| Changes in assumptions | | 13,087 | — |
| Net difference between projected and actual earnings on plan investments | | 169 | — |
| Change in proportion | | 369 | 6,728 |
| Total | $ | 39,632 | 43,768 |

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):

| | | |
|---|---|---|
| Fiscal Year: | | |
| 2022 | $ | (4,082) |
| 2023 | | (3,981) |
| 2024 | | (4,000) |
| 2025 | | (3,932) |
| 2026 | | (1,430) |
| Thereafter | | (3,345) |
| Total | $ | (20,770) |

### Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2020 (measurement date) is provided below:

Key actuarial assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2020 |
| 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 4.00% in 2022, 7.00% in 2023, trending down to ultimate rate of 4.04% in 2075<br>Medicare trend starts at 1.00% in 2022, 7.50% in 2023, trending down to ultimate rate of 4.04% in 2075<br>10-County average trend starts at 4.50% in 2022, 5.50% in 2023, trending down to ultimate rate of 4.04% in 2075<br>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%<br>Additional Merit Component (dependent on years of service):<br>Police: 0.50% - 7.50%<br>Fire: 0.50% - 14.00%<br>Muni Drivers: 0.00% - 16.00%<br>Craft: 0.50% - 3.75%<br>Misc: 0.30% - 5.50% |
| Inflation Rate | Wage Inflation: 3.25% compounded annually<br>Consumer Price Inflation: 2.50% compounded annually |
| Mortality Tables | Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019. |

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

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

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

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

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

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

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

| 1% Decrease | Healthcare Trend | 1% Increase |
|---|---|---|
| $ 223,530 | 258,525 | 304,138 |

**Discount Rate**

The discount rate used to measure the Total OPEB Liability as of June 30, 2020 was 7.0%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| **Equities** | | |
| U.S. Large Cap | 28.0% | 8.4% |
| U.S. Small Cap | 3.0% | 9.8% |
| Developed Market Equity (non-U.S.) | 15.0% | 9.6% |
| Emerging Market Equity | 13.0% | 11.7% |
| **Credit** | | |
| Bank Loans | 3.0% | 4.9% |
| High Yield Bonds | 3.0% | 4.9% |
| Emerging Market Bonds | 3.0% | 4.8% |
| **Rate Securities** | | |
| Investment Grade Bonds | 9.0% | 2.2% |
| Long-term Government Bonds | 4.0% | 3.1% |
| Short-term Treasury Inflation-Protected Securities (TIPS) | 4.0% | 1.9% |
| **Private Markets** | | |
| Private Equity | 5.0% | 12.5% |
| Core Private Real Estate | 5.0% | 6.4% |
| **Risk Mitigating Strategies** | | |
| Global Macro | 5.0% | 4.1% |
| | 100.0% | |

The asset allocation targets summarized above have a 20-year return estimate of 6.9%, which was weighted against a 10-year model estimating a 6.9% return, resulting in the ultimate long-term expected rate of return of 7.0%.

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

| | 1% Decrease 6.00% | Discount Rate 7.00% | 1% Increase 8.00% |
|---|---|---|---|
| $ | 300,013 | 258,525 | 224,657 |

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.

**Fiscal Year 2020**

GASB 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 2020 |
|---|---|
| Valuation Date (VD) | June 30, 2018 updated to June 30, 2019 |
| Measurement Date (MD) | June 30, 2019 |
| Measurement Period (MP) | July 1, 2018 to June 30, 2019 |

The Airport's proportionate share percentage of the Plan was determined based on its percentage of citywide "pay-as-you-go" contributions for the year ended June 30, 2019. The Airport's net OPEB liability, deferred outflows/inflows of resources related to OPEB, amortization of deferred outflows/inflows and OPEB expense is based on the Airport's allocated percentage. The Airport's proportionate share of the City's OPEB elements was 6.55% as of the measurement date.

**Benefits**

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

| | | |
|---|---|---|
| Normal Retirement | Miscellaneous | Age 50 with 20 years of credited service[1] |
| | | Age 60 with 10 years of credited service |
| | Safety | Age 50 with 5 years of credited service |
| Disabled Retirement[2] | | Any age with 10 years of credited service |
| Terminated Vested[3] | | 5 years of credited service at separation |

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012.
[2] No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.
[3] Effective with Proposition B, passed June 3, 2008, participants hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits.

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

| | |
|---|---|
| Medical: | PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured) |
| | HMO – Kaiser (fully-insured) and Blue Shield (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 |

**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, 2020, the City's funding was based on "pay-as-you-go" plus a contribution of $39.5 million to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was $196.4 million for a total contribution of $235.9 million for the fiscal year ended June 30, 2020. The Airport's proportionate share of the City's contributions for fiscal year 2020 was $15.5 million.

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

As of June 30, 2020, 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, 2020 was $256.5 million.

For the year ended June 30, 2020, the City's recognized OPEB expense was $330.7 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 expense was $20.9 million.

As of June 30, 2020, 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 | $ 15,457 | — |
| Differences between expected and actual experience | 10,896 | 18,048 |
| Changes in assumptions | 5,199 | — |
| Net difference between projected and actual earnings on plan investments | — | 400 |
| Change in proportion | 451 | — |
| Total | $ 32,003 | 18,448 |

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):

| | | |
|---|---|---|
| Fiscal Year: | | |
| 2021 | $ | (816) |
| 2022 | | (816) |
| 2023 | | (717) |
| 2024 | | (737) |
| 2025 | | (672) |
| Thereafter | | 1,856 |
| Total | $ | (1,902) |

**Actuarial Assumptions**

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2019 (measurement date) is provided below:

Key actuarial assumptions:

| | |
|---|---|
| Valuation Date | June 30, 2018 updated to June 30, 2019 |
| Measurement Date | June 30, 2019 |
| 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 6.35% in 2021 and trends down to ultimate rate of 3.93% in 2076 |
| | Medicare trend starts at 7.00% in 2021 and trends down to ultimate rate of 3.93% in 2076 |
| | 10-County average trend starts at 5.82% in 2021 and trends down to ultimate rate of 3.93% in 2076 |
| | Vision and expenses trend remains a flat 3.5% for all years |
| Expected Rate of Return on Plan Assets | 7.40% |
| Discount Rate | 7.40% |
| Salary Increase Rate | Wage Inflation Component: 3.50% |
| | Additional Merit Component (dependent on years of service): |
| | Police: 1.50% - 8.00% |
| | Fire: 1.50% - 15.00% |
| | Muni Drivers: 0.00% - 15.00% |
| | Craft: 0.00% - 3.50% |
| | Misc: 0.00% - 5.25% |
| Inflation Rate | Wage Inflation: 3.50% compounded annually |
| | Consumer Price Inflation: 2.75% 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, 2014. |

Non-Annuitant - CalPERS employee mortality tables without scale BB projection:

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 0.918 | 2009 |
| Male | 0.948 | 2009 |

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection:

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 1.014 | 2009 |
| Male | 0.909 | 2009 |

Miscellaneous Disabled Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection:

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 1.066 | 2006 |
| Male | 0.942 | 2006 |

Safety Disabled Annuitants - CalPERS industrial disability mortality table without scale BB projection:

| Gender | Adjustment Factor | Base Year |
|---|---|---|
| Female | 0.983 | 2009 |
| Male | 0.909 | 2009 |

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

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

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

| | 1% Decrease | Healthcare Trend | 1% Increase |
|---|---|---|---|
| $ | 222,002 | 256,506 | 299,347 |

### Discount Rate

The discount rate used to measure the Total OPEB Liability as of June 30, 2019 was 7.4%. Based on the assumption that plan member contributions will continue to be made at the rates specified in the Charter, it was determined that the Plan's projected fiduciary net position will be greater than or equal to the benefit payments projected for each future period. As such, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.4% based on expected future returns and historical returns experienced by the Trust Fund. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the Trust Fund's asset allocation. Target allocation for each major asset class and best estimates of geometric real rates of return are summarized in the following table:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| **Equities** | | |
| U.S. Equities | 41.0 % | 8.1 % |
| Developed Market Equity (non-U.S.) | 20.0 | 8.5 |
| Emerging Market Equity | 16.0 | 10.4 |
| **Credit** | | |
| High Yield Bonds | 3.0 | 6.5 |
| Bank Loans | 3.0 | 6.1 |
| Emerging Market Bonds | 3.0 | 5.2 |
| **Rate Securities** | | |
| Treasury Inflation Protected Securities | 5.0 | 3.6 |
| Investment Grade Bonds | 9.0 | 3.9 |
| | 100.0 % | |

The asset allocation targets summarized above have a 20-year return estimate of 8.3%, which was weighted against a 10-year model estimating a 7.5% return, resulting in the ultimate long-term expected rate of return of 7.4%.

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% lower or 1% higher than the current rate (in thousands):

| | 1% Decrease 6.40% | Discount Rate 7.40% | 1% Increase 8.40% |
|---|---|---|---|
| $ | 296,191 | 256,506 | 224,084 |

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.

## (11) Related-Party Transactions

The Airport receives services from various other City departments that are categorized in the various operating expense line items in the statements of revenues, expenses, and changes in net position. These services include utilities provided to tenants (see note 2n) and the Airport. The cost of all services provided to the Airport by the City work order system totaled approximately $173.5 million and $183.5 million in fiscal years 2021 and 2020, respectively. Included in personnel operating expenses are approximately $92.1 million and $92.9 million in fiscal years 2021 and 2020, respectively, related to police and fire services.

The Lease and Use Agreement with the airlines provides for continuing annual service payments to the City equal to 15% of concession revenues (net of certain adjustments), but not less than $5.0 million per fiscal year. Annual service payments to the City were $14.7 million and $33.7 million in fiscal years 2021 and 2020, respectively. The annual service payments are reported as transfers in the statements of revenues, expenses, and changes in net position.

## (12) Passenger Facility Charges

As of June 30, 2021, the FAA has approved several Airport applications to collect and use PFCs (from PFC #2 to PFC #9) in a total cumulative collection amount of $2.3 billion and the cumulative use amount of $2.3 billion, with a final charge expiration date estimated to be December 1, 2030. During the fiscal years ended June 30, 2017, 2018, 2019, 2020 and 2021, the following changes occurred to the Airport's PFC collection authorizations.

In October 2013, the FAA approved the Airport's fifth application (PFC #5) for $610.5 million to pay for debt service related costs associated with the reconstruction and reopening of Terminal 2 and Boarding Area D renovations. The earliest charge effective date was January 1, 2017 and was based upon the estimated charge expiration date of PFC #3. The FAA estimated the charge expiration date for PFC #5 to be June 1, 2023. In November 2014, the FAA approved an amendment to PFC #5 that increased the impose and use authority by $131.2 million from $610.5 million to $741.7 million. The estimated expiration date for PFC #5 was changed from June 1, 2023 to October 1, 2024. The Airport worked with the FAA to change the expiration date for PFC #3 and the charge effective date for PFC #5 from January 1, 2017 to November 1, 2013, because PFC #3 was fully collected earlier than originally anticipated due to increased passenger levels.

In June 2015, the FAA approved the Airport's sixth PFC application (PFC #6) for $141.1 million to pay for debt service related to the Runway Safety Area Program and the installation of ten passenger boarding bridges at Boarding Area E. The FAA estimates the charge expiration date for PFC #6 to be March 1, 2026.

In May 2017, the FAA approved the Airport's seventh PFC application (PFC #7) for $319.7 million to pay for debt service associated with the AirTrain Extension and Improvements Project at the Airport. FAA estimates the charge expiration date for PFC #7 to be February 1, 2030.

In February 2018, the FAA approved the Airport's amendment to PFC #6 for an additional $76.0 million of collection and spending authority for a new total PFC Application #6 authority of $217.1 million.

In October 2018, the FAA approved the Airport's PFC Application #8, which combined PFC Application #6, as amended, and PFC Application #7, for a new combined total of $536.8 million of collection and spending authority. The estimated charge expiration date is March 1, 2029. PFC Applications #6 and #7 were closed, and the projects and collections in those applications were transferred to PFC Application #8.

In October 2019, the FAA accepted the closeout documents, as amended, and closed PFC Application #3. This application was authorized to impose and use $609.1 million of PFC revenue on the Boarding Areas A and G and International Terminal Building Projects. The Commission certified that all collections were identified as received and expended on the approved projects, in accordance with the Acknowledgement Letter and any subsequent amendments to the Acknowledgement Letter.

On January 13, 2021, the FAA approved the Airport's PFC Application #9 with a total collection authority of $208.6 million. The estimated charge expiration date is December 1, 2030. The PFC revenues will be used to pay principal and interest on bonds issued for certain eligible costs associated with the Design and Construction of Interim Boarding Area B at the Airport.

PFC collections and related interest earned for the years ended June 30, 2021 and 2020, are as follows (in thousands):

| | | 2021 | 2020 |
|---|---|---|---|
| Amount collected | $ | 29,473 | 72,967 |
| Interest earned | | (184) | 10,729 |
| Total | $ | 29,289 | 83,696 |

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

## (13) Commitments, Litigation, and Contingencies

### *(a) Commitments*

Purchase commitments for construction, material, and services as of June 30, 2021, are as follows (in thousands):

| | | |
|---|---|---|
| Construction | $ | 93,431 |
| Operating | | 44,947 |
| Total | $ | 138,378 |

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 2008, 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 2021, the Airport disbursed approximately $3.6 million in the new phase of the program ($1.5 million in federal grants and $2.1 million in Airport funds). In fiscal year 2020, the Airport disbursed approximately $2.5 million in the new phase of the program ($1.4 million in federal grants and $1.1 million in Airport funds). As of June 30, 2021, the cumulative disbursements of Airport funds under this program were approximately $126.0 million.

### *(b) Security Deposits*

Each Signatory Airline is required to post security with the Commission to guaranty its performance and payment. 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 deposit acceptable to the Commission, such as cash deposits, have on occasion been accepted in very limited amounts and circumstances, such as in the instance of an airline bankruptcy where other forms of security deposit are temporarily unavailable. Airlines operating at the Airport pursuant to ground leases or 30-day permits are required to post security bonds or letters of credit in an amount ranging from two to six months 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; they have been estimated and reported in conformity with GAAP.

### *(d) Risk Management*

Under the 1991 Master Bond Resolution, the Airport is required to procure or provide and maintain insurance, or to self-insure, against such risks as are usually insured by other major airports in amounts adequate for the risk insured against, as determined by the Airport, and to file with the Trustee each year a written summary of all insurance coverage then in effect. 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 safety officer, property loss control, and ongoing employee training programs. The Airport has instituted an Enterprise 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 single 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 Terrorism Risk Insurance Reauthorization Act (TRIA) of 2002; however, the Airport's purchase of War Perils Liability in the London markets extends coverage to terrorist acts.

The Airport also carries commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of $1.0 billion per single occurrence and a deductible of $500,000 per single occurrence. This policy includes flood coverage up to a $10.0 million sub-limit and business interruption coverage up to a $100.0 million pooled sub-limit. Additionally, tenants and contractors on all contracts are required to carry commercial general and automobile liability insurance in various amounts, naming the Airport as additional insured. 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' liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100,000 per single occurrence for each wrongful act other than employment practices' violations, and $250,000 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, 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.

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

| | | |
|---|---|---|
| Balance as of June 30, 2019 | | 146 |
| Claim payments | | (528) |
| Claims and changes in estimates | | 550 |
| Balance as of June 30, 2020 | $ | 168 |
| Claim payments | | (14) |
| Claims and changes in estimates | | (96) |
| Balance as of June 30, 2021 | $ | 58 |

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):

| | | |
|---|---|---|
| Balance as of June 30, 2019 | | 8,419 |
| Claim payments | | (2,926) |
| Claims and changes in estimates | | 3,226 |
| Balance as of June 30, 2020 | $ | 8,719 |
| Claim payments | | (3,016) |
| Claims and changes in estimates | | 4,625 |
| Balance as of June 30, 2021 | $ | 10,328 |

### *(e) Grants*

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

### *(f) Financial Guarantees*

The Airport participates in the City and County of San Francisco's contractor development program, previously referred to as the surety bond program, which provides training, support and City-funded surety bond guaranties for local business enterprise (LBE) contractors who want to bid on construction contracts for City departments (including the Airport), but cannot qualify for the required surety bonds on their own. If program parameters are met, the Airport may guaranty 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, 2021.

### *(g) Concentration of Credit Risk*

The Airport leases facilities to the airlines pursuant to the Lease and Use Agreement (see note 2j) and to other businesses to operate concessions at the Airport. For fiscal years ended June 30, 2021 and 2020, revenues realized from the following sources exceeded 5% of the Airport's total operating revenues:

| | 2021 | 2020 |
|---|---|---|
| United Airlines | 32.0 % | 27.0 % |
| American Airlines | 5.5 % | 4.1 % |

### *(h) Noncancelable Operating Leases*

The Airport has noncancelable operating leases for certain buildings and equipment that require the following minimum annual payments, net of sublease income (in thousands):

| | | |
|---|---|---|
| Fiscal year ending: | | |
| 2022 | $ | 259 |
| 2023 | | 260 |
| 2024 | | 75 |
| 2025 | | 75 |
| 2026 | | 75 |
| Total | $ | 744 |

Net operating lease expense incurred for the fiscal year ended 2021 decreased by $0.2 million, from $0.6 million in 2020 to $0.4 million in 2021.

### *(i) Per- and Polyfluoroalkyl Substances (PFAS)*

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

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

The State Board and the San Francisco Bay Regional Water Quality Control Board have not yet established cleanup standards for PFAS or otherwise indicated what actions will be required for PFAS found in soil, sediment, and groundwater exceeding the levels they specify. As of June 30, 2021, 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.

## (14) Subsequent Events

### *Federal Grants*

On August 23, 2021, the Airport executed a grant agreement with the FAA for approximately $169.0 million of federal American Rescue Plan Act (ARPA) grant funds for costs related to operations, personnel, cleaning, sanitization, janitorial services, combating the spread of pathogens at the airport, and debt service payments. On December 20, 2021, the Airport executed a grant agreement with the FAA for approximately $23.8 million of ARPA grant funds for the purpose of providing rent relief to eligible concessionaires.

KPMG LLP
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55 Second Street
San Francisco, CA 94105

**Independent Auditors' 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), which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 7, 2022.

## 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 or 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 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 may exist that have not been identified.

## 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 Airport'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 Airport's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

San Francisco, California
January 7, 2022

# PASSENGER FACILITY CHARGE PROGRAM AUDIT REPORT

KPMG LLP
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San Francisco, CA 94105

# Independent Auditors' Report on Compliance for Passenger Facility Charge Program and Report on Internal Control Over Compliance Required by the Passenger Facility Charge Audit Guide for Public Agencies

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

## Report on Compliance for Passenger Facility Charge Program

We have audited the Airport Commission, City and County of San Francisco, San Francisco International Airport's (the Airport) compliance with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (the Guide), that could have a direct and material effect on the Airport's passenger facility charge program for the year ended June 30, 2021.

*Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions applicable to the passenger facility charge program.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for the Airport's passenger facility charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the passenger facility charge program. However, our audit does not provide a legal determination of the Airport's compliance.

*Opinion*

In our opinion, the Airport complied, in all material respects, with the types of 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, 2021.

## Report on Internal Control over Compliance

Management of the Airport is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Airport's internal control over compliance with the types of requirements that could have a direct and material effect on its passenger facility charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on the passenger facility charge program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Airport's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

KPMG LLP

San Francisco, California
January 7, 2022

# SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES

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

Schedule of Passenger Facility Charge Revenues and Expenditures

Years ended June 30, 2021 and 2020

(In thousands)

| | | Passenger Facility Charge revenues | Interest earned | Total revenues | Expenditures on approved projects | Revenues over (under) expenditures on approved projects |
|---|---|---|---|---|---|---|
| Program to date as of June 30, 2019 | $ | 1,397,173 | 37,331 | 1,434,504 | (971,430) | 463,074 |
| Fiscal year 2019 – 2020 transactions: | | | | | | |
| Reversal of prior year passenger facility charges accrual | | (17,385) | — | (17,385) | — | (17,385) |
| Quarter ended September 30, 2019 | | 28,142 | 2,624 | 30,766 | — | 30,766 |
| Quarter ended December 31, 2019 | | 29,994 | 2,526 | 32,520 | — | 32,520 |
| Quarter ended March 31, 2020 | | 25,298 | 2,443 | 27,741 | — | 27,741 |
| Quarter ended June 30, 2020 | | 6,918 | 1,732 | 8,650 | (151,810) | (143,160) |
| Unrealized gain on investments | | — | 1,404 | 1,404 | — | 1,404 |
| Total fiscal year 2019 – 2020 transactions | | 72,967 | 10,729 | 83,696 | (151,810) | (68,114) |
| Program to date as of June 30, 2020 | | 1,470,140 | 48,060 | 1,518,200 | (1,123,240) | 394,960 |
| Fiscal year 2020 – 2021 transactions: | | | | | | |
| Quarter ended September 30, 2020 | | 418 | 902 | 1,320 | — | 1,320 |
| Quarter ended December 31, 2020 | | 5,557 | 715 | 6,272 | — | 6,272 |
| Quarter ended March 31, 2021 | | 4,266 | 540 | 4,806 | — | 4,806 |
| Quarter ended June 30, 2021 | | 10,736 | 443 | 11,179 | — | 11,179 |
| Unrealized loss on investments | | — | (2,784) | (2,784) | — | (2,784) |
| Passenger facility charges accrual | | 8,496 | — | 8,496 | — | 8,496 |
| Total fiscal year 2020 – 2021 transactions | | 29,473 | (184) | 29,289 | — | 29,289 |
| Program to date as of June 30, 2021 | $ | 1,499,613 | 47,876 | 1,547,489 | (1,123,240) | 424,249 |

See accompanying independent auditors' 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, 2021

## (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, San Francisco International Airport (the Airport). The level of PFCs authorized, charge effective dates, and approved collection amounts of the Airport's PFC program are as follows:

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

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

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

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

Schedule of Findings and Responses

Year ended June 30, 2021

## I. Summary of Auditors' Results

1. The type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified opinion**
2. Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
   - Material weaknesses: **No**
   - Significant deficiencies: **None Reported**
3. Noncompliance which is material to the financial statements: **No**
4. Internal control deficiencies over the passenger facility charge program:
   - Material weaknesses: **No**
   - Significant deficiencies: **None Reported**
5. The type of report issued on compliance for the passenger facility charge program: **Unmodified opinion**
6. Any audit findings: **No**

## II. Findings and Responses Related to the Passenger Facility Charge Program

**None**

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## APPENDIX C

## INFORMATION REGARDING DTC AND THE BOOK-ENTRY ONLY SYSTEM

### Introduction

**The information below concerning DTC and DTC's book-entry system has been obtained from DTC, and the Commission assumes no responsibility for the accuracy or completeness thereof. DTC has established a book-entry depository system pursuant to certain agreements between DTC and its participants (the "Participants"). The Commission is not a party to those agreements. The Commission and the Trustee do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, or to any other person who is not shown on the registration books as being an owner of the Series 2022A-C Bonds, with respect to any matter including (i) the accuracy of any records maintained by DTC or any of its Participants, (ii) the payment by DTC or its Participants of any amount in respect of the principal of, redemption price of, or interest on the Series 2022A-C Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the 1991 Master Resolution; (iv) the selection by DTC or any of its Participants of any person to receive payment in the event of a partial redemption of the Series 2022A-C Bonds; (v) any consent given or other action taken by DTC as registered owner; or (vi) any other matter. The Commission and the Trustee cannot and do not give any assurances that DTC, its Participants or others will distribute payments of principal of or interest on the Series 2022A-C Bonds paid to DTC or its nominee, as the registered owner, or give any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement.**

### General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2022A-C Bonds. The Series 2022A-C Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2022A-C Bond certificate will be issued for each maturity and series of Series 2022A-C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The information contained in such website is not incorporated by reference herein.

Purchases of the Series 2022A-C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2022A-C Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2022A-C Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2022A-C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2022A-C Bonds, except in the event that use of the book-entry system for the Series 2022A-C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2022A-C Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2022A-C Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2022A-C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2022A-C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2022A-C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2022A-C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the authorizing documents. For example, Beneficial Owners of the Series 2022A-C Bonds may wish to ascertain that the nominee holding the Series 2022A-C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2022A-C Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2022A-C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2022A-C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2022A-C Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Commission or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

**SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2022A-C BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR OWNERS OF THE SERIES 2022A-C BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2022A-C BONDS.**

**Discontinuance of DTC Services**

DTC may discontinue providing its services as depository with respect to the Series 2022A-C Bonds at any time by giving reasonable notice to the Commission or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2022A-C Bond certificates will be printed and delivered as described in the 1991 Master Resolution.

The Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2022A-C Bond certificates will be printed and delivered as described in the 1991 Master Resolution.

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## APPENDIX D

## SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION

*The following is a summary of certain provisions contained in Resolution No. 91-0210, adopted by the Commission on December 3, 1991 (the "1991 Master Resolution"), as subsequently amended and supplemented, and is not to be considered as a full statement thereof. See also "DESCRIPTION OF THE SERIES 2022A-C BONDS." Taken together, the 1991 Master Resolution, as amended and supplemented (collectively, the "Supplemental Resolutions"), and certificates of additional terms are herein called the "Resolution," to which certain references below are made. Furthermore, reference is made to the Resolution for full details of the terms of the Series 2022A-C Bonds, the application of revenues therefor, and the security provisions pertaining thereto. Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in the Resolution. As noted in this Official Statement under the caption "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION" (which Proposed Amendments are summarized in Appendix H–"SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION"), purchasers of the Series 2022A-C Bonds, by such purchase, consent to the Proposed Amendments, which Proposed Amendments, upon becoming effective, modify certain defined terms and other provisions of the 1991 Master Resolution summarized in this Appendix D.*

### Certain Definitions

*Act* means the Charter of the City and County of San Francisco, as supplemented and amended, all enactments of the Board adopted pursuant thereto, and all laws of the State of California incorporated therein by reference.

*Aggregate Maximum Annual Debt Service* means the maximum amount of Annual Debt Service on all Participating Series in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the Participating Series.

*Airport* means the San Francisco International Airport, located in San Mateo County, State of California, together with all additions, betterments, extensions and improvements thereto. Unless otherwise specifically provided in any Supplemental Resolution, the term shall include all other airports, airfields, landing places and places for the take-off and landing of aircraft, together with related facilities and property, located elsewhere, which are hereafter owned, controlled or operated by the Commission or over which the Commission has possession, management, supervision or control.

*Airport Consultant* means a firm or firms of national recognition with knowledge and experience in the field of advising the management of airports as to the planning, development, operation and management of airports and aviation facilities, selected and employed by the Commission from time to time.

*Amortized Bonds* means the maximum principal amount of any existing or proposed Commercial Paper Program authorized by the Commission to be Outstanding at any one time.

*Annual Debt Service* means the amount scheduled to become due and payable on the Outstanding Bonds or any one or more Series thereof in any Fiscal Year as (i) interest, plus (ii) principal at maturity, plus (iii) mandatory sinking fund redemptions. For purposes of calculating Annual Debt Service, the following assumptions shall be used:

(a) All principal payments and mandatory sinking fund redemptions shall be made as and when the same shall become due;

(b) Outstanding Variable Rate Bonds shall be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to the average of the actual rates on such Bonds for each day during the 365 consecutive days (or any lesser period such Bonds have been Outstanding) ending on the last day of the month next preceding the date of computation, or at the effective fixed annual rate thereon as a result of an interest rate swap with respect to such Bonds;

(c) Variable Rate Bonds proposed to be issued shall be deemed to bear interest at a fixed annual rate equal to the estimated initial rate or rates thereon, as set forth in a certificate of a Financial Consultant dated within 30 days prior to the date of delivery of such Bonds, or at the effective fixed annual rate thereon as a result of an interest rate swap with respect to such Bonds;

(d) Amortized Bonds shall be deemed to be amortized on a level debt service basis over a 20-year period beginning on the date of calculation at the Index Rate;

(e) Payments of principal of and interest on Repayment Obligations shall be deemed to be payments of principal of and interest on Bonds to the extent provided in the Resolution; and

(f) Capitalized interest on any Bonds and accrued interest paid on the date of initial delivery of any Series of Bonds shall be excluded from the calculation of Annual Debt Service if cash and/or Permitted Investments have been irrevocably deposited with and are held by the Trustee or other fiduciary for the Owners of such Bonds sufficient to pay such interest.

*Annual Service Payments* means amounts paid to the City pursuant to the Charter (pursuant to the Lease and Use Agreements, this amount is limited to approximately 15% of concession revenues at the Airport).

*Authorized Denominations* means with respect to the Series 2022A-C Bonds, $5,000 or any integral multiple thereof.

*Bond Insurance Policy* means a municipal bond insurance policy insuring the payment of principal of and interest on all or a portion of a Series of Bonds.

*Bond Insurer* means the provider of a Bond Insurance Policy.

*Bonds* means any evidences of indebtedness for borrowed money issued from time to time by the Commission by the Resolution or by Supplemental Resolution, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein and Repayment Obligations to the extent provided in the Resolution.

*Business Day* means a day on which the principal office of the Trustee, any Paying Agent, the Remarketing Agent, the Credit Provider, if any, with respect to that Series of Bonds, the Liquidity Provider, if any, with respect to that Series of Bonds, or banks or trust companies in New York, New York, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

*Closing Date* means the date upon which a Series of Bonds is initially issued and delivered in exchange for the proceeds representing the purchase price of such Series of Variable Rate Bonds paid by the original purchaser thereof.

*Code* means the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations, rulings and procedures proposed or promulgated thereunder or under the Internal Revenue Code of 1954, as amended.

*Costs of Issuance* means payment of, or reimbursement of the Commission for, all reasonable costs incurred by the Commission in connection with the issuance of a Series of Bonds, including, but not limited to: (a) counsel fees related to the issuance of such Series of Bonds (including bond counsel, co-bond counsel, disclosure counsel, Trustee's counsel and the City Attorney); (b) financial advisor fees incurred in connection with the issuance of such Series of Bonds; (c) rating agency fees; (d) the initial fees and expenses of the Trustee, the Registrar, the Authenticating Agent and the Underwriters; (e) fees of any Credit Provider for the provision of a Credit Facility, as applicable; (f) accountant fees related to the issuance of such Series of Bonds; (g) printing and publication costs; (h) costs of engineering and feasibility studies necessary to the issuance of such Series of Bonds; and (i) any other cost incurred in connection with the issuance of the Bonds that constitutes an "issuance cost" within the meaning of Section 147(g) of the Code.

*Credit Facility* means a letter of credit, line of credit, standby purchase agreement, municipal bond insurance policy, surety bond or other financial instrument which obligates a third party to pay or provide funds for the payment of the principal or purchase price of and/or interest on any Bonds and which is designated as a Credit Facility in the Supplemental Resolution authorizing the issuance of such Bonds.

*Credit Provider* means the person or entity obligated to make a payment or payments with respect to any Bonds under a Credit Facility and which is designated a Credit Provider in a Series Sale Resolution relating to such Series of Bonds or an alternate credit provider if an alternate credit facility is in effect with respect to such Series of Bonds.

*Electronic Means* means telecopy, telegraph, telex, facsimile transmission, e-mail transmission or other similar electronic means of communication of a written image, and shall include a telephonic communication promptly confirmed in writing or by electronic transmission of a written image.

*Event of Default* means any one or more of the events described hereinafter under the caption "Events of Default."

*Financial Consultant* means a firm or firms of financial advisors of national recognition with knowledge and experience in the field of municipal finance selected or employed by the Commission.

*Fiscal Year* means the one-year period beginning on July 1 of each year and ending on June 30 of the succeeding year, or such other one-year period as the Commission shall designate as its Fiscal Year.

*Government Certificates* means evidences of ownership of proportionate interests in future principal or interest payments of Government Obligations, including depository receipts thereof. Investments in such proportionate interests are required to be limited to circumstances wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, or any person claiming through the custodian, or any person to whom the custodian may be obligated.

*Government Obligations* means direct and general obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

*Holder*, *Bondholder*, *Owner* and *Bondowner* mean the person or persons in whose name any Bond or Bonds are registered on the records maintained by the Registrar or, in the case of bearer obligations, who hold any Bond or Bonds, and shall include any Credit Provider to which a Repayment Obligation is then owed, to the extent that such Repayment Obligation is deemed to be a Bond pursuant to the Resolution.

*Independent Auditor* means a firm or firms of independent certified public accountants with knowledge and experience in the field of governmental accounting and auditing selected or employed by the City.

*Index Rate* means, unless otherwise provided in a Series Sale Resolution for a Variable Rate Bond in the Index Rate mode, the SIFMA Rate plus the Applicable Spread determined pursuant to the Resolution.

*Insolvent* is used in the Resolution to describe the Trustee, any Paying Agent, Authenticating Agent, Registrar, other agent appointed under the 1991 Master Resolution or any Credit Provider, if (a) such person has instituted proceedings to be adjudicated a bankrupt or insolvent, has consented to the institution of bankruptcy or insolvency proceedings against it, has filed a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or has consented to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator or other similar official of itself or of any substantial part of its property, or fails to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or consents to the entry of an order for relief under the federal Bankruptcy Code or makes an assignment for the benefit of creditors or admits in writing its inability to pay its debts generally as they become due; or (b) a decree or order by a court having jurisdiction in the premises adjudging such person as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such person under the federal Bankruptcy Code or any other similar applicable federal or state law or for relief under the federal Bankruptcy Code after an involuntary petition has been filed against such person, or appointing a receiver, liquidator, assignee, trustee or sequestrator or other similar official of such person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, has been entered and has continued unstayed and in effect for a period of 90 consecutive days.

*Interest Payment Date* means with respect to the Series 2022A-C Bonds, May 1 and November 1 of each year, commencing May 1, 2022.

*Issue 1 Reserve Account* or *Original Reserve Account* means the Issue 1 Reserve Account established in the Reserve Fund pursuant to the 1991 Master Resolution as security for the Issue 1 Bonds and any other Participating Series of Bonds designated by Supplemental Resolution as being secured by the Issue 1 Reserve Account, including the Series 2022A-C Bonds.

*Mandatory Sinking Fund Payment* means a principal amount of Bonds of a Series which is subject to mandatory redemption on a Mandatory Sinking Fund Redemption Date.

*Mandatory Sinking Fund Redemption Date* means each May 1 upon which Bonds of a Series are subject to mandatory redemption under the applicable Supplemental Resolutions.

*Maximum Annual Debt Service* means the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the Bonds.

*Maximum Series Annual Debt Service* means the maximum amount of Annual Debt Service in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of a single Series of Bonds.

*Net Revenues* means Revenues less Operation and Maintenance Expenses.

*Operation and Maintenance Expenses* means, for any period, all expenses of the Commission incurred for the operation and maintenance of the Airport, as determined in accordance with generally accepted accounting principles. Operation and Maintenance Expenses does not include: (a) the principal of, premium, if any, or interest on any Bonds, Subordinate Bonds or general obligation bonds issued by the City for Airport purposes; (b) any allowance for amortization, depreciation or obsolescence of the Airport; (c) any expense for which, or to the extent to which, the Commission is or will be paid or reimbursed from or through any source that is not included or includable as Revenues; (d) any extraordinary items arising from the early extinguishment of debt; (e) Annual Service Payments; (f) any costs, or charges made therefor, for capital additions, replacements, betterments, extensions or improvements to the Airport which, under generally accepted accounting principles, are properly chargeable to the capital account or the reserve for depreciation; and (g) any losses from the sale, abandonment, reclassification, revaluation or other disposition of any Airport properties. Operation and Maintenance Expenses shall include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the Commission may establish or the Board of Supervisors may require with respect to employees of the Commission, as now provided in the Charter.

*Original Reserve Account* means the Issue 1 Reserve Account. See definition of "*Issue 1 Reserve Account*" above.

*Outstanding* means, as of any date of determination, all Bonds of such Series which have been executed and delivered under the 1991 Master Resolution except: (a) Bonds cancelled by the Trustee or delivered to the Trustee for cancellation; (b) Bonds which are deemed paid and no longer Outstanding as provided in the 1991 Master Resolution or in any Supplemental Resolution authorizing the issuance thereof; (c) Bonds in lieu of which other Bonds have been issued pursuant to the provisions of the 1991 Master Resolution or of any Supplemental Resolution authorizing the issuance thereof; and (d) for purposes of any consent or other action to be taken under the 1991 Master Resolution by the Holders of a specified percentage of Principal Amount of Bonds of a Series or all Series, Bonds held by or for the account of the Commission.

*Participating Series* means the Issue 1 Bonds and any other Series of Bonds designated pursuant to a Supplemental Resolution as being secured by the Issue 1 Reserve Account, including the Series 2022A-C Bonds.

*Permitted Investments* means and includes any of the following, if and to the extent the same are at the time legal for the investment of the Commission's money:

(a) Government Obligations and Government Certificates.

(b) Obligations issued or guaranteed by any of the following:

(i) Federal Home Loan Banks System;
(ii) Export-Import Bank of the United States;
(iii) Federal Financing Bank;
(iv) Government National Mortgage Association;
(v) Farmers Home Administration;
(vi) Federal Home Loan Mortgage Corporation;
(vii) Federal Housing Administration;
(viii) Private Export Funding Corporation;
(ix) Federal National Mortgage Association;
(x) Federal Farm Credit System;
(xi) Resolution Funding Corporation;
(xii) Student Loan Marketing Association; and
(xiii) any other instrumentality or agency of the United States.

(c) Pre-refunded municipal obligations rated in the highest rating category by at least two Rating Agencies and meeting the following conditions:

(i) such obligations are: (A) not subject to redemption prior to maturity or the Trustee has been given irrevocable instructions concerning their calling and redemption, and (B) the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(ii) such obligations are secured by Government Obligations or Government Certificates that may be applied only to interest, principal and premium payments of such obligations;

(iii) the principal of and interest on such Government Obligations or Government Certificates (plus any cash in the escrow fund with respect to such pre-refunded obligations) are sufficient to meet the liabilities of the obligations;

(iv) the Government Obligations or Government Certificates serving as security for the obligations have been irrevocably deposited with and are held by an escrow agent or trustee; and

(v) such Government Obligations or Government Certificates are not available to satisfy any other claims, including those against the trustee or escrow agent.

(d) Direct and general long-term obligations of any State of the United States of America or the District of Columbia (a "State") to the payment of which the full faith and credit of such State is pledged and that are rated in either of the two highest rating categories by at least two Rating Agencies.

(e) Direct and general short-term obligations of any State to the payment of which the full faith and credit of such State is pledged and that are rated in the highest rating category by at least two Rating Agencies.

(f) Interest-bearing demand or time deposits with, or interests in money market portfolios rated in the highest rating category by at least two Rating Agencies issued by, state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC"). Such deposits or interests must either be: (i) continuously and fully insured by FDIC; (ii) if they have a maturity of one year or less, with or issued by banks that are rated in one of the two highest short term rating categories by at least two Rating Agencies; (iii) if they have a maturity longer than one year, with or issued by banks that are rated in one of the two highest rating categories by at least two Rating Agencies; or (iv) fully secured by Government Obligations and Government Certificates. Such Government Obligations and Government Certificates must have a market value at all times at least equal to the principal amount of the deposits or interests. The Government Obligations and Government Certificates must be held by a third party (who shall not be the provider of the collateral), or by any Federal Reserve Bank or depository, as custodian for the institution issuing the deposits or interests. Such third party must have a perfected first lien in the Government Obligations and Government Certificates serving as collateral, and such collateral must be free from all other third party liens.

(g) Eurodollar time deposits issued by a bank with a deposit rating in one of the two highest short-term deposit rating categories by at least two Rating Agencies.

(h) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest rating categories by at least two Rating Agencies.

(i) Repurchase agreements with maturities of either (A) 30 days or less, or (B) longer than 30 days and not longer than one year provided that the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State or federal law, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated investment grade ("A" or better) by at least two Rating Agencies. The repurchase agreement must be in respect of Government Obligations and Government Certificates or obligations described in paragraph (b) of this definition. The repurchase agreement securities and, to the extent necessary, Government Obligations and Government Certificates or obligations described in paragraph (b), exclusive of accrued interest, shall be maintained in an amount at least equal to the amount invested in the repurchase agreements. In addition, the provisions of the repurchase agreement shall meet the following additional criteria:

(1) the third party (who shall not be the provider of the collateral) has possession of the repurchase agreement securities and the Government Obligations and Government Certificates;

(2) failure to maintain the requisite collateral levels will require the third party having possession of the securities to liquidate the securities immediately; and

(3) the third party having possession of the securities has a perfected, first priority security interest in the securities.

(j) Prime commercial paper of a corporation, finance company or banking institution rated in the highest short-term rating category by at least two Rating Agencies.

(k) Public housing bonds issued by public agencies which are either: (i) fully guaranteed by the United States of America; or (ii) temporary notes, preliminary loan notes or project notes secured by a requisition or payment agreement with the United States of America; or (iii) state or public agency or municipality obligations rated in the highest credit rating category by at least two Rating Agencies.

(l) Shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, as amended, or shares in a regulated investment company, as defined in Section 851(a) of the Code, that is a money market fund that has been rated in the highest rating category by at least two Rating Agencies.

(m) Money market accounts of any state or federal bank, or bank whose holding parent company is, rated in the top two short-term or long-term rating categories by at least two Rating Agencies.

(n) Investment agreements the issuer of which is rated in one of the two highest rating categories by at least two Rating Agencies.

(o) Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests exclusively in investments otherwise permitted in paragraphs (a) through (m) above.

(p) Any other debt or fixed income security specified by the Commission (except securities of the City and any agency, department, commission or instrumentality thereof other than the Commission) and rated in the highest category by at least two Rating Agencies.

(q) Bankers acceptances of a banking institution rated in the highest short-term rating category by at least two Rating Agencies, not exceeding 270 days maturity or 40% of moneys invested pursuant to the 1991 Master Resolution. No more than 20% of moneys invested pursuant to the 1991 Master Resolution shall be invested in the bankers acceptances of any one commercial bank pursuant to this paragraph (q).

*Principal Amount* means, as of any date of calculation, (i) with respect to any capital appreciation Bond or compound interest Bond, the accreted value thereof, and (ii) with respect to any other Bonds, the stated principal amount thereof.

*Principal Payment Date* means, with respect to any Series of Bonds, each date specified in the 1991 Master Resolution or in the Supplemental Resolution authorizing the issuance thereof for the payment of the principal of such Bonds either at maturity, or upon prior redemption from Mandatory Sinking Fund Payments.

*Rating Agency* means Fitch, Moody's and S&P or any other nationally recognized credit rating agency specified in a Supplemental Resolution; provided, however, that the term "Rating Agency" shall in any event include Fitch, Moody's or S&P, respectively, during such time that such rating agency maintains a credit rating on any Series of Bonds Outstanding under the 1991 Master Resolution.

*Repayment Obligation* means an obligation under a written agreement between the Commission and a Credit Provider or Liquidity Provider to reimburse such Credit Provider or Liquidity Provider for amounts paid under or pursuant to a Credit Facility or Liquidity Facility, as applicable, for the payment of the principal or purchase price of and/or interest on any Bonds.

*Revenues* means all revenues earned by the Commission from or with respect to its possession, management, supervision, operation and control of the Airport, as determined in accordance with generally accepted accounting principles. Revenues does not include: (i) interest income on, and any profit realized from, the investment of moneys in (A) the Construction Fund or any other construction fund funded from proceeds of any Subordinate Bonds, or (B) the Debt Service Fund which constitute capitalized interest, to the extent required to be paid into the Debt Service Fund, or (C) the Reserve Fund if and to the extent there is any deficiency therein; (ii) interest income on, and any profit realized from, the investment of the proceeds of any Special Facility Bonds; (iii) Special Facility Revenues and any interest income or profit realized from the investment thereof, unless such receipts are designated as Revenues by the Commission; (iv) any passenger facility charge or similar charge levied by or on behalf of the Commission against passengers, unless all or a portion thereof are designated as Revenues by the Commission; (v) grants-in-aid, donations and/or bequests; (vi) insurance proceeds which are not deemed to be Revenues in accordance with generally accepted accounting principles; (vii) the proceeds of any condemnation award; (viii) the proceeds of any sale of land, buildings or equipment; and (ix) any money received by or for the account of the Commission from the levy or collection of taxes upon any property in the City.

*Series 2009C Bonds* means the Airport Commission of the City and County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2009C. The Series 2009C Bond are no longer Outstanding.

*Series 2010A Bonds* means the Airport Commission of the City and County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2010A.

*Series 2010D Bonds* means the Airport Commission of the City and County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2010D. The Series 2010D Bonds are no longer Outstanding.

*Series 2017D Bonds* means the Airport Commission of the City and County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2017D.

*Series 2018A Bonds* means the Airport Commission of the City and County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2018A.

*Series 2018B Bonds* means the Airport Commission of the City and County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2018B.

*Series 2018C Bonds* means the Airport Commission of the City and County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2018C.

*Series 2019D Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2019D.

*Series 2019E Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2019E.

*Series 2019F Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2019F.

*Series 2019G Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2019G.

*Series 2019H Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2019H.

*Series 2020A Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2020A.

*Series 2020B Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2020B.

*Series 2020C Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2020C.

*Series 2021A Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2021A.

*Series 2021B Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2021B.

*Series 2021C Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2021C.

*Series 2022A Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2022A.

*Series 2022B Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2022B.

*Series 2022C Bonds* means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2022C.

*Series of Bonds* or *Bonds of a Series* or *Series* means a series of Bonds issued pursuant to the 1991 Master Resolution.

*Series Sale Resolution* means one or more resolutions of the Commission, (i) in the case of a competitive sale, awarding or providing for the award of a Series of Bonds to the successful bidder in accordance with the terms of the official notice of sale, or in the case of a negotiated sale, providing for the sale of a Series of Bonds to an underwriter or underwriters in accordance with the terms of a bond purchase contract, and (ii) determining or providing for the determination of the interest rates, the mode, the maturity date and the maximum rate (if such Series of Bonds are secured by a Credit Facility, other than a Bond Insurance Policy or reserve fund surety polity) to be borne by such Series of Bonds, whether principal payments in any given year are to be series maturities or Mandatory Sinking Fund Payments, the purchase price of such Series of Bonds, providing for a Credit Facility securing any or all of such Series of Bonds and naming the Credit Provider, and remarketing agent, if any, and determining or providing for the determination of such other matters relating to the Series of Bonds as may be permitted or authorized to be determined by the Commission in accordance with the 1991 Master Resolution. A certificate signed by the President and the Secretary of the Commission or by the Airport Director may be deemed to be a Series Sale Resolution; provided, that such certificate does not impose additional material obligations on or surrender material rights of the Commission.

*Special Facility* means any existing or planned facility, structure, equipment or other property, real or personal, which is at the Airport or a part of any facility or structure at the Airport and designated as such by the Commission pursuant to the Resolution.

*Special Facility Bonds* means any revenue bonds, notes, bond anticipation notes, commercial paper or other evidences of indebtedness for borrowed money issued by the Commission to finance a Special Facility, the principal of, premium, if any, and interest on which are payable from and secured by Special Facility Revenues derived from such Special Facility, and not from or by Net Revenues.

*Special Facility Revenues* means the revenues earned by the Commission from or with respect to any Special Facility and designated as such by the Commission.

*Subordinate Bonds* means any evidences of indebtedness for borrowed money issued from time to time by the Commission pursuant to the 1991 Master Resolution, including but not limited to bonds, notes, bond anticipation notes, commercial paper, lease or installment purchase agreements or certificates of participation therein, with a pledge of, lien on, and security interest in Net Revenues which are junior and subordinate to those of the Bonds whether then issued or thereafter to be issued.

*Supplemental Resolution* means a resolution supplementing or amending the provisions of the 1991 Master Resolution which is adopted by the Commission pursuant to Article IX of the 1991 Master Resolution.

*Transfer* means (i) the amount deposited on the last Business Day of any Fiscal Year from the Contingency Account into the Revenues Account, plus (ii) any amounts withdrawn from the Contingency Account during such Fiscal Year for the purposes specified in the 1991 Master Resolution, less (iii) any amounts deposited in the Contingency Account from Revenues during such Fiscal Year.

*Treasurer* means the Treasurer of the City, and any successor to his or her duties under the Resolution.

*Trustee* means, with respect to the Series 2022A-C Bonds, The Bank of New York Mellon Trust Company, N.A., and its successors and assigns and any other person or entity which may at any time be substituted for it, as successor trustee and paying agent under the Resolution.

*2009 Reserve Account* means the 2009 Reserve Account established in the Reserve Fund pursuant to the Series Sale Resolution for the Series 2009C Bonds as security for the Series 2009C Bonds and any other 2009 Reserve Account Series of Bonds designated by a Supplemental Resolution or a Series Sale Resolution as being secured by the 2009 Reserve Account. As of August 2020, no 2009 Reserve Account Series Bonds were Outstanding and the 2009 Reserve Account was closed.

*2009 Reserve Account Series* means the Series 2010D Bonds and any other Series of Bonds designated by a Supplemental Resolution or a Series Sale Resolution as being secured by the 2009 Reserve Account.

*2017 Reserve Account* means the 2017 Reserve Account established in the Reserve Fund pursuant to the Series Sale Resolution for the Series 2017C Bonds, Series 2017D Bonds and Series 2018A Bonds as security for the 2017 Reserve Account Series Bonds.

*2017 Reserve Account Maximum Annual Debt Service* means the maximum amount of aggregate Annual Debt Service for all 2017 Reserve Account Series Bonds in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Account Series Bonds.

*2017 Reserve Account Series Bonds* means, collectively, the Series 2017C Bonds, the Series 2017D Bonds, the Series 2018A Bonds, the Series 2019B Bonds, and the Series 2019D Bonds, and any other Series of Bonds designated by a Supplemental Resolution, a capital plan bonds Sale Resolution or a Series Sale Resolution as participating in and being secured by the 2017 Reserve Account.

*2017 Reserve Requirement* means, with respect to the 2017 Reserve Account, an amount equal to the lesser of: (a) 2017 Reserve Account Maximum Annual Debt Service, (b) 10% of the outstanding aggregate principal amount of all 2017 Reserve Account Series Bonds (provided that the issue price of a Series of 2017 Reserve Account Series Bonds shall be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (c) 125% of the average aggregate Annual Debt Service for all 2017 Reserve Account Series Bonds.

*Variable Rate Bonds* means one or more Series of variable rate bonds authorized by the Supplemental Resolutions to be issued under the 1991 Master Resolution, in the aggregate principal amounts specified in one or more Series Sale Resolutions. Variable Rate Bonds may bear interest at Daily Rates, Weekly Rates, Index Rate, Commercial Paper Rates, Term Rates or a Fixed Rate, as such terms are defined in the 1991 Master Resolution.

**Pledge of Net Revenues and Other Moneys**

The Bonds are revenue bonds, are not secured by any taxing power of the Commission (which has no taxing power) and are payable as to both principal and interest, and any premium exclusively from, and are secured by a pledge of, lien on and security interest in Net Revenues of the Airport. Net Revenues constitute a trust fund for the security and payment of the principal of, purchase price, if any, premium, if any, and interest on, the Bonds. The Commission has assigned to the Trustee for the benefit of the Bondholders all of its right, title and interest in, the following:

(a) Amounts on deposit from time to time in the funds and accounts created pursuant to the 1991 Master Resolution, including the earnings thereon, subject to the provisions of the 1991 Master Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein; provided, however, that there expressly is excluded from any pledge, assignment, lien or security interest created by the 1991 Master Resolution, Revenues appropriated, transferred, deposited, expended or used for the payment of Operation and Maintenance Expenses;

(b) Amounts constituting Net Revenues; and

(c) Any and all other property of any kind from time to time by delivery or by writing of any kind specifically conveyed, pledged, assigned or transferred, as and for additional security for the Bonds, by the Commission or anyone on its behalf or with its written consent in favor of the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the 1991 Master Resolution.

The pledge of Net Revenues and other moneys and property made in the 1991 Master Resolution is irrevocable until all of the Bonds have been paid and retired.

All Bonds issued and Outstanding under the 1991 Master Resolution are and will be equally and ratably secured with all other Outstanding Bonds, with the same right, lien, preference and priority with respect to Net Revenues, without preference, priority or distinction on account of the date or dates or the actual time or times of the issuance or maturity of the Bonds or otherwise. All Bonds of a particular Series will in all respects be equally and ratably secured and will have the same right, lien and preference established under the 1991 Master Resolution for the benefit of such Series of Bonds, including, without limitation, rights in any related account in the Construction Fund, the Debt Service Fund or the Reserve Fund. Amounts drawn under a Credit Facility with respect to particular Bonds and all other amounts held in funds or accounts established with respect to such Bonds pursuant to the provisions of the 1991 Master Resolution and of any Supplemental Resolution with respect thereto will be applied solely to make payments on such Bonds.

**Revenue Fund; Allocation of Net Revenues**

The Revenue Fund has heretofore been created and is held by the Treasurer. The 1991 Master Resolution established the following accounts within the Revenue Fund:

Revenues Account
Operation and Maintenance Account
Revenue Bond Account
General Obligation Bond Account
General Purpose Account
Contingency Account

All Revenues are required to be set aside and deposited in the Revenues Account in the Revenue Fund as received. On the first Business Day of each month, moneys in the Revenues Account will be set aside and applied for the following purposes in the following amounts and order of priority, each priority to be fully satisfied before the next priority in order:

***First:*** *Operation and Maintenance Account.* In the Operation and Maintenance Account an amount equal to one-twelfth (1/12th) of the estimated Operation and Maintenance Expenses for the then-current Fiscal Year as set forth in the budget of the Airport for such Fiscal Year as finally approved by the Commission. In the event that the balance in the Operation and Maintenance Account at any time is insufficient to make any required payments therefrom, additional amounts at least sufficient to make such payments will immediately be deposited in the Operation and Maintenance Account from the Revenues Account, and may be credited against the next succeeding monthly deposit upon the written direction of the Commission to the Treasurer.

***Second:*** *Revenue Bond Account.* In the Revenue Bond Account such amount as is necessary:

(a) to make all payments and deposits required to be made during such month into the Debt Service Fund and the Reserve Fund and the accounts therein in the amounts and at the times required by the 1991 Master Resolution and by any Supplemental Resolution with respect to the Bonds; and

(b) to make all payments and deposits required to be made during such month into any funds and accounts created to pay or secure the payment of the principal or purchase price of or interest or redemption premium on any Subordinate Bonds in the amounts and at the times required by the resolutions and other agreements authorizing the issuance and providing the terms and conditions thereof.

***Third:*** *General Obligation Bond Account.* In the General Obligation Bond Account an amount equal to one-sixth (1/6) of the aggregate amount of interest coming due on the next succeeding interest payment date, plus one-twelfth (1/12) of the aggregate amount of principal coming due on the next succeeding principal payment date, with respect to general obligation bonds of the City issued for Airport purposes.

***Fourth:*** *General Purpose Account*. In the General Purpose Account an amount at least equal to the payments estimated to be made therefrom during such month.

***Fifth:*** *Contingency Account*. In the Contingency Account such amount, if any, as shall be directed by the Commission from time to time.

**Construction Fund**

The 1991 Master Resolution created the Construction Fund as a separate fund to be maintained and accounted for by the Treasurer. Moneys in the Construction Fund will be used for the purposes for which Bonds are authorized to be issued, including but not limited to the payment of principal and purchase price of and interest and redemption premium on the Bonds and the costs of issuance and sale thereof. A separate account will be created within the Construction Fund with respect to each Series of Bonds. Amounts in the Construction Fund may be invested in any Permitted Investment, in accordance with the policies and procedures of the Treasurer.

**Costs of Issuance Fund**

The 1991 Master Resolution created the Costs of Issuance Fund as a separate fund to be maintained and accounted for by the Trustee. A separate account will be created within the Costs of Issuance Fund with respect to each Series of Bonds. Monies deposited in each Costs of Issuance Account shall be used only for the authorized Costs of Issuance such Series of Bonds. Any balance remaining in any Costs of Issuance Account is to be transferred to the appropriate account in the Construction Fund, no later than one year following the date of issuance of each such Series of Bonds. Amounts in the Costs of Issuance Fund may be invested in any Permitted Investment.

**Debt Service Holding Fund**

The 1991 Master Resolution created the Debt Service Holding Fund as a separate fund, which is not pledged to the payment of the Bonds, but is established for the convenience of the Commission in the administration and investment of monies delivered to the Trustee prior to the time the Commission is required to make deposits into the Debt Service Fund and the series principal and interest accounts therein as required by the 1991 Master Resolution. The Commission may at any time, deliver to the Trustee monies for deposit in the Debt Service Holding Fund, to be held and invested therein as directed by an authorized Commission representative. Upon the order of an Authorized Commission Representative, monies in the Debt Service Holding Fund and investment earnings thereon may be invested in any Permitted Investment, transferred to the Debt Service Fund and the series principal and interest accounts therein, or returned to the Commission.

**Debt Service and Reserve Funds**

The 1991 Master Resolution establishes the following funds and accounts to be held by the Trustee:

Debt Service Fund
Reserve Fund

The Commission will establish separate accounts within the Debt Service Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Debt Service Fund and the accounts therein will be held in trust and applied to pay principal and purchase price of and interest and redemption premium on such Bonds, in the amounts, at the times and in the manner set forth in the 1991 Master Resolution and in the Supplemental Resolutions with respect thereto; provided, however, that each Supplemental Resolution must require to the extent practicable that amounts be accumulated in the applicable accounts in the Debt Service Fund so that moneys sufficient to make any regularly scheduled payment of principal of or interest on the Bonds are on deposit therein at least one month prior thereto. Moneys in the accounts in the Debt Service Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided in the 1991 Master Resolution or in the Supplemental Resolutions with respect thereto.

If and to the extent provided in any Supplemental Resolution authorizing the issuance of a Series of Bonds, interest rate swap payments may be paid directly out of, and interest rate swap receipts paid directly into, the account or accounts in the Debt Service Fund established with respect to such Series of Bonds.

The Commission may establish a separate account or accounts in the Reserve Fund with respect to any or all of the Bonds of one or more Series. Moneys in the Reserve Fund and the accounts therein will be held in trust for the benefit and security of the Holders of the Bonds to which such accounts are pledged, and will not be available to pay or secure the payment of any other Bonds. Each account in the Reserve Fund will be funded and replenished in the amounts, at the times and in the manner provided in the 1991 Master Resolution or in the Supplemental Resolutions with respect thereto, including without limitation through the use of a Credit Facility. Moneys in the respective accounts in the Reserve Fund will be applied to pay and secure the payment of such Bonds as provided in the 1991 Master Resolution or in the Supplemental Resolutions with respect thereto. Moneys in an account in the Reserve Fund may also be applied to pay or reimburse a Credit Provider for Repayment Obligations to the extent provided in the 1991 Master Resolution or in the Supplemental Resolutions with respect thereto.

*Issue 1 Reserve Account (Original Reserve Account)*

The 1991 Master Resolution established the "Issue 1 Reserve Account" as security for the Issue 1 Bonds and any other Participating Series of Bonds designated by Supplemental Resolution as being secured by the Issue 1 Reserve Account. ***The Series 2022A-C Bonds are each a Participating Series secured by the Issue 1 Reserve Account.***

*2017 Reserve Account*

The Series Sale Resolution for the Series 2017C Bonds, Series 2017D Bonds and Series 2018A Bonds established the "2017 Reserve Account" as security for the Series 2017C Bonds, the Series 2017D Bonds, the Series 2018A Bonds and any other 2017 Reserve Account Series Bonds designated by a Supplemental Resolution or by a Series Sale Resolution as being secured by the 2017 Reserve Account. ***None of the Series 2022A-C Bonds is a 2017 Reserve Account Series, and the Series 2022A-C Bonds are not secured by the 2017 Reserve Account.*** The 2017 Reserve Account is required to be funded at the 2017 Reserve Requirement. The moneys in said account will be used solely for the purpose of paying principal, interest or mandatory sinking fund payments on the 2017 Reserve Account Series Bonds whenever any moneys then credited to the accounts within the Debt Service Fund for 2017 Reserve Account Series Bonds are insufficient for such purposes.

*Separate Reserve Accounts for Bonds not Designated as Participating Series or 2017 Reserve Account Series Bonds*

Unless otherwise provided in a Series Sale Resolution, each Series of Bonds will be a Participating Series or 2017 Reserve Account Series, or may be secured by a separate Series Reserve Account. The amount in each Series Reserve Account will be established and maintained at an amount equal to the applicable Series Reserve Requirement, which will be Maximum Series Annual Debt Service, or such other amount as shall be set forth in a Series Sale Resolution.

*Application and Valuation of Issue 1 Reserve Account and 2017 Reserve Account*

The moneys in the Issue 1 Reserve Account, the 2017 Reserve Account and any separate Series Reserve Account (each a "Reserve Account") are to be used solely for the purposes of paying interest, principal or mandatory sinking fund payments on the Bonds to which such accounts are pledged whenever any moneys then credited to the accounts within the Debt Service Fund for the applicable Series of Bonds are insufficient for such purposes and to pay one or more Credit Providers principal due with respect to any Credit Facility deposited in the Reserve Account for the applicable Series of Bonds to the extent that such payment will cause the amount available to be drawn under the related Credit Facility or Credit Facilities to be reinstated in an amount at least equal to the amount of such payment. In the event that the Trustee is required to apply amounts in a Reserve Account to pay interest, principal or mandatory sinking fund payments on the Series of Bonds to which such Reserve Account is pledged, the Trustee will apply all amounts (the "Cash Amount") in such Reserve Account, other than amounts available pursuant to draws on Credit Facilities deposited in such Reserve Account, to such payments before drawing on any such Credit Facility. If after exhausting the Cash Amount, the Trustee has insufficient moneys to pay interest, principal or mandatory sinking fund payments on the applicable Series of Bonds, the Trustee will draw on the Credit Facilities deposited in the Reserve Account on a pro rata basis to the extent required to remedy the remaining deficiency.

If at any time the balance in any Reserve Account is for any reason diminished below the amount required to be on deposit therein, the Trustee is required to immediately notify the Commission of such deficiency, and the Commission is required to cause the applicable Reserve Account to be replenished by transfers from available Net Revenues over a period not to exceed 12 months from the date the Commission receives notice from the Trustee of such deficiency.

Subject to the terms and conditions of the 1991 Master Resolution, each Reserve Account is to be replenished from available Net Revenues in the following order of priority, each requirement to be satisfied in full before the next requirement in priority: (1) on a pro rata basis, payments to Credit Providers of principal then due with respect to any Credit Facility deposited in such Reserve Account to the extent that such payments will cause the amounts available to be drawn under such Credit Facility or Credit Facilities to be reinstated in an amount at least equal to such payments; and (2) other amounts required to be deposited in such Reserve Account to increase the amount therein to the Aggregate Maximum Annual Debt Service on the then Outstanding Bonds to which such Reserve Account is pledged.

Under the 1991 Master Resolution, the Trustee is required to determine the amount in each Reserve Account from time to time but not less frequently than annually. Permitted Investments in each Reserve Account are to be valued at cost plus accreted value. In the event that the Trustee determines on any valuation date that the amount in a Reserve Account exceeds Aggregate Maximum Annual Debt Service (with respect to the Issue 1 Reserve Account) or the 2017 Reserve Requirement (with respect to the 2017 Reserve Account) on all then Outstanding Bonds to which such Reserve Account is pledged, upon the request of the Commission, the Trustee will transfer the amount of such excess to the Treasurer for deposit in the applicable Revenues Account.

In the event Bonds of a Series are to be redeemed in whole or in part pursuant to the 1991 Master Resolution, or the Commission notifies the Trustee in writing of its intention to refund Bonds of a Series in whole or in part, the Trustee is required to value the amount in the Reserve Account applicable to such Bonds, and, if the Trustee determines that the amount in the applicable Reserve Account exceeds Aggregate Maximum Annual Debt Service (with respect to the Issue 1 Reserve Account) or the 2017 Reserve Requirement (with respect to the 2017 Reserve Account) on the Bonds to which such Reserve Account is pledged to remain Outstanding after such redemption or refunding, upon the request of the Commission, the Trustee will transfer the amount of such excess in accordance with such request.

At its option, the Commission may at any time substitute a Credit Facility meeting the requirements of the 1991 Master Resolution for amounts on deposit in each Reserve Account. The 1991 Master Resolution requires that the substitution of a Credit Facility for amounts on deposit in each Reserve Account not cause the then-current ratings on the Bonds to which such accounts are pledged to be downgraded or withdrawn. In the event that after the substitution of a Credit Facility for all or any part of the amounts on deposit in a Reserve Account, the amount in such Reserve Account is greater than the amount required to be on deposit therein, upon the request of an authorized Commission representative, the Trustee will transfer such excess to the Commission to be used solely for Airport purposes. The 1991 Master Resolution further requires that any such Credit Facility provided in the form of a surety bond be issued by an institution then rated in the highest rating category, without regard to subcategories, by Moody's and S&P, and that any such Credit Facility provided in the form of a letter of credit be issued (with respect to the Issue 1 Reserve Account) by an institution then rated in at least the second highest rating category, without regard to subcategories, by Moody's and S&P and (with respect to the 2017 Reserve Account) by an institution whose (i) short-term rating is then rated either "P1" by Moody's or "A-1" by S&P, or (ii) long-term rating is then rated in at least the second highest rating category, without regard to subcategories, by Moody's and S&P.

Any draw on any Credit Facility on deposit in a Reserve Account shall be made only after all the funds in such Reserve Account have been expended. In such event, draws on each Credit Facility shall be made on a pro rata basis to fund the insufficiency. The 1991 Master Resolution provides that a Reserve Account shall be replenished in the following priority: (i) principal of each Credit Facility shall be paid from first available Net Revenues on a pro rata basis to the extent that such payments will cause the amounts available to be drawn under each Credit Facility to be reinstated in an amount at least equal to such payments: and (ii) after all such amounts are paid in full, amounts necessary to fund a Reserve Account to the required level, after taking into account the amounts available under each Credit Facility shall be deposited from next available Net Revenues.

*Permitted Investments*

Amounts in the Series Debt Service Accounts for the Series 2022A-C Bonds shall be invested in Permitted Investments or any other obligations or investments in which the Treasurer is permitted to invest Commission funds maturing on or before the related Payment Date on which the proceeds of such Permitted Investments are intended to be applied for the purposes of the related Series Debt Service Account for the Series 2022A-C Bonds. Amounts in the Issue 1 Reserve Account shall be invested in Permitted Investments described in clauses (a) or (b) of the definition of Permitted Investments maturing no later than seven years after the date of purchase of said Permitted Investment. Amounts in the 2017 Reserve Account shall be invested by the Trustee in accordance with instructions provided by the Commission (or such third parties appointed by the Commission) or, in the absence of instructions from the Commission (or such third parties appointed by the Commission), pursuant to the Commission's standing instructions, in Permitted Investments or any other obligations or investments in which the Treasurer is permitted to invest Commission funds. Amounts in the Series 2022A Construction Account, the 2022B Construction Account and the 2022C Construction Account (to the extent that such Accounts have been established) may be invested in any Permitted Investment or any other obligations or investments in which the Treasurer is permitted to invest Commission funds.

**Issuance of Additional Series of Bonds**

*General Requirements*

Whenever the Commission determines to issue any additional Series of Bonds, the Commission is required to adopt a Supplemental Resolution authorizing the issuance of such Series of Bonds and to deliver to the Trustee: (i) a certificate to the effect that the Commission is not then in default under the terms and provisions of the 1991 Master Resolution or any Supplemental Resolution; (ii) an opinion of bond counsel to the effect that such Series of Bonds has been duly authorized in conformity with law and all prior proceedings of the Commission, and such Bonds constitute valid and binding obligations of the Commission; and (iii) certain other items specified by the 1991 Master Resolution or the Supplemental Resolution or which may be reasonably requested by the Commission or the Trustee.

*Additional Bonds Test*

The Commission is not permitted to issue any additional Series of Bonds (other than refunding Bonds, described below under "—Refunding Bonds") unless the Trustee has been provided with either:

(a) a certificate of an Airport Consultant dated within 30 days prior to the date of delivery of the Bonds stating that:

(i) for the period, if any, from and including the first full Fiscal Year following the issuance of such Bonds through and including the last Fiscal Year during any part of which interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenues, together with any Transfer, in each such Fiscal Year will be at least equal to 1.25 times Annual Debt Service; and

(ii) for the period from and including the first full Fiscal Year following the issuance of such Bonds during which no interest on such Bonds is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Bonds, or (B) the third full Fiscal Year during which no interest on such Bonds is expected to be paid from the proceeds thereof, projected Net Revenues, together with any Transfer, if applicable, in each such Fiscal Year will be (1) at least sufficient to make all required payments and deposits in such Fiscal Year into the Revenue Bond Account and the General Obligation Bond Account pursuant to the 1991 Master

Resolution, and to make the Annual Service Payment to the City and (2) at least equal to 125% of aggregate Annual Debt Service with respect to the Bonds for such Fiscal Year; or

(b) a certificate of an Independent Auditor stating that Net Revenues, together with any Transfer, in the most recently completed Fiscal Year were at least equal to 125% of the sum of (i) Annual Debt Service on the Bonds in such Fiscal Year, plus (ii) Maximum Annual Debt Service on the Bonds proposed to be issued.

For purposes of (a) and (b) above, the amount of any Transfer taken into account shall not exceed 25% of Maximum Annual Debt Service in such Fiscal Year. In determining projected Net Revenues for purposes of (a) above, the Airport Consultant may take into account reasonably anticipated changes in Revenues and Operation and Maintenance Expenses over such period. In determining Annual Debt Service for purposes of (a) or (b) above, Bonds that will be paid or discharged immediately after the issuance of the Series of Bonds proposed to be issued from the proceeds thereof or other moneys will be disregarded, and Variable Rate Bonds will be deemed to bear interest during any period after the date of calculation at a fixed annual rate equal to 1.25 times the rate determined pursuant to paragraphs (b) and (c), as the case may be, of the definition of "Annual Debt Service" of the Resolution.

In the event that the Commission proposes to assume any indebtedness for borrowed money in connection with assuming the possession, management, supervision and control of any airport or other revenue-producing facilities, such indebtedness may constitute additional Bonds under the 1991 Master Resolution entitled to an equal pledge of and lien on Net Revenues as the Bonds provided that the requirements of the 1991 Master Resolution relating to additional Bonds are satisfied with respect to the assumption of such indebtedness.

**Refunding Bonds**

The Commission may issue Bonds for the purpose of refunding any Bonds or Subordinate Bonds on or prior to maturity or thereafter. The Commission is permitted to issue such refunding Bonds only (i) upon compliance with the additional Bonds test established by the 1991 Master Resolution as described above under "—Issuance of Additional Series of Bonds—*Additional Bonds Test*," or (ii) if the Commission delivers to the Trustee a certificate of an Airport Consultant or Financial Consultant to the effect that (A) aggregate Annual Debt Service in each Fiscal Year with respect to all Bonds to be Outstanding after the issuance of such refunding Bonds will be less than aggregate Annual Debt Service in each such Fiscal Year in which Bonds are Outstanding prior to the issuance of such refunding Bonds, and (B) Maximum Annual Debt Service with respect to all Bonds to be Outstanding after issuance of such refunding Bonds will not exceed Maximum Annual Debt Service with respect to all Bonds Outstanding immediately prior to such issuance.

**Repayment Obligations**

If so provided in the applicable Supplemental Resolution and in the written agreement between the Commission and the Credit Provider or Liquidity Provider, as applicable, a Repayment Obligation may be accorded the status of a Bond solely for purposes of the 1991 Master Resolution, provided, however, that the Credit Facility or Liquidity Facility, as applicable, with respect thereto shall not constitute a bond for any other purpose, including without limitation for purposes of the Charter. The Credit Provider or Liquidity Provider, as applicable, shall be deemed to be the Holder of such Bond, and such Bond shall be deemed to have been issued as of the original date of the Bond or Bonds for which such Credit Facility or Liquidity Facility, as applicable, was provided. Notwithstanding the stated terms of the Repayment Obligation, the Bond deemed to be held by the Credit Provider or Liquidity Provider, as applicable, shall be deemed to be amortized on a level debt service basis at the Index Rate over a period equal to the lesser of (a) 20 years, or (b) the period ending on the later of (i) the final maturity date of the Bonds payable from or secured by such Credit Facility or Liquidity Facility, as applicable, or (ii) the date the Repayment Obligation is due under the terms of the written agreement with respect thereto, with principal payable annually commencing on the next Principal Payment Date with respect to such Bonds and interest payable semiannually commencing on the next Interest Payment Date with respect to such Bonds. Such Bond shall be deemed to bear interest at the rate provided in the written agreement with respect to the Repayment Obligation. Any amount which becomes due and payable on the Repayment Obligation under the written agreement with respect thereto (but not earlier than 15 years from the date such Repayment Obligation is incurred) and which is in excess of the amount deemed to be principal of and interest on a Bond shall be junior and subordinate to the Bonds. The rights of a Credit

Provider or Liquidity Provider, as applicable, under the 1991 Master Resolution shall be in addition to any rights of subrogation which the Credit Provider or Liquidity Provider, as applicable, may otherwise have or be granted under law or pursuant to any Supplemental Resolution. Notwithstanding anything in the 1991 Master Resolution to the contrary, a Bond and an unreimbursed Repayment Obligation arising with respect to such Bond shall not be deemed to be Outstanding at the same time.

**Subordinate Bonds**

The Commission may issue, at any time while any of the Bonds are Outstanding, Subordinate Bonds with a pledge of, lien on, and security interest in Net Revenues junior and subordinate to the pledge of, lien on, and security interest in Net Revenues in respect of the Bonds. The principal and purchase price of and interest, redemption premium and reserve fund requirements on such Subordinate Bonds will be payable from time to time out of Net Revenues only if all amounts then required to have been paid or deposited under the Resolution from Net Revenues with respect to principal, purchase price, redemption premium, interest and reserve fund requirements on the Bonds then Outstanding or thereafter to be Outstanding have been paid or deposited as required in the 1991 Master Resolution and any Supplemental Resolution.

**Special Facility Bonds**

The Commission from time to time, subject to the conditions described in this section captioned "—Special Facility Bonds" may (a) designate an existing or planned facility, structure, equipment or other property, real or personal, which is at the Airport or part of any facility or structure at the Airport as a "Special Facility," (b) provide that revenues earned by the Commission from or with respect to such Special Facility shall constitute "Special Facility Revenues" and shall not be included as Revenues, and (c) issue Special Facility Bonds primarily for the purpose of acquiring, constructing, renovating, or improving such Special Facility, or providing financing to a third party for such purposes. Principal, purchase price, if any, redemption premium, if any, and interest with respect to Special Facility Bonds shall be payable from and secured by the Special Facility Revenues with respect thereto, and not from or by Net Revenues. The Commission from time to time may refinance any such Special Facility Bonds with other Special Facility Bonds.

No Special Facility Bonds shall be issued by the Commission unless there has been filed with the Trustee a certificate of an Airport Consultant that (i) the estimated Special Facility Revenues with respect to the proposed Special Facility will be at least sufficient to pay the principal, or purchase price, interest, all costs of operating and maintain such Special Facility not paid by a party other than the Commission, and all sinking fund, reserve fund and other payments required with respect to such Special Facility Bonds when due; (ii) estimated Net Revenues calculated without including the Special Facility Revenues and without including any operation and maintenance expenses of the Special Facility as Operation and Maintenance Expenses will be sufficient so that the Commission will be in compliance with the rate covenant (see "—Certain Covenants–*Rate Covenant*" below) during each of the five Fiscal Years immediately following the issuance of such Special Facility Bonds; and (iii) no Event of Default exists.

Upon the payment in full or other discharge of the Special Facility Bonds, including Special Facility Bonds issued to refinance such Special Facility Bonds, Special Facility Revenues with respect to such Special Facility shall be included as Revenues.

**Certain Covenants**

*Punctual Payment*

The Commission has covenanted that it will promptly pay or cause to be paid the principal and purchase price of, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of the 1991 Master Resolution and any applicable Supplemental Resolution, but solely from the sources pledged to such payment or from such other sources or revenues as may be used for such payment, and the Commission has covenanted that it will faithfully observe and perform all of the conditions, covenants and requirements of the 1991 Master Resolution and all Supplemental Resolutions and of the Bonds.

*Negative Pledge*

The Commission has covenanted that it will not create any pledge, lien on, security interest in or encumbrance upon, or permit the creation of any pledge of, lien on, security interest in or encumbrance upon, Revenues or Net Revenues except for a pledge, lien, security interest or encumbrance subordinate to the pledge, lien and security interest granted by the 1991 Master Resolution for the benefit of the Bonds.

*Rate Covenant*

The Commission has covenanted that it will establish and at all times maintain rentals, rates, fees and charges for the use of the Airport and for the services rendered by the Commission in connection with the Airport so that:

(a) Net Revenues in each Fiscal Year will be at least sufficient (i) to make all required payments and deposits in such Fiscal Year into the Revenue Bond Account and the General Obligation Bond Account pursuant to the 1991 Master Resolution, and (ii) to make the Annual Service Payment to the City; and

(b) Net Revenues, together with any Transfer, in each Fiscal Year will be at least equal to 125% of aggregate Annual Debt Service with respect to the Bonds for such Fiscal Year.

The Commission has covenanted that if Net Revenues, together with any Transfer, in any Fiscal Year are less than the amount specified in clause (b) above, the Commission will retain and direct an Airport Consultant to make recommendations as to the revision of the Commission's business operations and its schedule of rentals, rates, fees and charges for the use of the Airport and for services rendered by the Commission in connection with the Airport, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made the Commission will take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to produce Net Revenues, together with any Transfer, in the amount specified in clause (b) above in the next succeeding Fiscal Year.

In the event that Net Revenues for any Fiscal Year are less than the amount specified in clause (b) above, but the Commission promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by the 1991 Master Resolution and described in the previous paragraph, such deficiency in Net Revenues will not constitute an Event of Default under the 1991 Master Resolution as described in clause (d) under the caption "—Events of Default" below. Nevertheless, if after taking the measures required in the previous paragraph to revise the schedule of rentals, rates, fees and charges, Net Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Commission for such Fiscal Year) are less than the amount specified in clause (b) above, such deficiency in Net Revenues will constitute an Event of Default under the 1991 Master Resolution as described in clause (e) under the caption "—Events of Default" below.

*Operation and Maintenance of the Airport*

The Commission has covenanted that it will operate and maintain the Airport as a revenue producing enterprise in accordance with the Act. The Commission will make such repairs to the Airport as are necessary or appropriate in the prudent management thereof. The Commission also has covenanted that it will operate and maintain the Airport in a manner which will entitle it at all times to charge and collect fees, charges and rentals in accordance with Airport use agreements, if any, or as otherwise permitted by law, and the Commission will take all reasonable measures permitted by law to enforce prompt payment to it of such fees, charges and rentals when and as due. The Commission will, from time to time, duly pay and discharge, or cause to be paid and discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Airport or upon any part thereof, or upon the revenues from the operation thereof, when the same become due, as well as any lawful claim for labor, materials or supplies which, if unpaid, might by law become a lien or charge upon the Airport or such revenues, or which might impair the security of the Bonds. Notwithstanding the foregoing, the Commission need not pay or discharge any tax, assessment or other governmental charge or claim for labor, materials or supplies, if and so long as the Commission contests the validity or application thereof in good faith. The Commission will continuously operate the Airport so that all lawful orders of the FAA and any other governmental agency or authority having jurisdiction in the premises will be complied with, but the Commission is not required to comply with any such orders so long as the validity or application thereof is being contested in good faith.

*Maintenance of Powers; Retention of Assets*

The Commission has covenanted that it will use its best efforts to keep the Airport open for landings and takeoffs of commercial aircraft using facilities similar to those at the Airport and to maintain the powers, functions, duties and obligations now reposed in it pursuant to law, and will not at any time voluntarily do, suffer or permit any act or thing the effect of which would be to hinder, delay or imperil either the payment of the indebtedness evidenced by any of the Bonds or any other obligation secured by the 1991 Master Resolution or the performance or observance of any of the covenants contained therein. The Commission also has covenanted that it will not dispose of assets necessary to operate the Airport in the manner and at the levels of activity required to enable it to perform its covenants contained in the 1991 Master Resolution.

*Insurance*

Subject in each case to the condition that insurance is obtainable at reasonable rates from responsible insurers and upon reasonable terms and conditions:

(a) The Commission will procure or provide and maintain, at all times while any of the Bonds shall be outstanding, insurance or qualified self-insurance on the Airport against such risks as are usually insured by other major airports. Such insurance or qualified self-insurance shall be in an adequate amount as to the risk insured against as determined by the Commission. The Commission is not required to carry insurance or qualified self-insurance against losses caused by land movement, including but not limited to seismic activity.

(b) Any qualified self-insurance is required to be established in accordance with applicable law; is required to include reserves or reinsurance in amounts which the Commission determines to be adequate to protect against risks assumed under such qualified self-insurance, including without limitation any potential retained liability in the event of the termination of such qualified self-insurance; and is required to be reviewed at least once every 12 months by an insurance consultant who will deliver to the Commission a report on the adequacy of the reserves established or reinsurance provided thereunder. If the insurance consultant determines that such reserves or reinsurance are inadequate, it will make a recommendation as to the amount of reserves or reinsurance that should be established and maintained, and the Commission will comply with such recommendation unless it can establish to the satisfaction of, and receive a certification from, the insurance consultant that a lower amount is reasonable to provide adequate protection to the Airport and the Commission.

(c) The Commission will secure and maintain adequate fidelity insurance or bonds on all officers and employees handling or responsible for funds of the Commission, except to the extent that such insurance is provided by the City.

(d) Within 120 days after the close of each Fiscal Year, the Commission will file with the Trustee a certificate of an authorized Commission representative containing a summary of all insurance policies and qualified self-insurance then in effect with respect to the Airport and the Commission.

(e) The proceeds of any insurance is required to be applied solely for Airport purposes.

*Financial Records and Statements*

The Commission will maintain, or cause to be maintained, proper books and records in which full and correct entries are required to be made in accordance with generally accepted accounting principles, of all its business and affairs. The Commission is required to have an annual audit made by an independent auditor and will within 120 days after the end of each of its Fiscal Years furnish to the Trustee copies of the audited financial statements of the Commission for such Fiscal Year.

*Tax Covenants*

The Commission has covenanted that, except as otherwise provided in the 1991 Master Resolution or in any Supplemental Resolution, it will make no use of the proceeds of any Series of Bonds or take any other action or permit any other action to be taken that would affect adversely the exclusion from gross income of, interest on such Series of Bonds for federal income tax purposes or, if applicable, the non-preference status of such interest for federal alternative minimum income tax purposes.

*Limitation on Covered Obligations*

The Commission has covenanted and agreed that it will not issue or incur any obligation for borrowed money payable from Net Revenues (i) which is subject to optional or mandatory purchase or tender for purchase prior to maturity (other than at the option of the Commission), or (ii) which matures in less than 365 days from the date of issuance thereof (collectively, "Covered Obligations") to the extent the aggregate principal amount of all such Covered Obligations, at the time of issuance or incurrence thereof, would exceed 40% of the aggregate principal amount of all obligations of the Commission for borrowed money payable from Net Revenues then outstanding. The limitation described in the foregoing sentence does not apply to Covered Obligations described in clause (i) the scheduled maturity of which is not subject to acceleration. The credit or liquidity facility in connection with any Covered Obligation any portion of the repayment or reimbursement obligation with respect to which is on a parity with the Bonds shall be subject to the limitations thereon described under the caption "—Repayment Obligations" above.

**Events of Default**

The 1991 Master Resolution provides that "Event of Default" with respect to a Series of Bonds means any one of the following events:

(a) if payment by the Commission in respect of any installment of interest on any Bond of such Series is not made in full when the same becomes due and payable;

(b) if payment by the Commission in respect of the principal or Accreted Value of any Bond of such Series is not made in full when the same becomes due and payable, whether at maturity or by proceedings for redemption or otherwise;

(c) if payment of the purchase price of any Bond tendered for optional or mandatory purchase in accordance with the provisions of the Supplemental Resolution providing for the issuance of such Bond is not made in full when due;

(d) if the Commission fails to observe or perform any other covenant or agreement on its part under the 1991 Master Resolution (other than the covenant or agreement to maintain rentals, rates, fees and charges sufficient to meet the rate covenant with respect to the Bonds), for a period of 60 days after the date on which written notice of such failure, requiring the same to be remedied, have been given to the Commission by the Trustee, or to the Commission and the Trustee by the Holders of at least 25% in aggregate Principal Amount of Bonds of such Series then Outstanding; provided, however, that if the breach of covenant or agreement is one which cannot be completely remedied within the 60 days after written notice has been given, it shall not be an Event of Default with respect to such Series as long as the Commission has taken active steps within the 60 days after written notice has been given to remedy the failure and is diligently pursuing such remedy;

(e) if the Commission is required pursuant to the rate covenant contained in the 1991 Master Resolution to take measures to revise the schedule of rentals, rates, fees and charges for the use of the Airport and Net Revenues, together with any Transfer, for the Fiscal Year in which such adjustments are made are less than the amount required by the rate covenant with respect to the Bonds (See "—Certain Covenants–*Rate Covenant*");

(f) if either the Commission or the City institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it, or files a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or consents to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of the Commission or of any substantial part of its property, or fails to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or consents to entry of an order for relief under the federal Bankruptcy Code or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due; and

(g) the occurrence of any other Event of Default with respect to such Series of Bonds as is provided in a Supplemental Resolution.

An Event of Default with respect to one Series of Bonds will not in and of itself constitute an Event of Default with respect to any other Series of Bonds unless such event or condition on its own constitutes an Event of Default with respect to such other Series of Bonds pursuant to the 1991 Master Resolution.

**No Acceleration**

The Bonds are not subject to acceleration under any circumstance or for any reason, including without limitation upon the occurrence and continuance of an Event of Default under the 1991 Master Resolution or any Supplemental Resolution. Moreover, the Bonds will not be subject to mandatory redemption or mandatory purchase or tender for purchase as a result of the occurrence and continuance of an Event of Default to the extent the redemption or purchase price is payable from Net Revenues.

**Remedies Upon Default**

Subject to the terms of the 1991 Master Resolution described in the last paragraph in this section captioned "—Remedies Upon Default", upon the occurrence and continuance of an Event of Default with respect to one or more Series of Bonds, the Trustee may, or upon the written request of the Holders of not less than a majority in aggregate Principal Amount of the Bonds of such Series together with indemnification of the Trustee to its satisfaction therefor shall, proceed forthwith to protect and enforce its rights and the rights of the Bondholders under the 1991 Master Resolution and under the Act and such Bonds by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to:

(a) Actions to recover money or damages due and owing;

(b) Actions to enjoin any acts or things, which may be unlawful or in violation of the rights of the Holders of such Bonds; and

(c) Enforcement of any other right of such Bondholders conferred by law, including the Act, or by the 1991 Master Resolution, including without limitation by suit, action, injunction, mandamus or other proceedings to enforce and compel the performance by the Commission of actions required by the Act or the 1991 Master Resolution, including the fixing, changing and collection of fees or other charges.

Subject to the last paragraph of the 1991 Master Resolution described in this section captioned "—Remedies Upon Default", regardless of the happening of an Event of Default, the Trustee, if requested in writing by the Holders of not less than 25% in aggregate Principal Amount of the Bonds of one or more Series, shall upon being indemnified to its satisfaction therefor, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security under the 1991 Master Resolution by any acts or omissions to act which may be unlawful or in violation of the 1991 Master Resolution, or (ii) to preserve or protect the interests of the Holders, provided that such request is in accordance with law and the provisions of the 1991 Master Resolution and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of the Holders of Bonds of each Series not making such request.

Notwithstanding anything else in the 1991 Master Resolution to the contrary, the remedies provided for with respect to obtaining moneys on deposit in funds or accounts shall be limited to the funds or accounts under the Resolution pledged to the applicable Series of Bonds with respect to which an Event of Default exists.

Furthermore, while a Credit Facility with respect to any Bonds is in effect, a Supplemental Resolution may provide that so long as the Credit Provider is not Insolvent and is not in default under the Credit Facility, no right, power or remedy under the 1991 Master Resolution with respect to such Bonds may be pursued without the prior written consent of the Credit Provider.

If an Event of Default with respect to one or more but not all Series of Bonds Outstanding has occurred and is continuing, the Holders of a majority in aggregate Principal Amount of the Bonds of such one or more Series then Outstanding have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting any proceeding to be taken with respect to funds or assets solely securing such one or more Series in connection with the enforcement of the terms and conditions of the 1991 Master Resolution; provided, that such direction is in accordance with law and the provisions of the 1991 Master Resolution (including any indemnity to the Trustee as provided in the 1991 Master Resolution) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Bondholders of each Series of Bonds not joining in such direction; and provided further, that the Trustee shall have discretion to take any other action under the 1991 Master Resolution which it may deem proper and in accordance with the 1991 Master Resolution and which is not inconsistent with such direction by Bondholders.

If an Event of Default with respect to all Series of Bonds has occurred and is continuing, the Holders of a majority in aggregate Principal Amount of all Bonds then Outstanding shall have the right, at any time, by an instrument in writing executed and delivered to the Trustee to direct the method and place of conducting any proceeding to be taken with respect to Net Revenues or other assets securing all Bonds in connection with the enforcement of the terms and conditions of the 1991 Master Resolution; provided, that such direction is in accordance with law and the provisions of the 1991 Master Resolution (including indemnity to the Trustee as provided in the 1991 Master Resolution) and, in the sole judgment of the Trustee, is not unduly prejudicial to the interests of Holders of Bonds not joining in such direction; and provided further, that the Trustee shall have discretion to take any other action under the Resolution which it may deem proper and in accordance with the 1991 Master Resolution and which is not inconsistent with such direction by Holders of Bonds.

The 1991 Master Resolution provides that no Holder of any Bond of a Series shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the 1991 Master Resolution unless:

(a) an Event of Default has occurred with respect to such Series and the Trustee is deemed to have notice of such Event of Default, the Trustee has actual knowledge of such Event of Default or the Trustee has been notified in writing of such Event of Default by the Commission or by the Holders of at least 25% in aggregate Principal Amount of all such Series of Bonds with respect to which an Event of Default has occurred;

(b) the Holders of at least a majority in aggregate Principal Amount of Bonds of all such Series then Outstanding with respect to which an Event of Default has occurred have made written request to the Trustee to proceed to exercise the powers granted under the 1991 Master Resolution or to institute such action, suit or proceeding in its own name;

(c) such Holders of Bonds have offered the Trustee indemnity as provided under the 1991 Master Resolution; and

(d) the Trustee has failed or refused to exercise the powers granted under the 1991 Master Resolution or to institute such action, suit or proceedings in its own name for a period of 60 days after receipt by it of such request and offer of indemnity.

No one or more Holders of Bonds of such Series shall have any right in any manner whatsoever to affect, disturb or prejudice the security of, or to enforce any right under, the 1991 Master Resolution except for in the manner provided under the Resolution and for the equal benefit of the Holders of all Bonds of such Series then Outstanding.

No Holder of any Bond of such Series may institute or prosecute any such suit or enter judgment therein if, and to the extent that, the institution or prosecution of such suit or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the 1991 Master Resolution on the moneys, funds and properties pledged thereunder for the equal and ratable benefit of all Holders of Bonds of such Series.

**Defeasance**

Payment of any Bonds may be provided for by the deposit with the Trustee, in trust, of moneys, noncallable Government Obligations, noncallable Government Certificates, certain types of pre-refunded municipal obligations described in the definition of Permitted Investments or any combination thereof. Provided that the moneys and the maturing principal and interest income on any securities so deposited will be sufficient and available without reinvestment to pay when due the principal, whether at maturity or upon fixed redemption dates, or purchase price and premium, if any, and interest on such Bonds, and provision for any required notice of redemption prior to maturity has been made, such Bonds will no longer be deemed Outstanding under the 1991 Master Resolution. No Bond may be so provided for if, as a result thereof or of any other action in connection with which the provision for payment of such Bond is made, the interest payable on any tax-exempt Bond is made subject to federal income taxes.

**Modification or Amendment of the 1991 Master Resolution**

The 1991 Master Resolution and the rights and obligations of the Commission and of the Holders of the Bonds may be modified or amended at any time by a Supplemental Resolution with the written consent, without a meeting, of the Holders of a majority in aggregate Principal Amount of the Outstanding Bonds of all Series affected. No such modification or amendment may (i) extend the stated maturity of or time or change the currency for paying the principal or purchase price of, premium, if any, or interest on any Bond or reduce the Principal Amount or purchase price of or the redemption premium or rate of interest payable on any Bond without the consent of the Holder of such Bond; (ii) except as expressly permitted by the 1991 Master Resolution, prefer or give a priority to any Bond over any other Bond without the consent of the Holder of each Bond then Outstanding not receiving such preference or priority; or (iii) permit the creation of a lien not expressly permitted by the 1991 Master Resolution upon or pledge of Net Revenues ranking prior to or on a parity with the lien of the 1991 Master Resolution or reduce the aggregate Principal Amount of Bonds then Outstanding the consent of the Holders of which is required to authorize such Supplemental Resolution, without the consent of the Holders of all Bonds then Outstanding.

The 1991 Master Resolution and the rights and obligations of the Commission and of the Holders of the Bonds may also be modified or amended at any time by a Supplemental Resolution, without the consent or notice to of any Bondholders, for one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in the 1991 Master Resolution;

(b) to correct or supplement any provision of the 1991 Master Resolution which may be inconsistent with any other provision of the 1991 Master Resolution or to make any other provisions with respect to matters or questions arising thereunder that will not have a material adverse effect on the interests of the Holders;

(c) to grant or confer upon the Holders any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;

(d) to secure additional revenues or provide additional security or reserves for payment of any Bonds;

(e) to preserve the excludability of interest on any Bonds from gross income for purposes of federal income taxes, or to change the tax covenants set forth in the 1991 Master Resolution, pursuant to an opinion of nationally recognized bond counsel that such action will not affect adversely such excludability;

(f) to provide for the issuance of, and to set the terms and conditions of, each additional Series of Bonds, including covenants and provisions with respect thereto which do not violate the terms of the 1991 Master Resolution;

(g) to add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;

(h) to confirm, as further assurance, any interest of the Trustee in and to Net Revenues or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the Commission provided pursuant to the 1991 Master Resolution;

(i) to comply with the requirements of the Trust Indenture Act of 1939, as amended, to the extent applicable;

(j) to provide for uncertificated Bonds or for the issuance of coupon or bearer Bonds or Bonds registered only as to principal;

(k) to accommodate the use of a Credit Facility for specific Bonds or a Series of Bonds;

(l) to designate any other airports, airfields, landing places or places for the take-off and landing of aircraft, together with related facilities or property, which are hereafter owned, controlled or operated by the Commission or over which the Commission has possession, management, supervision or control as not a part of the Airport; and

(m) to make any other change or addition to the 1991 Master Resolution which, in the opinion of nationally recognized bond counsel, will not have a material adverse effect on the interests of the Holders of the Bonds.

**Certain Rights and Duties of the Trustee**

The Trustee may resign at any time. Written notice of such resignation must be given to the Commission and such resignation will take effect upon the later of the date 90 days after receipt of such notice by the Commission and the date of the appointment, qualification and acceptance of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within 60 days after the date notice of resignation is given, the Trustee or the Commission may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed.

In addition, the Trustee may be removed at any time by the Commission so long as (i) no Event of Default has occurred and is continuing and (ii) the Commission determines that the removal of the Trustee will not have an adverse effect upon the rights or interests of the Holders of Bonds. Subject to clause (ii) of the preceding sentence, in the event the Trustee becomes Insolvent, the Commission may remove the Trustee by written notice effective immediately upon the appointment, qualification and acceptance of a successor Trustee.

In the event the Trustee resigns, is removed, is dissolved, becomes Insolvent or otherwise becomes incapable to act as the Trustee, the Commission is entitled to appoint a successor Trustee. In any event, no removal or resignation of the Trustee will be effective until a successor trustee has accepted appointment by the Commission.

Unless otherwise ordered by a court or regulatory body, or unless required by law, any successor Trustee will be a trust company or bank having the powers of a trust company as to trusts, qualified to do and doing trust business within the State of California and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least $50,000,000; provided, such an institution is willing, qualified and able to accept the trust upon reasonable or customary terms.

The recitals, statements and representations contained in the 1991 Master Resolution or in any Bond are to be taken and construed as made by and on the part of the Commission and not by the Trustee, and the Trustee neither assumes nor has any responsibility for the correctness of the same other than the Trustee's certification of authentication of any Bonds as to which it is authenticating agent.

Except as otherwise provided in the 1991 Master Resolution, the Trustee is under no duty of inquiry with respect to any default which constitutes, or with notice or lapse of time or both would constitute, an Event of Default without actual knowledge of the Trustee or receipt by the Trustee of written notice of such default from the Commission or any Holder of Bonds.

Except as expressly required under the 1991 Master Resolution, the Trustee is not required to institute any suit or action or other proceeding in which it may be a defendant, nor is it required to take any steps to enforce its rights and expose it to liability, unless and until it has been indemnified, to its satisfaction, against any and all reasonable costs and against all liability and damages. The Trustee nevertheless, may begin suit, or appear in and defend suit, or do anything else which in its judgment is proper to be done by it as the Trustee, without prior assurance of indemnity, and in such case the Commission is required to reimburse the Trustee for all reasonable costs and for all liability and damages suffered by the Trustee in connection therewith, except for the Trustee's own negligent action, its own negligent failure to act, its own willful misconduct or self-dealing constituting a breach of trust under applicable law.

In the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely upon and will be protected in acting or refraining from acting in reliance upon any document reasonably believed by it to be genuine and to have been signed or presented by the proper officials of the Commission, the Treasurer, the City, an Airport Consultant, a Financial Consultant, an Independent Auditor or the Holders of Bonds or agents or attorneys of such Holders; provided, in the case of any such document specifically required to be furnished to the Trustee under the 1991 Master Resolution, the Trustee shall be under a duty to examine the same to determine whether it conforms to the requirements of the 1991 Master Resolution. The Trustee is not bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, facsimile transmission, bond or other paper or document submitted to the Trustee.

**Certain Rights of Bond Insurers**

With respect to Bonds or the portion thereof the payment of which has been insured under a Bond Insurance Policy (the "Insured Bonds"), and so long as (i) such Bond Insurance Policy is in effect, (ii) the Bond Insurer has not asserted that its Bond Insurance Policy is not in effect, (iii) the Bond Insurer is not in default thereunder, (iv) the Bond Insurer is not Insolvent, and (v) the Bond Insurer has not waived any rights granted to it, the Bond Insurer will have the following rights:

(a) Any amendment to the 1991 Master Resolution requiring the consent of Owners of Bonds which are Insured Bonds also requires the prior written consent of the Bond Insurer with respect to such Insured Bonds;

(b) any amendment not requiring the consent of Owners of the Insured Bonds will require the prior written consent of the Bond Insurer with respect to such Insured Bonds if its rights would be materially and adversely affected by such amendment;

(c) the prior written consent of the Bond Insurer with respect to the Insured Bonds will be a condition precedent to the deposit by the Commission of any Credit Facility in lieu of a cash deposit into the Issue 1 Reserve Account or the Series Reserve Account relating to such Insured Bonds (which consent may not be unreasonably withheld);

(d) for purposes of Article VII of the 1991 Master Resolution (regarding defaults and remedies), if an Event of Default shall have occurred and be continuing, the Bond Insurer with respect to the Insured Bonds will be deemed to be the Owner of such Insured Bonds in connection with any consent or direction, appointment, request or waiver to be provided thereunder;

(e) each Bond Insurer with respect to the Insured Bonds shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner of such Insured Bonds in accordance with the 1991 Master Resolution;

(f) each Bond Insurer will, to the extent it makes any payment of principal or Purchase Price of or interest on the Insured Bonds it insures, become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy;

(g) principal, interest and/or Purchase Price paid by a Bond Insurer under its Bond Insurance Policy will not be deemed paid for purposes of the 1991 Master Resolution, and the Insured Bonds with respect to which such payments were made will remain Outstanding and continue to be due and owing until paid by the Commission in accordance with the 1991 Master Resolution;

(h) in the event of any defeasance of the Insured Bonds, the Commission is to provide the applicable Bond Insurer with copies of all documents required by Article X of the 1991 Master Resolution to be delivered to the Trustee which documents, including any escrow or trust agreement used in connection with such defeasance, are to be acceptable in form and substance to the Bond Insurer;

(i) the Commission may not discharge the 1991 Master Resolution unless all amounts due or to become due to each Bond Insurer have been paid in full or duly provided for; and

(j) in determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action under the 1991 Master Resolution would adversely affect the security for the Bonds or the rights of the Bondholders, the Trustee is to consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Bond Insurance Policy.

In addition, the Commission is required to send or cause to be sent to each Bond Insurer copies of notices required to be sent to Owners or the Trustee pursuant to the 1991 Master Resolution, and the Commission, the Trustee and each Paying Agent, as appropriate, are to observe and perform any payment procedures under the Bond Insurance Policy required by each Bond Insurer.

## SUMMARY OF CERTAIN SUPPLEMENTAL RESOLUTIONS

*The following is a summary of certain provisions contained in the Supplemental Resolutions, as the same may have been subsequently amended or supplemented, and is not to be considered as a full statement thereof. Reference is made to each of these Supplemental Resolutions and to the 1991 Master Resolution for full details of the terms of the Bonds, the application of revenues therefor, and the security provisions pertaining thereto. See also "DESCRIPTION OF THE SERIES 2022A-C BONDS" in the front portion of this Official Statement for a summary of the provisions related to the Series 2022A-C Bonds.*

### Funds and Accounts

The Resolution establishes the following funds and accounts:

Within the Costs of Issuance Fund:
Series 2022A Costs of Issuance Account
Series 2022B Costs of Issuance Account
Series 2022C Costs of Issuance Account

Within the Debt Service Fund:
Series 2022A Interest Account
Series 2022B Interest Account
Series 2022C Interest Account

Series 2022A Principal Account
Series 2022B Principal Account
Series 2022C Principal Account

Series 2022A Redemption Account
Series 2022B Redemption Account
Series 2022C Redemption Account

Within the Rebate Fund:
Series 2022A/B Rebate Account

The 1991 Master Resolution established the Issue 1 Reserve Account as security for the Issue 1 Bonds and any other Participating Series of Bonds designated by Supplemental Resolution or by the Director as being secured by the Issue 1 Reserve Account. The Series 2022A Bonds, the Series 2022B Bond and the Series 2022C Bonds have each been designated as a Participating Series of Bonds with respect to the Issue 1 Reserve Account.

**Application of Series 2022A-C Bonds Costs of Issuance Accounts**

The 1991 Master Resolution requires the Trustee to apply moneys in the Series 2022A Costs of Issuance Account, the Series 2022B Costs of Issuance Account and the Series 2022C Costs of Issuance Account to the payment of costs of issuance of the Series 2022A-C Bonds. Amounts in the Series 2022A-C Costs of Issuance Accounts may be invested in any Permitted Investment.

**Application of Series 2022A-C Debt Service Accounts**

The Series 2022A Interest Account, the Series 2022A Principal Account and the Series 2022A Redemption Account are sometimes referred to herein as the "Series 2022A Debt Service Accounts." The Series 2022B Interest Account, the Series 2022B Principal Account and the Series 2022B Redemption Account are sometimes referred to herein as the "Series 2022B Debt Service Accounts." The Series 2022C Interest Account, the Series 2022C Principal Account and the Series 2022C Redemption Account are sometimes referred to herein as the "Series 2022C Debt Service Accounts." The Supplemental Resolutions require the Trustee to apply moneys in the Series 2022A Interest Account, the Series 2022B Interest Account and the Series 2022C Interest Account to the payment of interest on the related Series 2022A-C Bonds when due, including accrued interest on any of the related Series 2022A-C Bonds purchased or redeemed prior to maturity. The Supplemental Resolutions require the Trustee to apply moneys in the Series 2022A Principal Account, the Series 2022B Principal Account and the Series 2022C Principal Account to the payment of the Principal Amount of the related Series 2022A-C Bonds when due.

The Commission may, from time to time, purchase any Series 2022A-C Bonds out of available moneys of the Commission at such prices as the Commission may determine plus accrued interest thereon. All Series 2022A-C Bonds purchased under the provisions of the 1991 Master Resolution will be delivered to, and cancelled and destroyed by, the Trustee and shall not be reissued.

The Trustee is required to apply moneys in the Series 2022A Redemption Account, the Series 2022B Redemption Account and the Series 2022C Redemption Account to the payment of the redemption price of applicable Series of Bonds called for redemption. Accrued interest on the Series 2022A Bonds, the Series 2022B Bonds and the Series 2022C Bonds redeemed pursuant to the 1991 Master Resolution will be paid from the Series 2022A Interest Account, Series 2022B Interest Account or the Series 2022C Interest Account, as applicable.

In the event that the amount on deposit in any Series 2022A Debt Service Account is insufficient to pay the interest or Principal Amount or redemption price coming due on the Series 2022A Bonds, the 1991 Master Resolution requires the Trustee to transfer the amount of such deficiency from the Issue 1 Reserve Account to the Series 2022A

Interest Account, the Series 2022A Principal Account or the Series 2022A Redemption Account, as the case may be, not later than five days prior to the date on which such payment is required.

In the event that the amount on deposit in any Series 2022B Debt Service Account is insufficient to pay the interest or Principal Amount or redemption price coming due on the Series 2022B Bonds, the 1991 Master Resolution requires the Trustee to transfer the amount of such deficiency from the Issue 1 Reserve Account to the Series 2022B Interest Account, the Series 2022B Principal Account or the Series 2022B Redemption Account, as the case may be, not later than five days prior to the date on which such payment is required.

In the event that the amount on deposit in any Series 2022C Debt Service Account is insufficient to pay the interest or Principal Amount or redemption price coming due on the Series 2022C Bonds, the 1991 Master Resolution requires the Trustee to transfer the amount of such deficiency from the Issue 1 Reserve Account to the Series 2022C Interest Account, the Series 2022C Principal Account or the Series 2022C Redemption Account, as the case may be, not later than five days prior to the date on which such payment is required.

**Rebate; Series 2022A/B Rebate Account**

The Commission will pay or cause to be paid to the United States Government the amounts required by Section 148(f) of the Code and any Regulations promulgated thereunder at the times required thereby. The 1991 Master Resolution requires the Trustee to hold any payments received from the Commission for deposit into the Series 2022A/B Rebate Account for purposes of paying rebate to the United States. Pending payment to the United States, moneys held in the 2022A/B Rebate Account are pledged to secure such payments to the United States as provided in the 1991 Master Resolution and in the Tax Certificate for the Series 2022A Bonds and the Series 2022B Bonds (the “Series 2022A/B Tax Certificate”), and neither the Commission, the Bondholders nor any other person shall have any rights in or claim to such moneys. The 1991 Master Resolution requires the Trustee to invest all amounts held in the Series 2022A/B Rebate Account in Nonpurpose Investments (as defined in the Series 2022A/B Tax Certificate), as directed by the Commission in the Series 2022A/B Tax Certificate.

**Permitted Investments**

Amounts in the Series Debt Service Accounts for the Series 2022A-C Bonds shall be invested in Permitted Investments or any other obligations or investments in which the Treasurer is permitted to invest Commission funds maturing on or before the related Payment Date on which the proceeds of such Permitted Investments are intended to be applied for the purposes of the related Series Debt Service Account for the Series 2022A-C Bonds. Amounts in the Issue 1 Reserve Account shall be invested in Permitted Investments described in clauses (a) or (b) of the definition of Permitted Investments maturing no later than seven years after the date of purchase of said Permitted Investment. Amounts in the 2017 Reserve Account shall be invested by the Trustee in accordance with instructions provided by the Commission (or such third parties appointed by the Commission) or, in the absence of instructions from the Commission (or such third parties appointed by the Commission), pursuant to the Commission’s standing instructions, in Permitted Investments or any other obligations or investments in which the Treasurer is permitted to invest Commission funds.

**Deposits of Net Revenues in Series Debt Service Accounts**

In accordance with the 1991 Master Resolution, the Treasurer is required, on the second Business Day of each month, to allocate and transfer to the Trustee for deposit in the Series Debt Service Accounts for Series 2022A-C Bonds amounts from Net Revenues, as follows:

(a) In each Series Interest Account associated with the related Series 2022A-C Bonds, in approximately equal monthly installments, an amount equal to at least one-sixth (1/6) of the aggregate amount of interest becoming due and payable on the Series 2022A-C Bonds on the next succeeding semiannual interest payment date; provided, however, that no moneys need be deposited in the Series Interest Account except to the extent that such moneys are required for the payment of interest to become due on the Series 2022A-C Bonds on the next succeeding semiannual interest payment date, after the application of the moneys then on deposit in the applicable Series Interest Account; and provided, further, that subject to the preceding proviso, during the period preceding the first interest payment date on the Series 2022A-C Bonds, the amount of each monthly installment shall be equal to the product of a fraction the numerator of which is one and the denominator of which is the number of whole calendar months from the Closing Date to the first interest payment date on the Series 2022A-C Bonds minus one, and the aggregate amount of interest becoming due and payable on the Series 2022A-C Bonds on said interest payment date.

(b) In each Series Principal Account in approximately equal monthly installments, commencing on the second Business Day of the month determined pursuant to a Series Sale Resolution or Bond Purchase Contract, an amount equal to at least one twelfth (1/12) of the aggregate Principal Amount becoming due and payable on any Outstanding serial Bonds of the Series 2022A-C Bonds on the next succeeding Principal Payment Date, until there shall have been accumulated in the applicable Series Principal Account an amount sufficient to pay the Principal Amount of all serial Series 2022A-C Bonds maturing by their terms on the next Principal Payment Date.

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## APPENDIX E

## SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS

The City and County of San Francisco (the "City"), acting by and through its Airport Commission (the "Commission"), has entered into a form of Lease and Use Agreement (the "Lease and Use Agreement") with a majority of the airlines ("Signatory Airlines") operating at the Airport. The following summary of the Lease and Use Agreements does not purport to be complete and reference is hereby made to the complete text of the documents, copies of which are on file and are available for examination at the offices of the Commission.

**Term of Lease**

The Lease and Use Agreements took effect on and after July 1, 2011 and have been extended through June 30, 2023 as further discussed under "SAN FRANCISCO INTERNATIONAL AIRPORT — Airline Agreements — *Lease and Use Agreements* — Expiration of the Lease and Use Agreements; Amendments."

Any airline that holds over with the Commission's consent beyond the expiration date of its Lease and Use Agreement is deemed a month-to-month tenant, and the holdover airline will continue to pay the same rate of rentals and landing fees as Signatory Airlines, unless different rates are agreed upon. Any airline that holds over without the Commission's consent is deemed a month-to-month tenant, and the holdover airline will pay the 25% premium on landing fees charged to other non-signatory airlines. Any holding over without the Commission's consent also constitutes an event of default by the airline.

**Signatory Airlines, Non-Signatory Airlines and Affiliates**

Any air carrier that is certified by the Secretary of Transportation, is engaged in the business of scheduled or non-scheduled commercial transportation by air of persons, property, mail, parcels and/or cargo, and signs a Lease and Use Agreement, is considered a "Signatory Airline."

Any air carrier that does not qualify as a Signatory Airline, may operate at the Airport under a month-to-month Operating Permit or as an itinerant airline. Airlines that are not Signatory Airlines or an Affiliate Airline of a Signatory Airline will pay a 25% premium on landing fees.

An "Affiliate Airline" is a non-Signatory Airline that is operating at the Airport under an Operating Permit and either (i) is a wholly owned subsidiary of a Signatory Airline, (ii) is a subsidiary of the same corporate parent of the Signatory Airline, (iii) shares flight codes with a Signatory Airline at the Airport, or (iv) operates cargo feeder flights at the Airport under the direction and control of a Signatory Airline. If the non-Signatory Airline is able to sell its own seats for flights at the Airport, however, it will not be classified as an Affiliate Airline of any Signatory Airline even if it may satisfy one of the criteria described above. Each Lease and Use Agreement constitutes an agreement by a Signatory Airline to guarantee the performance of all reporting and payment obligations of its Affiliate Airline(s) to the Commission. An Affiliate Airline has no Majority-in-Interest voting rights, but is included with its Signatory Airline's revenue aircraft arrivals for purposes of determining a Majority-in-Interest.

**Lease of Premises**

The Commission leases terminal space under the Lease and Use Agreements on an exclusive use basis, a preferential use basis, a joint use basis and a common-use basis, each with the following characteristics:

*Exclusive use space*, which includes back offices, clubs and lounges, ticket counters, and baggage handling space in domestic terminals, is leased to one Signatory Airline and is charged on a per-square-foot basis. Gates are no longer leased exclusively to one airline.

*Preferential use space*, which includes only domestic gates and holdrooms, is assigned annually to one Signatory Airline based on a formula taking into account the Signatory Airline's share of traffic at the Airport. See "–Preferential Use Gate Allocation Methodology" below. Rent for preferential use space is charged on a per-square-foot basis, with the rent for holdrooms being calculated based on the average size of all holdrooms in the applicable boarding area. The Signatory Airline to which a gate has been assigned has a preferential right to use the gate during its scheduled operations, but the Airport retains the right to let other airlines use the gate when not in active use by the assigned Signatory Airline. See "–Airport Scheduling Rights at Preferential Use Gates" below.

*Joint use space* applies primarily to gates, holdrooms, ticket counters and baggage facilities in the ITC, although joint use baggage systems are also located in Terminals 1 and 2. Joint use space and facilities are leased to a group of Signatory Airlines for their collective use in accordance with gate and ticket counter management protocols approved by the Airport. Rental charges are based on a formula, in accordance with which 80% of the charges are allocated pro rata to the Signatory Airlines in the group based on their passenger levels, and 20% of the charges are shared equally by the Signatory Airlines in the group.

*Common-use space and facilities* include gates in the domestic and international terminals, as well as ticket counters and baggage handling facilities in the domestic terminals. The Airport Director is permitted under the Lease and Use Agreements annually to designate up to 10% of the domestic terminal gates for common-use by any airline. Common-use facilities are not leased to any airline, but are used as needed by airlines which pay per-use fees. Common-use fees are calculated annually based on the cost of the applicable facilities divided by an average number of "turns" (i.e., periods of use). Airlines are charged 100% of the applicable common-use fee for a narrow-body aircraft and 115% of the fee for a wide-body aircraft.

As defined in the Lease and Use Agreement, a "gate" includes the passenger holdroom, together with any or all of the following equipment if owned by the Commission: a passenger loading bridge, a 400 MHz power unit, a pre-conditioned air unit, and related equipment. The related ramp (apron) is not included in the gate, but is retained by the Commission and used by the air carrier using the related gate.

**Designation of Common Use Gates and Facilities**

*Common Use Gates*

The Lease and Use Agreements provide that, no later than October 1 of each year, the Commission is to present to the Resource Management Advisory Committee ("RMAC") (a committee composed of three representatives of the Commission and three representatives of the Signatory Airlines) for review and discussion a preliminary plan indicating the number of gates in each terminal proposed to be reserved for use as common-use gates in the following Fiscal Year. Although the Director has sole discretion, after taking into consideration any recommendations by the RMAC, to determine the total number of gates to be reserved as common-use gates effective July 1, 2011 and July 1 of each Fiscal Year thereafter, such number may not exceed 10% of the total number of domestic terminal gates. Gates other than joint use gates remaining available after such determination shall be offered by the Commission to Signatory Airlines for use as preferential use gates to be allocated in accordance with the procedure described below. The Commission is to notify in writing all Signatory Airlines of its determination with respect to common-use gates no later than December 1 of each Fiscal Year.

*Common Use Ticket Counters and Support Facilities*

As of the effective date of the Lease and Use Agreement, the Director is to identify the initial ticket counters and support facilities to be designated for common-use. Thereafter, if in the Director's reasonable discretion an adjustment to the location or number of common-use ticket counters and common-use support facilities would be desirable, the Director may designate additional ticket counters and support facilities for common-use. The Director may also change ticket counters and support facilities from common-use to joint use or exclusive use for lease to Signatory Airlines. The Commission retains exclusive control of the use of all common-use gates, common-use ticket counters and common-use support facilities, provided that common-use facilities in the international terminal are to be managed and scheduled in accordance with the applicable gate and ticket counter management protocols.

**Preferential Use Gate Allocation Methodology**

After determination by the Airport Director of the total number of common-use gates as described above, the Commission is to apply the following methodology to determine the total number of preferential use gates that are to be offered to each Signatory Airline during each Fiscal Year, effective July 1, 2011 and July 1 of each Fiscal Year thereafter:

(a) The Commission will first divide the number of Scheduled Seats for each Signatory Airline, including its Affiliate Airline(s), by the total number of Scheduled Seats for all Signatory Airlines to determine the Signatory Airline's percentage share of all Scheduled Seats ("Scheduled Seats Percentage"). "Scheduled Seats" means the average daily number of departing seats on the scheduled operations of a Signatory Airline (including its Affiliate Airlines) to destinations in the United States or Canada and on international flights allowed by the Commission to operate from a domestic terminal, for the month of August immediately preceding the Fiscal Year for which the determination is being made, which is computed by dividing total departing seats for the scheduled operations of a Signatory Airline (including its Affiliate Airlines) for the month of August by 31.

(b) The Commission will calculate the number of preferential use gates to be offered to a Signatory Airline by multiplying the Signatory Airline's Scheduled Seats Percentage by the total number of gates to be made available for preferential use, rounding the product to the nearest whole number; provided that a product less than 0.5 will not be eligible for rounding during this step.

(c) If as a result of rounding, the total number of preferential use gates to be offered to all Signatory Airlines computed as described in paragraph (b) is less than the total number of gates available for preferential use, the Commission will allocate such remaining preferential use gates to Signatory Airlines based on the unrounded results of the computations described in paragraph (b). The remaining preferential use gates will be allocated in priority order by first increasing by one the number of preferential use gates to be offered to the Signatory Airline whose unrounded product is nearest to 0.5 without equaling or exceeding 0.5 and next proceeding to increase by one the number of preferential use gates to be offered to the Signatory Airline whose unrounded product is second nearest to 0.5 without equaling or exceeding 0.5 and so on until the total number of preferential use gates to be made available to all Signatory Airlines by the Commission is reached.

(d) If as a result of rounding, the total number of preferential use gates to be offered to all Signatory Airlines computed as described in paragraph (b) exceeds the total number of preferential use gates, the Commission will reduce the number of calculated preferential use gates to be offered to Signatory Airlines based on the unrounded results of the computations described in paragraph (b). The number of over-allocated preferential use gates will be reduced in priority order by first reducing by one the number of allocated preferential use gates to the Signatory Airline whose unrounded product calculated as described in paragraph (b) is nearest to 0.5 without being less than 0.5 and next proceeding to reduce by one the number of preferential use gates to be offered to the Signatory Airline whose unrounded product calculated as described in paragraph (b) is second nearest 0.5 without being less than 0.5 and so on until the total number of preferential use gates to be made available to all Signatory Airlines by the Commission is reached.

(e) No later than December 1 of each Fiscal Year, the Commission will provide written notice to all Signatory Airlines of its annual determination of preferential use gates as described above and will offer each Signatory Airline the opportunity to be allocated the number of preferential use gates indicated by these calculations. Each Signatory Airline will provide written notice to the Commission no later than February 1 of each Fiscal Year either accepting or rejecting any or all of the gates offered to it by the Commission for preferential use.

(f) If a Signatory Airline does not accept the allocation of a preferential use gate by February 1 of each Fiscal Year, the Signatory Airline rejecting such gate may request the Commission allocate such preferential use gate to another Signatory Airline if, within the acceptance period, the following two conditions are met: (i) the Signatory Airline rejecting the preferential use gate has a written handling agreement with the Signatory Airline accepting allocation of the rejected preferential use gate, and (ii) the Signatory Airline accepting allocation of the rejected preferential use gate demonstrates to the Commission's satisfaction that it needs the rejected preferential use gate reasonably to accommodate the rejecting Signatory Airline's flights, in which case the gate will be allocated to that other Signatory Airline as a preferential use gate. Alternatively, if any Signatory Airline does not accept the allocation of a preferential use gate, the Commission may elect to reallocate such gate to another Signatory Airline if the Commission determines the number of common-use gates is adequate to accommodate all airline operations needing to use gates at the Airport. The Commission may reallocate such gates until all gates available for use as preferential use gates are allocated to Signatory Airlines or rejected for use as preferential use gates.

(g) Any gate rejected for allocation during a Fiscal Year as a preferential use gate by all eligible Signatory Airlines may be deactivated or used during such Fiscal Year as the Commission sees fit, including, without limitation, as a common-use gate, even though such election may cause the total number of common-use gates to exceed ten percent of the total number of domestic terminal gates.

(h) The Commission will, in its sole discretion, determine the locations of any preferential use gates to be offered to a Signatory Airline, after taking into consideration the compatibility of such Signatory Airline's aircraft with the gate being assigned and the desirability of assigning contiguous gates within the same terminal for preferential use by any given Signatory Airline and minimizing the frequency of changes in the locations of preferential use gates, as well as any recommendations by the RMAC. By March 1 of each Fiscal Year, the Commission will provide Signatory Airlines notice of the assignments of preferential use gates and the locations of common-use gates, to be effective the following July 1.

**Airport Scheduling Rights at Preferential Use Gates**

A Signatory Airline will have scheduling preference during a period of use at its preferential use gates only for an operation (arrival or departure) that occurs in accordance with a published schedule. The Commission will have the right, upon reasonable notice to a Signatory Airline, to schedule arrivals and departures by a requesting airline at a preferential use gate at all periods of time other than the Signatory Airline's periods of use of that assigned preferential use gate. In accommodating the Commission in its right to schedule such operations at a preferential use gate, the Signatory Airline will allow for use of its facilities or equipment (not including ground service equipment) at the preferential use gate or permit use of the Commission's equipment and podiums as may be required for the efficient use of the preferential use gate by a requesting airline. Whenever practical, the Commission will first consider the availability of common-use gates and any recommendations of the RMAC before scheduling requesting airline arrivals and departures at any preferential use gate. Any requesting airline that is accommodated at any of a Signatory Airline's preferential use gates shall be required to pay the Commission the same charges for use of the preferential use gate that it would have been required to pay for use of a common-use gate. The Commission will provide a credit to the Signatory Airline for one-half of the amount of any such gate-use payment.

**Airport's Rights to Accommodate Other Airlines and Recapture Space**

*Accommodation of Other Air Carriers in a Signatory Airline's Exclusive Use Space*

To facilitate the entry of new airlines and to maximize the utilization of facilities at the Airport, the Commission will first attempt to accommodate airlines needing space with preferential use gates as described above, common-use facilities, joint use space, or uncommitted space available in the applicable terminal. If such facilities cannot adequately accommodate the requesting airline's needs, the Commission will have the right to require the temporary accommodation of a requesting airline in a Signatory Airline's exclusive use space if (i) the Signatory Airline has adequate capabilities, capacity, facilities and personnel for its own needs and the needs of the requesting airline, and (ii) the two airlines enter into an agreement and satisfy certain documentary requirements, such as fees, indemnification and insurance.

*Recapture of Exclusive Use Space Following Reduction in Number of Preferential Use Gates*

If the number of preferential use gates assigned to a Signatory Airline is reduced, the Commission may at any time thereafter and from time to time, after taking into account any recommendations of the RMAC, at the Commission's sole discretion and upon 30 days written notice to the Signatory Airline, terminate the Signatory Airline's rights to use all or a portion of its exclusive use space, including ticket counters and support facilities, that is reasonably required to support the operations of other airlines using the preferential use gates no longer assigned to the Signatory Airline. The Commission will not terminate rights to exclusive use space that, in the Director's reasonable discretion, is required to support the Signatory Airline's continued operations at its remaining preferential use gate(s), if any.

*Recapture of Exclusive Use Space Following Rejection of Preferential Use Gates*

Whenever a Signatory Airline declines to accept a preferential use gate following the annual allocation of gates described above, the Commission may at any time thereafter and from time to time, after taking into account any recommendations of the RMAC, at the Commission's sole discretion and upon 60 days' notice, reclaim all or a portion of the Signatory Airline's exclusive use space associated with the rejected preferential use gate, including ticket counters and support facilities, as follows:

(a) If there is another Signatory Airline that is willing to lease the reclaimed space, the two Signatory Airlines will attempt to negotiate an agreement as to any changes to the condition or layout of the space, any required sharing of support facilities, any associated costs, and any other provisions required to permit the other Signatory Airline to use the reclaimed space for its intended purpose.

(b) If the two Signatory Airlines cannot reach agreement, the Commission will join the negotiations and attempt to mediate an agreement.

(c) If the Commission is unable to mediate an agreement, the Airport Director will formulate a reasonable solution and notify both Signatory Airlines.

(d) If there is no other Signatory Airline willing to lease the reclaimed space, the space will revert to the possession and control of the Commission and may thereafter be made available by the Commission on a common-use basis to other airlines, or leased on an exclusive use or preferential use basis to other Signatory Airlines or Airport tenants.

*Relocation of Signatory Airline Operations*

Under the Lease and Use Agreements, the Commission has the right upon 60 days' notice, to require a Signatory Airline to relocate its operations at the Airport in order to improve Airport facilities, accommodate the traveling public, or maximize the use of the terminals and related facilities by all users thereof. All reasonable moving costs resulting from relocation of a Signatory Airline in a Commission-imposed temporary reallocation of space shall be funded by the Commission; provided that if the removal and reinstallation of the Signatory Airline's trade fixtures and other movable property is possible and not unreasonable, the Signatory Airline will not be entitled to a replacement of such fixtures or property. In addition, a Signatory Airline will not be entitled to reimbursement for relocation of or within joint use space, or preferential use space resulting from the annual reallocation, acceptance or rejection of gates.

**Rates and Charges**

*Airport Cost Centers and Space Categories*

The Lease and Use Agreements set forth the following six cost centers based on functional areas of the Airport to be used in accounting for revenues, expenses and debt service: Airfield Area, Airport Support Area, Terminal Area, Groundside Area, Utilities Area and West of Bayshore Area. Direct and indirect expenses are recorded and allocated to the appropriate cost centers. Terminal Area space, including ticket counters, ticket counter back offices, administrative and operation offices, baggage handling areas, and unenclosed or covered areas, is classified in five space categories, each with a different rental rate.

*Rentals and Landing Fees and their Adjustment*

The Lease and Use Agreements provide for the residual rate setting methodology at the Airport, in order to match revenues each year to the Commission's expenditures by adjusting aviation revenues. Differences between actual receipts and expenditures result in adjustment of Terminal Area rentals and landing fees in subsequent years. The Commission's financial statements reflect such adjustments in the year in which the difference occurs.

The Lease and Use Agreements provide a methodology for computing the landing fee rate and Terminal Area rental rates to ensure that revenues equal expenditures. Airlines that are not Signatory Airlines or an Affiliate Airline of a Signatory Airline will pay a 25% premium on landing fees.

Landing fees and Terminal Area rental rates are adjusted annually. Not fewer than 90 days before the end of each fiscal year, each Signatory Airline is required to submit to the Commission the landed weight forecast for itself and its Affiliate Airlines, and notice of any proposed additions to the space in the Terminal Area it leases, for the next fiscal year. Concurrently, the Commission submits to the airlines its budgetary forecast for the various cost centers for the next fiscal year. The Commission then computes and forwards to the Signatory Airlines not fewer than 60 days before the end of the Fiscal Year its computations made in accordance with the requirements of the Lease and Use Agreements of the landing fee rate and the Terminal Area rental rates for the next fiscal year. The Signatory Airlines and the Commission may meet to discuss the proposed rates and charges, and the Commission will give due regard to any comments offered by the Signatory Airlines on the proposed calculations. Within 30 days after the meeting, or the forwarding of the rentals and fees to the Signatory Airlines if no meeting is held, the rentals and fees, as calculated by the Commission in accordance with Lease and Use Agreements and the 1991 Master Resolution, will become effective.

If at any time during the Fiscal Year, the actual expenses (including debt service) of the Terminal Area and the Groundside Area are projected to exceed by ten percent or more the actual revenues in the Terminal Area and Groundside Area, the Commission may, after using commercially reasonable efforts to reduce expenses, and upon 60 days' notice to, and in consultation with, the Signatory Airlines, increase the Terminal Area rentals. The Lease and Use Agreements require the Signatory Airlines to pay such increased rentals or such lesser amount which equals the projected deficiency for the remaining months of the then-current fiscal year. Landing fees may similarly be increased in the event the actual expenses (including debt service) of the Airfield Area and Airport Support Area are projected to exceed by ten percent or more the actual revenues in such areas.

**Airline Review of Capital Improvements**

Under the Lease and Use Agreements, the Commission is limited in any Fiscal Year to appropriating from current revenues up to $4,200,000 in Fiscal Year 2008-09 dollars, as adjusted, to finance capital improvements. A Majority-in-Interest of the Signatory Airlines may approve the use of additional current revenues to fund capital improvements. The Commission must otherwise use commercially reasonable efforts to finance capital improvements in excess of such amount through the use of grants, funding from the Transportation Security Administration, and passenger facility charges, and through the issuance of Airport revenue bonds. A "capital improvement" is a single Airport addition or improvement, including equipment, which is purchased, leased or constructed at a cost of $626,257 in Fiscal Year 2008-09 dollars or more, and a useful life of more than three years. The dollars amounts are to be adjusted annually by the Implicit Price Deflator Index for Gross Domestic Product published by the U.S. Department of Commerce, Bureau of Economic Analysis.

Proposed capital improvements with a cost in excess of $626,257 in Fiscal Year 2008-09 dollars that would result in a charge to Signatory Airlines in the terminal area rentals or landing fees are subject to certain review procedures established under the Lease and Use Agreements. A Majority-in-Interest of the Signatory Airlines (defined as more than 50% in number of the Signatory Airlines who, on the date in question, also account for more than 50% of the aggregate revenue aircraft landed weight landed by the Signatory Airlines at the Airport during the immediately preceding fiscal year) may require the Commission to defer a proposed capital improvement for six months to give the airlines time to present their views regarding the capital improvement. Capital improvements that are (i) required by a federal or state agency having jurisdiction over Airport operations, (ii) to be financed by the issuance of Special Revenue Bonds, or (iii) of an emergency nature, which, if not made, would result in the closing of the Airport within 48 hours, are not subject to the review procedures.

"Special Revenue Bonds" are taxable and tax-exempt obligations (such as special facility bonds) issued by the Commission, the principal of, premium, if any, and interest on which are payable from or secured in whole or substantial part by revenues other than Airport "Revenues," as defined under the 1991 Master Resolution. The Commission may pledge Revenues as further security for Special Revenue Bonds, or issue general Airport revenue bonds to refund Special Revenue Bonds in accordance with the 1991 Master Resolution, if (i) the Signatory Airlines are notified in writing of the proposed pledge or issuance, and (ii) the Majority-in-Interest approves the pledge or issuance within 45 days of the mailing of the notice. The Commission may not proceed with any such pledge or issuance that is not so approved by a Majority-in-Interest.

**Public Liability and Property Damage Insurance**

A Signatory Airline, at its own cost and expense, must obtain and maintain certain public liability and property damage insurance during the term of its Lease and Use Agreement, including (i) an aircraft liability policy with coverage of at least $500 million combined single limit for bodily injury and property damage, (ii) at least $100 million War and Named Perils coverage for bodily injury and property damage, (iii) a workers' compensation and employers' liability policy, (iv) a commercial business auto policy with a minimum limit of not less than $2 million combined single limit for bodily injury and property damage, and (v) property insurance in an amount equal to the value of airline improvements and betterments during the course of any construction and after completion of construction. The Commission has the right at any time to review the coverage, form and amount of insurance and may require a Signatory Airline to obtain additional insurance, provided it is commercially reasonable.

**Security Deposit**

A Signatory Airline's faithful performance of its Lease and Use Agreement will be secured by a security deposit equal to two months of Terminal Area rentals, landing fees, usage fees, rates and charges. The security deposit may be in the form of a surety bond or a letter of credit to be renewed annually at the Signatory Airline's cost, and kept in full force and effect at all times. If the Signatory Airline fails to pay any amounts due or otherwise defaults under the Lease and Use Agreement, the Commission may draw on the Signatory Airline's security deposit for the payment of any delinquent amounts, or to compensate the Commission for any loss or damages suffered by the Commission. The Signatory Airline is required to replenish its security deposit within ten days.

**Assignment and Subletting**

A Signatory Airline is not permitted to transfer or assign its leased premises, its Lease and Use Agreement, or any right thereunder without the Director's prior written consent. Any transfer made without the Director's consent constitutes an event of default hereunder and will be voidable at the Director's election. The merger of a Signatory Airline with any other entity or the transfer of any controlling ownership interest in a Signatory Airline, or the assignment or transfer of a substantial portion of the assets of a Signatory Airline, whether or not located on the leased premises will be deemed a transfer to which the consent requirements are applicable. In addition, a Signatory Airline's entering into any operating agreement, license or other agreement where a third party, other than a subsidiary, Affiliate Airline, or code share partner of the Signatory Airline, is given rights or privileges to utilize portions of the leased space will be considered an attempted transfer which requires Airport consent.

However, the restrictions on asset transfers in the Lease and Use Agreements will not apply to stock or limited liability company interest transfers of corporations or limited liability companies the stock or interests of which are traded through an exchange or over the counter. A Signatory Airline will also have the right, without first obtaining the Airport's written consent, to assign or transfer its Lease and Use Agreement, to an entity controlling, controlled by or under common control with such Signatory Airline, or to a successor by merger, consolidation or acquisition to all or substantially all of the assets of the Signatory Airline, if such entity or successor operates at the Airport and assumes all rights and obligations under the Lease and Use Agreement.

**Damage and Destruction; Condemnation/Eminent Domain**

*Damage and Destruction*

If any part of a Signatory Airline's leased space is partially damaged by fire or other casualty but is not rendered untenantable, the damaged space will be repaired by the parties as described below. If any part of the leased premises is so extensively damaged by fire or other casualty as to render any portion of the space untenantable but capable of being repaired, the same will be repaired by the parties as described below, and the Commission will use commercially reasonable efforts to provide the Signatory Airline with comparable temporary alternative facilities sufficient to allow the Signatory Airline to continue its operations while repairs are being completed. If any part of the leased premises will be damaged by fire or other casualty, and is so extensively damaged as to render any portion of the leased premises untenantable and not economically feasible to repair, the Commission will notify the Signatory Airline within 45 days after the date of such damage of its decision whether said space should be reconstructed or replaced. If the Commission elects to replace or reconstruct the affected space, the same will be reconstructed by the parties as described below, and the Commission will use commercially reasonable efforts to provide the Signatory Airline with comparable temporary alternative facilities sufficient to allow the Signatory Airline to continue its operations while reconstruction is being completed. If the Commission elects to not reconstruct or replace the damaged leased premises, the Commission will either relocate the Signatory Airline, or if no replacement premises are available, permanently reduce the space leased to the Signatory Airline. If the Signatory Airline is not relocated and its remaining tenantable leased premises are not sufficient to maintain operations at the Airport, the Signatory Airline may terminate its Lease and Use Agreement.

*Allocation of Responsibility for Reconstruction; No Abatement of Rent*

In the event any Signatory Airline's alterations in its exclusive or preferential use space are to be reconstructed or repaired following damage by a casualty, the Signatory Airline will use commercially reasonable efforts to repair its alterations, at its sole cost and expense, within 90 days for space that is open to the public and within 180 days for space that is not open to the public, and its Lease and Use Agreement will continue in full force and effect. In the event any improvements in the joint use space included in the leased premises of one or more Signatory Airlines is to be reconstructed or repaired following damage by a casualty, the responsibility to repair such damage will be allocated among the applicable Signatory Airlines and the Commission in accordance with the maintenance responsibilities set forth in the Lease and Use Agreement. Any other replacement, repair or reconstruction will be completed by the Commission.

If Signatory Airline's leased space is wholly or partially destroyed or damaged, the Signatory Airline will have no claim against the Commission for any damage suffered by reason of any such damage, destruction or repair. In addition, the Signatory Airline will not be entitled to an abatement of rent resulting from any damage, destruction or repair; provided that the Signatory Airline will not be charged rent for both untenantable leased premises and temporary alternative facilities.

*Condemnation/Eminent Domain*

If all or a substantial part of a Signatory Airline's leased premises will be taken or condemned through eminent domain, the Signatory Airline may terminate its Lease and Use Agreement upon 30 days' notice if the Commission does not notify the Signatory Airline in writing within 60 days before the date of taking that it will provide the Signatory Airline with mutually acceptable substitute facilities. If only a portion of the leased premises will be taken, the Signatory Airline will have the right to amend its Lease and Use Agreement to remove the leased premises so taken upon 30 days' notice, if the Commission does not notify the Signatory Airline in writing within 60 days before the date of taking that it will provide the Signatory Airline with mutually acceptable substitute facilities.

**Payments from Commission to City**

The Lease and Use Agreements provide for payments from the Commission to the City consisting of the Annual Service Payments and reimbursement for the costs of direct services provided by City departments to the Commission. See "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Payments to the City" in the forepart of this Official Statement.

"Annual Service Payments" are to be paid from the Airport Revenue Fund to the City's General Fund for each fiscal year beginning with Fiscal Year 2011-12 through Fiscal Year 2020-21 during the term of the Lease and Use Agreement. These payments constitute full satisfaction of all obligations of the Airport, the Commission, and the airlines for all indirect services, management and facilities provided by the City to the Airport, and are equal to the greater of (i) 15% of Concession Revenues and (ii) $5 million. "Concession Revenues" is defined in the Lease and Use Agreements as the fees and rentals collected by Commission for the right to provide and operate restaurants, car rental services, shops, advertising, courtesy vehicles, ground transportation services, parking and other services.

The Lease and Use Agreements provide that if a Signatory Airline was a signatory to certain prior agreements with the Airport or signed certain releases relating to prior litigation, that such Signatory Airline waives any rights it may have either under the prior agreements or by reason of such releases, to challenge any Annual Service Payments made after June 30, 2011.

The Lease and Use Agreements further provide that the Commission may reimburse the City for the cost of certain direct services provided to the Airport by other City departments, such as the City Attorney, the Fire Department, the Police Department, the City Controller, the Water Department, the Department of Public Works, the Purchasing Department and the City-wide risk manager.

**Events of Default; Termination or Suspension of Lease and Use Agreement Provisions**

Each of the following events constitutes an Event of Default under the Lease and Use Agreement: (i) a failure punctually to pay any amount due that continues beyond the date specified in a written notice of default from the Airport, which date will be no earlier than the tenth (10th) day after the date of the notice; provided that if two payment defaults occur, the Commission will have no obligation to give further notices and an immediate Event of Default will occur; (ii) various events of insolvency or bankruptcy relating to the Signatory Airline; (iii) an involuntary bankruptcy petition is filed against the Signatory Airline and not dismissed within 30 days; (iv) an unauthorized transfer of the Lease and Use Agreement without the prior approval of the Commission that is not voided or rescinded within ten days after receipt of notice to the Signatory Airline; (v) the abandonment of the leased premises; (vi) a lien is filed against the lease premises as a result of an act or omission of the Signatory Airline, and is not discharged or contested within 30 days after receipt of notice; (vii) a failure to maintain the required security deposit for a period of more than three days after receipt of notice; (viii) a failure to maintain the required insurance or self-insured reserves; (ix) a failure to observe any covenant in the Lease and Use Agreement for a period of more than ten days after receipt of notice, or failure to commence a cure within ten days after receipt of notice, followed by a failure to diligently prosecute the cure within one hundred twenty days after the notice; (x) the occurrence a default under any other agreement between the Signatory Airline and the Commission that is not cured as provided in the other agreement; or (xi) a failure timely to remit any passenger facility charges collected by the Signatory Airline.

Upon the occurrence and continuation of an Event of Default, the Commission may elect from the following remedies in addition to any other rights and remedies available to the Commission at law or in equity: (i) terminate the Signatory Airline's use of the leased premises and recover statutory damages from the Signatory Airline; (ii) not terminate the Lease and Use Agreement and continue to collect rent as it becomes due; (iii) appoint a receiver to take possession of the leased premises and collect rents therefrom; (iv) terminate any other agreement between the Signatory Airline and the Commission; or (v) require prepayment of any amounts due under the Lease and Use Agreement.

If a Signatory Airline fails to perform a duty under its Lease and Use Agreement and does not cure within three days (as to any emergency) or 30 days (as to any non-emergency) following notice, the Commission has the right to perform such duty at the Signatory Airline's expense. The Commission also has the right to impose and collect fines from the Signatory Airlines as set forth in the Airport Rules as established and updated from time to time by the Commission.

In addition, the Commission may terminate a Lease and Use Agreement if the Signatory Airline ceases revenue aircraft arrivals at the Airport for more than 30 consecutive days for reasons other than certain force majeure events.

A Signatory Airline may terminate its Lease and Use Agreement upon the occurrence of any of the following events: (i) the issuance of a permanent injunction by any court of competent jurisdiction which remains in force for 180 days and substantially prevents the Signatory Airline from using all or major portions of the Airport; (ii) any action of any governmental authority, board, agency or officer with proper jurisdiction preventing the Signatory Airline from operating at the Airport; (iii) the involuntary termination by any governmental authority, board, agency or officer having jurisdiction, of Signatory Airline's right to serve the Airport; (iv) a default by the Commission in the performance of any material covenant, which default materially and adversely limits or prohibits the Signatory Airline's operations at the Airport, and the failure by the Commission to remedy such default in a timely manner as provided in the Lease and Use Agreement; (v) if the Signatory Airline's leased premises are completely destroyed and the Commission elects not to reconstruct or replace the premises, does not relocate the Signatory Airline, and the remaining premises are not sufficient to maintain operations at the Airport; (vi) all or a substantial part of a Signatory Airline's leased premises are taken or condemned by any competent authority through exercise of its power of eminent domain, and the Commission does not notify the Signatory Airline within 60 days before the date of taking that it will provide mutually acceptable substitute facilities; or (vii) the Annual Service Payments can no longer be made and the Commission elects to suspend certain portions of the Lease and Use Agreement. See "*–Commission's Right to Suspend Part of Lease and Use Agreement*" below.

In addition, each Signatory Airline will have a one-time mid-term option to request termination of its use of up to twenty percent of its exclusive use space upon ninety days' notice, effective July 1, 2016. If, in the Commission's sole determination, the exclusive use space the Signatory Airline intends to vacate has independent physical access and is otherwise functional and useable by other air carriers or tenants, the Commission will not unreasonably withhold approval of the Signatory Airline's request.

*Commission's Right to Suspend Part of Lease and Use Agreement*

In the event that the Annual Service Payments cannot be made for any reason for 12 months, other than through the City's or Commission's own inaction or action not in conformance with the Lease and Use Agreements, including, but not limited to, supervening legislation or court decision, the Commission may elect to suspend uniformly as to all Signatory Airlines, all or some of the provisions of the Lease and Use Agreements relating to: the calculation and adjustment of landing fees; the limitation on funding capital projects from current revenues; the right of a Majority-in-Interest of the Signatory Airlines to delay capital improvements; and the Commission's covenant to require all users of the Airfield Area to pay for their use thereof and to credit the amounts received to the appropriate cost centers, so as to reduce the amounts needing to be collected from the Signatory Airlines through landing fees. If the Commission elects to suspend any of these provisions, any Signatory Airline may terminate its Lease and Use Agreement upon 30 days' notice.

In addition, during any period of suspension of some or all of the provisions described above, the Commission may: (1) appropriate an amount equal to the then-payable Annual Service Payments for capital improvements included in its five-year capital program; and (2) adjust the level of terminal rental rates, observing in the calculations of such adjusted rental rates the cost centers and procedures for allocation of revenues, expenses, and debt service to such cost centers in accordance with the Lease and Use Agreement, and maintaining the relationships between rental rates for each category of space described in the Lease and Use Agreement.

During the period when the Annual Service Payments cannot be made, the Commission is required to segregate the amounts that would otherwise have been paid to the City General Fund in an identifiable, interest-bearing subaccount of the Airport Revenue Fund, to be applied to any lawful purpose of the Commission other than as security for any bond issue. To the extent monies are so segregated and applied, the Annual Service Payments will be deemed to have been satisfied.

Upon resumption of the Annual Service Payments or receipt of an equivalent amount by City's General Fund, the right of the Commission to suspend the provisions of the Lease and Use Agreements described above will terminate and the Commission will release any segregated amounts to the Airport Revenue Fund for customary budgeting disposition. The Commission will also make any necessary adjustments to terminal rentals and landing fees.

**Limited Obligations of the City**

Any obligation or liability of the City created by or arising out of the Lease and Use Agreements will be payable solely out of the Revenues and other lawfully available moneys of the Airport, and will not constitute a general obligation of the City or a charge upon its General Fund. The Lease and Use Agreements will not obligate the City to make any appropriation from its General Fund for any payment due hereunder. No breach by the Commission under the Lease and Use Agreements will impose any pecuniary liability upon the City, other than from Revenues, or be payable from or constitute a charge upon the general credit or against the taxing power of the City.

**West of Bayshore Lands**

The Lease and Use Agreements restrict the development of Airport property west of the Bayshore Freeway. Maintenance costs of the property in its current undeveloped state are an obligation of the Commission and are included in calculations to determine landing fee rates. Any future development of such property, however, may be undertaken solely with non-Airport revenues and without the use of Airport staff, facilities and resources. The airlines disclaim the right to any revenues from the area.

**Other Lease and Use Agreement Covenants**

The Commission covenants in the Lease and Use Agreements to: (i) efficiently manage and operate the Airport on the basis of sound business and airport management principles in effect at airports of comparable size in the continental United States and with efficient and prudent control of all capital and operating expenses; (ii) use commercially reasonable efforts to operate the Airport in a manner consistent with its strategic marketing and public relations plans in order to maximize revenues from concessionaires, lessees and other non-airline users; and (iii) require all users to pay for use of the airfield, with the fees paid by users other than Signatory Airlines and their Affiliate Airlines to be credited to the appropriate cost centers so as to reduce the amounts required to be collected from the Signatory Airlines and their Affiliate Airlines through landing fees.

Except as otherwise provided in the Lease and Use Agreements or as the Commission and Signatory Airlines may subsequently agree, the Commission may not to charge any Signatory Airline, its passengers, employees, furnishers of services, or suppliers, any charges, fees or tolls of any nature, direct or indirect, for any of the premises or privileges granted in the Lease and Use Agreement. The Commission, however, may impose and use passenger facility charges in accordance with applicable law.

In the Lease and Use Agreement, the Commission agrees that all Airport-related functions provided as of July 1, 2009, by City employees assigned to the Commission and working under the direct authority and control of the Director will continue to be provided by employees assigned to the Commission and may only be transferred to other City departments upon 60 days' notice to the Signatory Airlines, and consideration and response to any comments, questions or objections of the Signatory Airlines to the proposed transfer of functions within 45 days of receipt. Any City department head whose department receives work relating to the Airport in a transfer of functions is to coordinate and consult with the Director at least annually to ensure that the work is performed in a manner that is efficient, meets the needs of the Airport, conforms to sound business and airport management principles, and is properly documented as required by FAA rules and regulations.

**Holding Over**

If a Signatory Airline shall, with the concurrence of the Commission, hold over after the expiration or sooner termination of the term of its Lease and Use Agreement, the resulting tenancy shall, unless otherwise mutually agreed, be on a month-to-month basis, and may be terminated by the Signatory Airline or the Commission at any time on 30 days written notice to the other party. During such month-to-month tenancy, the Signatory Airline shall pay to the Commission the same rate of rentals and landing fees as are set forth in its Lease and Use Agreement, unless different rates shall be agreed upon, and the parties shall be bound by all of the provisions of such Lease and Use Agreement, insofar as they may be pertinent, unless different terms and conditions shall be agreed upon. If a Signatory Airline shall, without the written consent of the Commission, hold over after the expiration or sooner termination of the term of its Lease and Use Agreement, the Signatory Airline shall pay to the Commission on a month-to-month basis the rentals and a 25% premium on landing fees as provided in its Lease and Use Agreement for any such holdover period and shall otherwise be subject to the terms and conditions of its Lease and Use Agreement beyond the end of its term. Any holding over without the Commission's consent shall constitute a default by the Signatory Airline and entitle the Commission to exercise any or all remedies as provided in the Lease and Use Agreement, notwithstanding that the Commission may elect to accept one or more payments of Terminal Area rentals, and whether or not such amounts are at the holdover rate specified above or the rate at the end of the term of the Lease and Use Agreement.

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## APPENDIX F

## SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE CERTIFICATE

The following is a summary of certain provisions of the master Continuing Disclosure Certificate entered into by the Commission, the terms of which will apply to the Series 2022A-C Bonds (the "Disclosure Certificate"). This summary is not to be considered as a full statement of the Disclosure Certificate and reference is made thereto for the full details of the terms thereof.

**Purpose**

The Disclosure Certificate is being executed and delivered by the Commission for the benefit of the Holders and Beneficial Owners of the Series 2022A-C Bonds and in order to assist the Participating Underwriter in complying with SEC Rule 15c2-12(b)(5).

**Definitions**

In addition to the definitions set forth in the 1991 Master Resolution, which apply to any capitalized term used in the Disclosure Certificate unless otherwise defined below, the following capitalized terms have the following meanings for purposes of the Disclosure Certificate:

"Annual Disclosure Report" shall mean any Annual Disclosure Report provided by the Commission pursuant to, and as described in, the Disclosure Certificate.

"Beneficial Owner" shall mean any person who has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2022A-C Bonds, including persons holding Series 2022A-C Bonds through nominees, depositories or other intermediaries.

"Dissemination Agent" shall mean the Commission, or any successor Dissemination Agent designated in writing by the Commission and which has filed with the Commission a written acceptance of such designation.

"Holder" shall mean the person in whose name any Series 2022A-C Bond shall be registered.

"Listed Events" shall mean any of the events listed as such in the Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at http://emma.msrb.org.

"Obligated Person" shall have the meaning set forth in the Rule.

"Participating Underwriter" shall mean any of the Underwriters of the Series 2022A-C Bonds required to comply with the Rule in connection with the issuance of the Series 2022A-C Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**Provision of Annual Disclosure Reports**

The Commission shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the Commission's fiscal year (which currently ends June 30), commencing with Fiscal Year 2021-22, provide to the MSRB an Annual Disclosure Report which is consistent with the requirements of the Disclosure Certificate, with a copy to the Trustee. The Annual Disclosure Report must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in the Disclosure Certificate; provided that the audited financial statements of the Commission may be submitted separately from the balance of the Annual Disclosure Report, and later than the date required above for the filing of the Annual Disclosure Report if they are not available by that date. If the Commission's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under the Disclosure Certificate.

Not later than fifteen (15) Business Days prior to the date specified above for providing the Annual Disclosure Report to the MSRB, the Commission shall provide the Annual Disclosure Report to the Dissemination Agent (if other than the Commission).

If the Commission is unable to provide to the MSRB an Annual Disclosure Report by the date required above, the Commission shall send a notice, in electronic format to the MSRB, in substantially the form attached to the Disclosure Certificate.

The Dissemination Agent shall file a report with the Commission (if the Commission is not the Dissemination Agent) certifying that the Annual Disclosure Report has been provided pursuant to the Disclosure Certificate and stating the date it was provided.

**Content of Annual Disclosure Reports**

The Commission's Annual Disclosure Report shall contain or include by reference the following for the most recently ended fiscal year:

1. Audited Financial Statements of the Commission, presented in accordance with generally accepted accounting principles applicable to the Commission from time to time. If the Commission's audited financial statements are not available by the time the Annual Disclosure Report is required to be filed as described above, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Disclosure Report when they become available.

2. Air Traffic Data (number of scheduled aircraft arrivals and departures, domestic enplanements and deplanements, international enplanements and deplanements, and total passengers at the Airport; number of enplanements by carrier for top ten carriers).

3. Cargo Traffic Data (weight of air cargo on and off at the Airport).

4. Total Landed Weights (landed weight by carrier of the top ten carriers and total landed weight at the Airport).

5. Airline Service (identity of all domestic and international carriers serving the Airport during such Fiscal Year).

6. Ten Highest Revenue Producing Concessionaires (name, lease expiration, minimum annual rent, if any, and concession revenues).

7. Ten Highest Revenue Producers (name and revenues produced).

8. Total Outstanding Long-Term Debt of the Commission (outstanding principal amount and lien position).

9. Historical Landing Fees and Terminal Rentals.

10. Calculation of Net Revenues and compliance with the Rate Covenant (each as defined in the 1991 Master Resolution).

11. Passenger Facility Charge Collections Designated as Revenues by the Commission for Payment of Debt Service on Outstanding Bonds (designation date, amount designated, and applicable fiscal year).

12. Summary of Payments Made by the Airport to the City and County of San Francisco (annual service payment and reimbursement for direct services, including police, fire, other and utility costs).

13. Liquidity Facilities and Credit Facilities Supporting Outstanding Bonds and Commercial Paper (principal amount, type, expiration date, insurer and insurer rating, credit or liquidity provider, short term and long term rating).

14. Summary of Interest Rate Swap Agreements (effective date and expiration date, initial notional amount, counterparty or guarantor and ratings, insurer, fixed rate payable by Commission, market value to Commission).

Any of all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Commission or related public entities, which have been made available to the public on MSRB's website. The Commission shall clearly identify each such other document so included by reference.

**Reporting of Significant Events**

A. Pursuant to the provisions of the Disclosure Certificate, the Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2022A-C Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;

2. Unscheduled draws on debt service reserves reflecting financial difficulties;

3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;

5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701-TEB);

6. Tender offers;

7. Defeasances;

8. Rating changes;

9. Bankruptcy, insolvency, receivership or similar event of the Obligated Person; or

10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Commission, any of which reflect financial difficulties.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

Note: For purposes of the events listed as A(10) and B(8), the term "financial obligation" means any (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

B. The Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2022A-C Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in subparagraph A(5) above, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2022A-C Bonds or other material events affecting the tax status of the Series 2022A-C Bonds;

2. Modifications to rights of the Series 2022A-C Bondholders;

3. Optional, unscheduled or contingent calls of the Series 2022A-C Bond;

4. Release, substitution, or sale of property securing repayment of the Series 2022A-C Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

7. Appointment of a successor or additional trustee or the change of name of a trustee; or

8. Incurrence of a financial obligation of the Commission, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Commission, any of which affect security holders.

Whenever the Commission obtains knowledge of the occurrence of an event listed in paragraph B above, the Commission shall as soon as possible determine if such event would be material under applicable federal securities laws.

If the Commission learns of the occurrence of an event listed in A above or determines that knowledge of the occurrence of an event listed in paragraph B above would be material under applicable federal securities laws, the Commission shall within ten business days of occurrence file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Listed Events described in A(7) and B(3) above need not be given any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2022A-C Bonds pursuant to the 1991 Master Resolution.

**Termination of Reporting Obligation**

The Commission's obligations under the Disclosure Certificate with respect to a Series of Bonds shall terminate upon (a) the legal defeasance, prior redemption or payment in full of all of such Bonds or (b) if, in the opinion of nationally recognized bond counsel, the Commission ceases to be an Obligated Person with respect to such Bonds or such Bonds otherwise cease to be subject to the requirements of the Rule. If such termination occurs prior to the final maturity of such Series of Bonds, the Commission shall give notice of such termination in the same manner as for a Listed Event.

**Dissemination Agent**

The Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the Commission.

**Amendment; Waiver**

Notwithstanding any other provision of the Disclosure Certificate, the Commission may amend the Disclosure Certificate, and any provision of the Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions described in the first paragraph under "Provision of Annual Disclosure Reports" or described under "Content of Annual Disclosure Reports" or described in the first two paragraphs under "Reporting of Significant Events," it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status or an Obligated Person with respect to the Series 2022A-C Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2022A-C Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2022A-C Bonds in the same manner as provided in the 1991 Master Resolution for amendments to the 1991 Master Resolution with the consent of the Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2022A-C Bonds.

In the event of any amendment or waiver of any provision of the Disclosure Certificate, the Commission shall describe such amendment in the next Annual Disclosure Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change in accounting principles, on the presentation) of financial information or operating data being presented by the Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Disclosure Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**Additional Information**

Nothing in the Disclosure Certificate shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in the Disclosure Certificate or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of a Listed Event, in addition to that which is required by the Disclosure Certificate. If the Commission chooses to include any information in any Annual Disclosure Report or notice of occurrence of a Listed Event in addition to that which is specifically required by the Disclosure Certificate, the Commission shall have no obligation under the Disclosure Agreement to update such information or include it in any future Annual Disclosure Report or notice of occurrence of a Listed Event.

**Default**

In the event of a failure of the Commission to comply with any provision of the Disclosure Certificate, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of Outstanding Series 2022A-C Bonds and upon receipt of indemnity satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the Series 2022A-C Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Commission to comply with its obligations under the Disclosure Certificate. Failure by the Commission to comply with any provision of the Disclosure Certificate shall not be deemed an Event of Default under the 1991 Master Resolution, and the sole remedy under the Disclosure Certificate in the event of any failure of the Commission to comply with the Disclosure Certificate shall be an action to compel performance.

**Beneficiaries**

The Disclosure Certificate shall inure solely to the benefit of the Commission, the Trustee, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2022A-C Bonds, and shall create no rights in any other person or entity.

## APPENDIX G

## PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL AND SPECIAL TAX COUNSEL

### FORM OF OPINION OF CO-BOND COUNSEL

________, 2022

To: Airport Commission of the City and County of San Francisco
San Francisco, California

We have acted as Co-Bond Counsel to our client the Airport Commission (the "Commission") of the City and County of San Francisco (the "City") in connection with the issuance and sale by the Commission of $301,530,000 principal amount of the Commission's San Francisco International Airport Second Series Revenue Bonds, Series 2022A (AMT) (the "Series 2022A Bonds"), $236,475,000 principal amount of the Commission's San Francisco International Airport Second Series Revenue Bonds, Series 2022B (Non-AMT/Governmental Purpose) (the "Series 2022B Bonds") and $194,815,000 principal amount of the Commission's San Francisco International Airport Second Series Revenue Bonds, Series 2022C (Federally Taxable) (the "Series 2022C Bonds" and, together with the Series 2022A Bonds and the Series 2022B Bonds, the "Bonds").

The Bonds are authorized to be issued by the authority of the Charter of the City, the laws of the State of California, and Resolution No. 91-0210, adopted by the Commission on December 3, 1991, as supplemented and amended to the date hereof, including as supplemented by the Certificate of Additional Terms of the Commission relating to the Bonds, dated the date hereof (collectively, the "1991 Master Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the 1991 Master Resolution.

In our capacity as Co-Bond Counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds, a copy of the signed and authenticated Bonds, the 1991 Master Resolution and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that, under existing law:

1. The Bonds are valid and binding special, limited obligations of the Commission, enforceable in accordance with their terms. The principal of and interest and redemption premium, if any, on the Bonds (collectively, "debt service") are payable from and secured solely by the Net Revenues and the funds and accounts provided for in the 1991 Master Resolution. The payment of debt service on the Bonds is not secured by an obligation or pledge of any money raised by taxation, and the Bonds do not represent or constitute a general obligation or a pledge of the faith and credit of the City, the State of California or any of its political subdivisions. The Commission has no taxing power.

2. The 1991 Master Resolution constitutes the valid and binding obligation of the Commission. The 1991 Master Resolution creates a valid pledge of Net Revenues to secure the payment of debt service on the Bonds, subject to the provisions of the 1991 Master Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the 1991 Master Resolution.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Commission and the City.

The rights of the owners of the Bonds and the enforceability of the Bonds and the 1991 Master Resolution are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against charter cities and counties in California.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. Specifically, we express no opinion as to any federal, state or local tax consequences of acquiring, carrying, owning or disposing of any of the Bonds, and we understand that the Commission is relying upon the opinion, dated the date hereof, of Orrick, Herrington & Sutcliffe LLP, special tax counsel to the Commission, as to such matters. The opinions expressed in this letter are stated only as of the time of its delivery and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as Co-Bond Counsel in connection with the original issuance and delivery of the Bonds is concluded upon delivery of this letter.

Respectfully submitted,

**FORM OF OPINION OF SPECIAL TAX COUNSEL**

________, 2022

Airport Commission of the City
and County of San Francisco
San Francisco International Airport
San Francisco, California

Airport Commission of the City and County of San Francisco
San Francisco International Airport
$301,530,000 Second Series Revenue Bonds, Series 2022A (AMT)
$236,475,000 Second Series Revenue Bonds,
Series 2022B (Non-AMT/Governmental Purpose)
$194,815,000 Second Series Revenue Bonds, Series 2022C (Federally Taxable)
(Special Tax Opinion)

Ladies and Gentlemen:

We have acted as special tax counsel to the Airport Commission of the City and County of San Francisco (the "Commission") in connection with the issuance by the Commission of $301,530,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Bonds, Series 2022A (AMT) (the "2022A Bonds"), $236,475,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Bonds, Series 2022B (Non-AMT/Governmental Purpose) (the "2022B Bonds"), and $194,815,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Bonds, Series 2022C (Federally Taxable) (the "2022C Bonds," and together with the 2022A Bonds and 2022B Bonds, the "Bonds"), issued pursuant to the Charter of the City and County of San Francisco (the "Charter") and the laws of the State of California supplemental thereto, and Resolution No. 91-0210, adopted by the Commission on December 3, 1991, as supplemented and amended to the date hereof, including as supplemented by the Certificate of Additional Terms of the Commission relating to the Bonds, dated the date hereof (collectively, the "1991 Master Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the 1991 Master Resolution.

In such connection, we have reviewed the Charter, the 1991 Master Resolution, the Tax Certificate, dated the date hereof (the "Tax Certificate"), executed by the Commission, opinions of counsel to the Trustee and of the City Attorney, certificates of the Commission, certain of the Co-Municipal Advisors, the Trustee, the Underwriters, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In particular, we have relied on the opinions of Squire Patton Boggs (US) LLP and The Law Office of Monica M. Baranovsky, co-bond counsel to the Commission (the "Bond Counsel Opinions"), regarding, among other matters, the validity of the Bonds. In rendering the opinions expressed herein, we expressly have relied on the Bond Counsel Opinions that, among other matters, the Bonds are valid and binding obligations of the Commission. We call attention to the fact that the interest on the 2022A Bonds and 2022B Bonds may not be excluded from gross income for federal income tax purposes and that interest on the Bonds may not be exempt from State of California personal income taxes if the Bonds are not valid, binding and enforceable in accordance with their terms.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, all parties. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the 1991 Master Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the 2022A Bonds and 2022B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the 1991 Master Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities and counties in the State of California. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement of the Commission with respect to the Bonds, dated January 25, 2022, or any other offering material relating to the Bonds and express no opinion or conclusion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the opinion that interest on the 2022A Bonds and 2022B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), except that no opinion is expressed as to the status of interest on any Series 2022A Bond for any period that such Series 2022A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2022A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the 2022B Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Interest on the Series 2022A Bonds is a specific preference item for purposes of the federal alternative minimum tax. We observe that interest on the 2022C Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Interest on the Bonds is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

## APPENDIX H

## SUMMARY OF PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION

Pursuant to the Twenty-First Supplemental Resolution, certain amendments were made to the 1991 Master Resolution and will become effective upon receipt of all required consents and approvals. The "Proposed Amendments," which consist of the General Proposed Amendments (as described below) and the Original Reserve Proposed Amendments (as described below), include amendments relating to the calculation of Revenues, Annual Debt Service and Maximum Annual Debt Service, amendments to the definition of Permitted Investments, amendments relating to any Credit Facilities deposited to the Original Reserve Account (also known as the Issue 1 Reserve Account) and amendments relating to Bondholder consent requirements, among others.

The Proposed Amendments described below under clauses (a) through (i) of "Section 1.01 Definitions," "Section 2.11 Additional Bonds," "Section 2.12 Refunding Bonds," "Section 6.04 Rate Covenants" and "Section 9.02 Supplemental Resolutions Requiring Consent of Bondholders" (collectively, the "General Proposed Amendments"), will become effective only upon the satisfaction of certain conditions, including (1) receipt by the Commission of the consent of the Holders of a majority in aggregate principal amount of all Outstanding Bonds, and (2) delivery of a certificate from the Airport Director (y) declaring that all other consents required for such amendments have been obtained (i.e., the applicable consents of the applicable Credit Providers), and (z) electing that such amendments shall be effective. The consent and approval of the General Proposed Amendments described in clauses (e), (f) and (g) of "Section 1.01 Definitions" below apply to Permitted Investments, as applicable, held in all funds and accounts established under the 1991 Master Resolution, except the Original Reserve Account. ***By their purchase of the Series 2022A-C Bonds, the purchasers of the Series 2022A-C Bonds consent to the General Proposed Amendments and authorize the Trustee to take all actions necessary to evidence or effect such consent.***

The Proposed Amendments described below under clauses (e), (f) and (g) of "Section 1.01 Definitions" (as such amendments apply to the Original Reserve Account), "Section 1-13.07. Establishment, Application and Valuation of Issue 1 Reserve Account," and "Section 1-13.10. Permitted Investments" (collectively, the "Original Reserve Proposed Amendments"), will become effective only upon the satisfaction of certain conditions, including (1) receipt by the Commission of the consent of the Holders of a majority in aggregate principal amount of all Outstanding Bonds secured by the Original Reserve Account, and (2) delivery of a certificate from the Airport Director (y) declaring that all other consents required for such amendments have been obtained (i.e., the applicable consents of the applicable Credit Providers), and (z) electing that such amendments shall be effective. The consent and approval of the Original Reserve Proposed Amendments described in clauses (e), (f) and (g) of "Section 1.01 Definitions" below only apply to Permitted Investment held in the Original Reserve Account. ***By their purchase of the Series 2022A-C Bonds, the purchasers of the Series 2022A-C Bonds consent to the Original Reserve Proposed Amendments and authorize the Trustee to take all actions necessary to evidence or effect such consent.***

For discussion of required consents and the status of consents, see "PROPOSED AMENDMENTS TO 1991 MASTER RESOLUTION." There can be no assurance that the Proposed Amendments will become effective within any definite time frame and the Proposed Amendments may become effective on different dates. Additionally, not all amendments may become effective.

The Proposed Amendments are set forth below. Additions to the 1991 Master Resolution are shown in **bold and double underline** and deletions are shown in ~~strikethrough~~.

**Section 1.01 Definitions**

The following definitions are to be amended or added to read as follows:

(a) Clause (iv) of the definition of "Annual Debt Service" is amended as follows:

(iv) Amortized Bonds shall be deemed to be amortized on a level debt service basis over a ~~20~~**30**-year period beginning on the date of calculation at the Index Rate;

(b) The following clause (viii) is added to the end of the definition of "Annual Debt Service":

**(viii) Interest on or principal of any Bonds paid or to be paid during such Fiscal Year from Federal Subsidy Payments shall be excluded from the calculation of Annual Debt Service except to the extent all or a portion of such Federal Subsidy Payments are designated as Revenues by the Commission**.

(c) The following definition of "Customer Facility Charge" is added:

**"Customer Facility Charge" means a customer facility charge imposed by the Commission in accordance with Sections 50474.21 and 50474.3 of the California Government Code, as they may be amended or supplemented, or any other applicable state law.**

(d) The following definition of "Federal Subsidy Payments" is added:

**"Federal Subsidy Payments" means amounts payable by the Federal government to the Commission under direct-pay subsidy programs substantially similar to the Build America Bond program under Section 54AA of the Code.**

(e) Clause (B) in the first sentence of paragraph (i) of the definition of "Permitted Investments" is amended as follows:

(B) longer than 30 days and not longer than one year provided that the collateral subject to such agreements are marked to market daily, entered into with financial institutions such as banks or trust companies organized under State or federal law, insurance companies, or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of the Security Investors Protection Corporation, or with a dealer or parent holding company that is rated investment grade (~~"A"~~ **"A-" or "A3"** or better) by at least two Rating Agencies.

(f) Paragraph (j) of the definition of "Permitted Investments" is amended as follows:

(j) Prime commercial paper of a corporation, finance company or banking institution rated in the highest short-term rating category **without regard to any numerical modifier, plus or minus sign or other modifier** by at least two Rating Agencies.

(g) The following clause (r) is added to the end of the definition of "Permitted Investments":

**and (r) any other obligations or investments in which the Treasurer is permitted to invest Commission funds.**

(h) The following clause (j) is added to the end of the definition of "Revenues":

**(j) any Customer Facility Charge or similar charge levied by or on behalf of the Commission against customers, except to the extent all or a portion thereof is designated as Revenues by the Commission;**

(i) The following clause (k) is added to the end of the definition of "Revenues":

**and (k) any Federal Subsidy Payments, except to the extent all or a portion thereof is designated as Revenues by the Commission.**

**Section 2.11. Additional Bonds**

The following paragraph is added to the end of Section 2.11:

**For purposes of this Section 2.11, "Annual Debt Service" and "Maximum Annual Debt Service" may, at the Commission's option, be calculated based on required deposits to pay Annual Debt Service.**

**Section 2.12. Refunding Bonds**

The following paragraph is added to the end of Section 2.12:

**For purposes of this Section 2.12, "Annual Debt Service" and "Maximum Annual Debt Service" may, at the Commission's option, be calculated based on required deposits to pay Annual Debt Service.**

**Section 6.04. Rate Covenants**

The following paragraph is added to the end of Section 6.04:

**For purposes of Section 6.04(a)(ii), "Annual Debt Service" may, at the Commission's option, be calculated based on required deposits to pay Annual Debt Service.**

**Section 9.02. Supplemental Resolutions Requiring Consent of Bondholders**

Section 9.02(c) is amended as follows:

(c) **Upon receipt of consent**~~, if within such period, not exceeding one year, as shall be prescribed by the Commission, following the first giving of a notice as provided in (b) above, the Trustee shall receive an instrument or instruments purporting to be executed~~ by the Holders of not less than the aggregate Principal Amount of Bonds specified in subsection 9.02(a) for the Supplemental Resolution in question, ~~which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise,~~ the Trustee may accept such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, regardless of whether such Holder shall have consented thereto.

**Section 1-13.07. Establishment, Application and Valuation of Issue 1 Reserve Account**

Section 1-13.07(e) is amended as follows:

(e) At its option, the Commission may at any time substitute a Credit Facility meeting the requirements of this Section 1-13.07(e) for amounts on deposit in the Issue 1 Reserve Account. The Commission shall not substitute a Credit Facility for all or any part of the amounts on deposit in the Issue 1 Reserve Account if such substitution will cause the then current ratings on Participating Series to be downgraded or withdrawn. Any such Credit Facility provided in the form of a surety bond shall be issued by an institution then rated in the highest rating category, without regard to subcategories, by Moody's and Standard & Poor's, and any such Credit Facility provided in the form of a letter of credit shall be issued by an institution **whose (i) short-term rating is then rated either "P1" by Moody's or "A-1" by Standard & Poor's, or (ii) long term rating is** then rated in at least the second highest rating category, without regard to subcategories, by Moody's and Standard & Poor's. In the event that after the substitution of a Credit Facility for all or any part of the amounts on deposit in the Issue 1 Reserve Account, the amount in the Issue 1 Reserve Account is greater than Aggregate Maximum Annual Debt Service of the then Outstanding Bonds of Participating Series, upon the request of an Authorized Commission Representative, the Trustee shall transfer such excess to the Commission to be used solely for Airport purposes.

**Section 1-13.10. Permitted Investments**

Section 1-13.10 is amended as follows:

Amounts in the Issue 1 Debt Service Accounts shall be invested in Permitted Investments described in clauses (a) or (b) of the definition of Permitted Investments maturing on or before the Payment Date on which the proceeds of such Permitted Investments are intended to be applied for the purposes of the Issue 1 Debt Service Account to which such Permitted Investments are allocated. ~~Amounts in the Issue 1 Reserve Account shall be invested in Permitted Investments described in clauses (a) or (b) of the definition of Permitted Investments maturing no later than seven years after the date of purchase of said Permitted Investment.~~

*Pursuant to the provisions of the Twenty-First Supplemental Resolution, the Airport Director is authorized, for, in the name and on behalf of the Commission, to supplement or modify the Proposed Amendments described above in such manner as the Airport Director, in consultation with the City Attorney, determines is in the best interest of the Commission, does not otherwise materially increase the obligations or liabilities of the Commission, is necessary or advisable to effectuate the purposes of the Twenty-First Supplemental Resolution, is in compliance with all applicable laws, and does not otherwise materially adversely affect the interests of any Holders of the Bonds.*

## APPENDIX I

## LIST OF REFUNDED BONDS

**Refunded Bonds**

The Refunded Bonds will consist of all of the Bonds identified below.

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Refunding Bonds**
**Series 2012A**
**(AMT)**
**Dated Date: March 22, 2012**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP† (79766D) |
|---|---|---|---|---|---|
| 2024 | $4,655,000 | 5.000% | May 2, 2022 | 100% | DC0 |
| 2025 | 10,165,000 | 5.000 | May 2, 2022 | 100 | DD8 |
| 2026 | 38,970,000 | 5.000 | May 2, 2022 | 100 | DE6 |
| 2027 | 38,440,000 | 5.000 | May 2, 2022 | 100 | DF3 |
| 2028 | 40,580,000 | 5.000 | May 2, 2022 | 100 | DG1 |
| 2029 | 23,395,000 | 5.000 | May 2, 2022 | 100 | DH9 |
| 2030 | 28,820,000 | 5.000 | May 2, 2022 | 100 | DJ5 |
| 2031 | 18,195,000 | 5.000 | May 2, 2022 | 100 | DK2 |
| 2032 | 4,800,000 | 5.000 | May 2, 2022 | 100 | RB7 |

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the Commission nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Refunding Bonds**
**Series 2012B**
**(Non-AMT/Governmental Purpose)**
**Dated Date: March 22, 2012**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP*† (79766D) |
|---|---|---|---|---|---|
| 2026 | $27,075,000 | 5.000% | May 2, 2022 | 100% | DP1 |
| 2027 | 23,935,000 | 5.000 | May 2, 2022 | 100 | DQ9 |
| 2028 | 5,000,000 | 4.000 | May 2, 2022 | 100 | DR7 |
| 2028 | 27,905,000 | 5.000 | May 2, 2022 | 100 | DU0 |
| 2029 | 17,315,000 | 5.000 | May 2, 2022 | 100 | DS5 |
| 2030 | 6,235,000 | 5.000 | May 2, 2022 | 100 | DT3 |

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the Commission nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Bonds**
**Series 2013A**
**(AMT)**
**Dated Date: July 31, 2013**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP*† (79766D) |
|---|---|---|---|---|---|
| 2023 | $8,290,000 | 5.000% | N/A | N/A | ER6 |

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Refunding Bonds**
**Series 2016A**
**(Non-AMT/Governmental Purpose)**
**Dated Date: February 25, 2016**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP† (79766D) |
|---|---|---|---|---|---|
| 2023 | $10,000,000 | 4.000% | N/A | N/A | FL8 |
| 2023 | 22,680,000 | 5.000 | N/A | N/A | FY0 |

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Refunding Bonds**
**Series 2016D**
**(Non-AMT/Governmental Purpose)**
**Dated Date: September 29, 2016**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP† (79766D) |
|---|---|---|---|---|---|
| 2023 | $19,380,000 | 5.000% | N/A | N/A | GP8 |

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**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Refunding Bonds**
**Series 2017D**
**(AMT)**
**Dated Date: October 31, 2017**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP*† (79766D) |
|---|---|---|---|---|---|
| 2023 | $24,175,000 | 5.000% | N/A | N/A | KR9 |

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Refunding Bonds**
**Series 2018A**
**(AMT)**
**Dated Date: February 1, 2018**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP† (79766D) |
|---|---|---|---|---|---|
| 2023 | $28,055,000 | 5.000% | N/A | N/A | RR2 |

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the Commission nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Bonds**
**Series 2019C**
**(Federally Taxable)**
**Dated Date: February 7, 2019**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP† (79766D) |
|---|---|---|---|---|---|
| 2023 | $13,445,000 | 3.146% | N/A | N/A | LS6 |

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Refunding Bonds**
**Series 2019D**
**(Non-AMT/Private Activity)**
**Dated Date: February 7, 2019**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP† (79766D) |
|---|---|---|---|---|---|
| 2023 | $5,205,000 | 5.000% | N/A | N/A | ME6 |

**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Bonds**
**Series 2019G**
**(Federally Taxable)**
**Dated Date: September 10, 2019**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP† (79766D) |
|---|---|---|---|---|---|
| 2023 | $7,935,000 | 1.867% | N/A | N/A | ST7 |

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**Airport Commission of the**
**City and County of San Francisco**
**San Francisco International Airport**
**Second Series Revenue Refunding Bonds**
**Series 2019H**
**(AMT)**
**Dated Date: September 10, 2019**

| Maturity Date (May 1) | Principal Amount | Interest Rate | Redemption Date | Redemption Price | CUSIP[†] (79766D) |
|---|---|---|---|---|---|
| 2023 | $19,520,000 | 5.000% | N/A | N/A | SG5 |

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the Commission nor the Underwriters take any responsibility for the accuracy of such CUSIP numbers.

## APPENDIX J

## GLOBAL CLEARANCE PROCEDURES

**The information below has been obtained from sources believed to be reliable. However, the Commission assumes no responsibility for the accuracy or completeness thereof.**

Beneficial interests in the Series 2022A-C Bonds may be held through DTC, Clearstream Banking, S.A. ("Clearstream") or Euroclear Bank SA/NV ("Euroclear") as operator of the Euroclear System, directly as a participant or indirectly through organizations that are participants in such system.

*Euroclear and Clearstream.* Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

*Clearing and Settlement Procedures.* The Series 2022A-C Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, or Clearstream and Euroclear in Europe if the investors are participants in those systems, or indirectly through organizations that are participants in the systems. For any of such Series 2022A-C Bonds, the record holder will be DTC's nominee. Clearstream and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and Euroclear's names on the books of their respective depositories.

The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream participant on that business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the business day following settlement in DTC.

*Transfer Procedures.* Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream participants or Euroclear participants, on the other, will be effected by DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time.

The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream participants or Euroclear participants may not deliver instructions directly to the depositories.

The Commission will not impose any fees in respect of holding the Series 2022A-C Bonds; however, holders of book-entry interests in the Series 2022A-C Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in DTC, Euroclear and Clearstream.

*Initial Settlement.* Interests in the Series 2022A-C Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Series 2022A-C Bonds through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Series 2022A-C Bonds will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the date of delivery of the Series 2022A-C Bonds against payment (value as on the date of delivery of the Series 2022A-C Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Series 2022A-C Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Series 2022A-C Bonds following confirmation of receipt of payment to the Commission on the date of delivery of the Series 2022A-C Bonds.

*Secondary Market Trading.* Secondary market trades in the Series 2022A-C Bonds will be settled by transfer of title to book-entry interests in Euroclear, Clearstream or DTC, as the case may be. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the 2022A-C Bonds may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream. Book-entry interests in the Series 2022A-C Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Series 2022A-C Bonds between Euroclear or Clearstream and DTC may be effected in accordance with procedures established for this purpose by Euroclear, Clearstream and DTC.

*Special Timing Considerations.* Investors should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Series 2022A-C Bonds through Euroclear or Clearstream on days when those systems are open for business. In addition, because of time-zone differences, there may be complications with completing transactions involving Clearstream and/or Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the Series 2022A-C Bonds, or to receive or make a payment or delivery of the Series 2022A-C Bonds, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg if Clearstream is used, or Brussels if Euroclear is used.

*Clearing Information.* It is expected that the Series 2022A-C Bonds will be accepted for clearance through the facilities of Euroclear and Clearstream. The CUSIP numbers for the Series 2022A-C Bonds are set forth on the inside cover of the Official Statement.

*General.* Neither Euroclear nor Clearstream is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

NEITHER THE COMMISSION NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY FOR THE PERFORMANCE BY EUROCLEAR OR CLEARSTREAM OR THEIR RESPECTIVE DIRECT OR INDIRECT PARTICIPANTS OR ACCOUNT HOLDERS OF THEIR RESPECTIVE OBLIGATIONS UNDER THE RULES AND PROCEDURES GOVERNING THEIR OPERATIONS OR THE ARRANGEMENTS REFERRED TO ABOVE.