Official Statement

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

Second Series Revenue Refunding Bonds
Series 2023A/B

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 2023A Bonds and Series 2023B 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 2023A Bond for any period that such Series 2023A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2023A 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 2023B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes that interest on the Series 2023A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax, and that, for tax years beginning after December 31, 2022, interest on the Series 2023A Bonds and Series 2023B Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. In the further opinion of Special Tax Counsel, interest on the Series 2023AB 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 2023AB Bonds. See "Tax Matters" herein.

$241,915,000
AIRPORT COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO SAN FRANCISCO INTERNATIONAL AIRPORT

$162,405,000
Second Series Revenue Refunding Bonds
Series 2023A
(AMT)

$79,510,000
Second Series Revenue Refunding Bonds
Series 2023B
(Non-AMT/Governmental Purpose)

Dated: Date of Delivery **Due: As shown on the page immediately following this cover**

The Airport Commission (the "Commission") of the City and County of San Francisco (the "City") will issue (i) $162,405,000 principal amount of its San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2023A (the "Series 2023A Bonds") and (ii) $79,510,000 principal amount of its San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2023B (the "Series 2023B Bonds" and, together with the Series 2023A Bonds, the "Series 2023AB Bonds"), pursuant to the terms of the 1991 Master Resolution (as defined herein).

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 2023AB Bonds.

The Commission will use the proceeds of the Series 2023AB Bonds, together with other available moneys, to refund certain outstanding Bonds of the Commission, make a payment in connection with the termination of an interest swap associated with certain of the Bonds to be refunded, and pay costs of issuance of the Series 2023AB Bonds.

The Series 2023AB Bonds will mature on the dates and bear interest at the rates shown on the page immediately following this cover page. Interest on the Series 2023AB Bonds will be payable each May 1 and November 1, commencing May 1, 2023.

The Series 2023AB Bonds are subject to redemption prior to their stated maturity dates, as described herein.

The Series 2023AB 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 2023AB Bonds, payment of the principal of and interest on the Series 2023AB 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 Series 2023AB 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 2023AB Bonds. No holder of a Series 2023AB 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 2023AB Bonds. The Commission has no taxing power whatsoever.

Purchasers of the Series 2023AB 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 2023AB 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 Alexis S.M. Chiu, Esq., 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 2023AB Bonds through the facilities of DTC on or about March 1, 2023, against payment therefor.

BofA Securities **Goldman Sachs & Co. LLC**

Barclays **Jefferies**

Morgan Stanley **Ramirez & Co., Inc.**

Dated: February 15, 2023

$241,915,000
AIRPORT COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO
SAN FRANCISCO INTERNATIONAL AIRPORT

$162,405,000
Second Series Revenue Refunding Bonds
Series 2023A
(AMT)

$79,510,000
Second Series Revenue Refunding Bonds
Series 2023B
(Non-AMT/Governmental Purpose)

MATURITY SCHEDULES

$162,405,000 Series 2023A Bonds

Maturity Date (May 1)	Principal	Interest Rate	Yield	Price	CUSIP[†] No.
2023	$ 1,240,000	5.000%	3.280%	100.276	79766DUX5
2024	9,950,000	5.000	3.420	101.787	79766DUY3
2025	10,430,000	5.000	3.200	103.734	79766DUZ0
2026	10,920,000	5.000	3.080	105.746	79766DVA4
2027	17,175,000	5.000	3.150	107.166	79766DVB2
2028	20,825,000	5.000	3.260	108.207	79766DVC0
2029	20,755,000	5.000	3.300	109.411	79766DVD8
2030	21,250,000	5.000	3.330	110.565	79766DVE6
2038	49,860,000	5.000	3.950	108.716[C]	79766DVF3

$79,510,000 Series 2023B Bonds

Maturity Date (May 1)	Principal	Interest Rate	Yield	Price	CUSIP[†] No.
2043	$79,510,000	5.000%	3.670%	111.196[C]	79766DVG1

[C] Priced to call at par on May 1, 2033.

[†] 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 FactSet Research Systems, Inc. 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 2023AB 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 2023AB Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2023AB 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 2023AB Bonds.

CITY AND COUNTY OF SAN FRANCISCO

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

AIRPORT COMMISSION

Eleanor Johns, *President*
Malcolm Yeung, *Vice President*

Jose Fuentes Almanza
Everett A. Hewlett, Jr.
Jane Natoli

Ivar C. Satero, *Airport Director*

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Rockford, Minnesota

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 2023AB 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 2023AB 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 2023AB Bonds have not been recommended by any federal or state securities commission or regulatory authority, and the forgoing authorities have neither reviewed nor confirmed the accuracy of the Official Statement.

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 2023AB 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 2023AB 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 (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 2023AB Bonds.

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OFFICIAL STATEMENT

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

$162,405,000
Second Series Revenue Refunding Bonds
Series 2023A
(AMT)

$79,510,000
Second Series Revenue Refunding Bonds
Series 2023B
(Non-AMT/Governmental Purpose)

INTRODUCTION

The Airport Commission (the "Commission") of the City and County of San Francisco (the "City") will issue (i) $162,405,000 principal amount of its San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2023A (the "Series 2023A Bonds") and (ii) $79,510,000 principal amount of its San Francisco International Airport Second Series Revenue Refunding Bonds Series 2023B (the "Series 2023B Bonds," and together with the Series 2023A Bonds, the "Series 2023AB Bonds"), pursuant to the terms of the 1991 Master Resolution (defined below).

The Commission authorized the issuance and sale of the Series 2023AB Bonds under Resolution No. 91-0210, which the Commission adopted on December 3, 1991, as supplemented and amended (the "1991 Master Resolution"). The Series 2023AB 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 2023AB Bonds. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Certain Definitions."

The Commission will use the proceeds of the Series 2023AB Bonds, together with other available moneys, to refund certain outstanding Bonds of the Commission; make a termination payment in connection with the termination of an interest rate swap associated with certain of the Bonds to be refunded; and pay costs of issuance of the Series 2023AB Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Series 2023AB Bonds will mature on the dates, in the amounts and bear interest at the rates shown on the page immediately following the front cover of this Official Statement.

The Commission will secure the Series 2023AB 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, 2023, were outstanding in the amount of approximately $8.1 billion, and any additional Bonds. See "SECURITY FOR THE SERIES 2023AB BONDS" and "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Currently Outstanding Bonds." The Commission expects to issue Additional Bonds in the future. The Series 2023AB Bonds will be additionally secured by the Original Reserve Account. See "SECURITY FOR THE SERIES 2023AB BONDS–Reserve Fund; Reserve Accounts; Credit Facilities–*Original Reserve Account.*"

This Official Statement contains brief descriptions or summaries of, among other things, the Series 2023AB 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 2023AB Bonds, the purchasers of the Series 2023AB Bonds consent to the Proposed Amendments and authorize the Trustee to take all actions necessary to evidence or effect such consent.**

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 consents other than those of the Holders described in the preceding sentence, required for the General Proposed Amendments or the Original Reserve Proposed Amendments to become effective, and it cannot predict whether or when consent rights of certain Credit Providers under agreements, 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 2023AB Bonds, the purchasers of the Series 2023AB 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 REFUNDING

The Commission will use the proceeds of the Series 2023AB Bonds, together with other available moneys, to (i) refund certain outstanding Bonds of the Commission; (ii) make a termination payment in connection with the termination of an interest rate swap associated with certain of the Bonds to be refunded; and (iii) pay costs of issuance of the Series 2023AB Bonds.

A portion of the proceeds of the Series 2023AB Bonds, along with certain other available moneys, will be used to refund and defease all of the Outstanding Bonds listed and identified as the Refunded Bonds in APPENDIX I – "LIST OF REFUNDED BONDS" (the Bonds so refunded and defeased, collectively, the "Refunded Bonds"). 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 2023AB 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 two escrow agreements (each, an "Escrow Agreement") to be executed and delivered by the Commission and the Escrow Agent. The amounts deposited with the Escrow Agent under each Escrow Agreement will be sufficient, together with investment earnings thereon, to pay the principal of and accrued interest on the applicable 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."

The Commission will use a portion of the proceeds of the Series 2023AB Bonds to make a payment to the swap provider in connection with the termination of the Swap Agreement (defined under "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Interest Rate Swaps–Interest Rate Swap Agreements"), which is associated with certain of the Refunded Bonds. The swap provider is an affiliate of one of the Underwriters, Goldman Sachs Bank USA. A portion of bond proceeds will be applied to fund a settlement payment to Goldman Sachs Bank USA.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of funds for the Series 2023AB Bonds.

Series 2023AB Bonds Estimated Sources and Uses of Funds

	Series 2023A Bonds	Series 2023B Bonds	Total
SOURCES OF FUNDS:			
Principal Amount	$162,405,000.00	$79,510,000.00	$241,915,000.00
Plus: Original Issue Premium	12,682,129.70	8,901,939.60	21,584,069.30
Other Funds of the Airport[1]	7,139,333.34	1,464,333.33	8,603,666.67
TOTAL	$182,226,463.04	$89,876,272.93	$272,102,735.97
USES OF FUNDS:			
Deposit to Refunded Bonds Redemption Account	$175,686,198.43	$89,346,197.73	$265,032,396.16
Swap Termination Payment	5,529,000.00	–	5,529,000.00
Underwriters' Discount	297,749.16	179,406.30	477,155.46
Costs of Issuance[2]	713,515.45	350,668.90	1,064,184.35
TOTAL	$182,226,463.04	$89,876,272.93	$272,102,735.97

(1) Includes funds from various funds and accounts related to the Refunded Bonds under the 1991 Master Resolution, including amounts from the principal and interest accounts established with respect to the Refunded Bonds.
(2) 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 2023AB Bonds.

DESCRIPTION OF THE SERIES 2023AB BONDS

General

The Series 2023AB Bonds will be dated their date of issuance. The Series 2023AB Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the page immediately following the front cover of this Official Statement. Interest on the Series 2023AB Bonds will be payable on May 1 and November 1 of each year, commencing May 1, 2023 (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 2023AB 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 2023AB Bonds will be available in book-entry form only, in Authorized Denominations of $5,000 and any integral multiple thereof.

Purchasers of beneficial ownership interests in the Series 2023AB Bonds ("Beneficial Owners") will not receive certificates representing their interests in the Series 2023AB Bonds purchased. While held in book-entry form, all payments of principal of and interest on the Series 2023AB Bonds will be made by wire transfer to DTC or its nominee as the sole registered owner of the Series 2023AB 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."

Redemption Provisions

Optional Redemption of the Series 2023AB Bonds (Par Call)

The Series 2023A Bonds maturing before May 1, 2038, are not subject to optional redemption. The Series 2023A Bonds maturing on May 1, 2038, are subject to redemption prior to their stated maturity date, 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, 2033, at a redemption price equal to 100% of the principal amount of the Series 2023A Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

The Series 2023B Bonds are subject to redemption prior to their stated maturity date, 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, 2033, at a redemption price equal to 100% of the principal amount of the Series 2023B Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Any notice of optional redemption for the Series 2023AB 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.

Selection of Series 2023AB Bonds for Redemption

The Commission shall select the maturities of the Series 2023A Bonds and the Series 2023B 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 2023A Bonds or the Series 2023B Bonds is to be redeemed, the Series 2023A Bonds or the Series 2023B Bonds, as applicable, to be redeemed shall be selected by lot in such manner as the Trustee shall determine.

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 2023AB Bonds to be redeemed, all organizations registered with the U.S. 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 2023AB 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 2023AB 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 2023AB Bonds will be issued only as fully registered securities, with the privilege of transfer or exchange in Authorized Denominations for Series 2023AB 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 2023AB Bonds are in book-entry only form, beneficial ownership interests in the Series 2023AB 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 verified to be sufficient to pay the principal amount or redemption price of any particular Series 2023AB 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 2023AB 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 2023AB Bonds (or portions thereof), the Owner or Owners of such Series 2023AB 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 2023AB Bonds. See APPENDIX D–"SUMMARY OF CERTAIN PROVISIONS OF THE 1991 MASTER RESOLUTION–Defeasance."

SECURITY FOR THE SERIES 2023AB BONDS

Authority for Issuance

The Series 2023AB 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 2023AB 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 2023AB 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 of the City (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 2023AB 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"

PFCs as Revenues. 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 2012-13 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."

Offsets Against Operating Expenses. 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, the Commission has applied approximately $0.2 million, $296.1 million, and $175.1 million of federal funds to offset Operation and Maintenance Expenses in Fiscal Years 2019-20, 2020-21, and 2021-22, respectively. See "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Effects of the COVID-19 Pandemic–*Financial Impacts*" and "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 certain existing, and established certain 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. 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. Unearned aviation revenues increased to $417.1 million as of June 30, 2022. See "CAPITAL PROJECTS AND PLANNING–Federal Grants."

Special, Limited Obligations

The Series 2023AB 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 2023AB Bonds. No holder of a Series 2023AB Bond shall have the right to compel the exercise of the taxing power of the City to pay the principal of the Series 2023AB 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 (the "Treasurer"). 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, 2022, the Contingency Account contained approximately $163.2 million (including accounting adjustments for unrealized loss).

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 2023AB 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, and to pay 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);

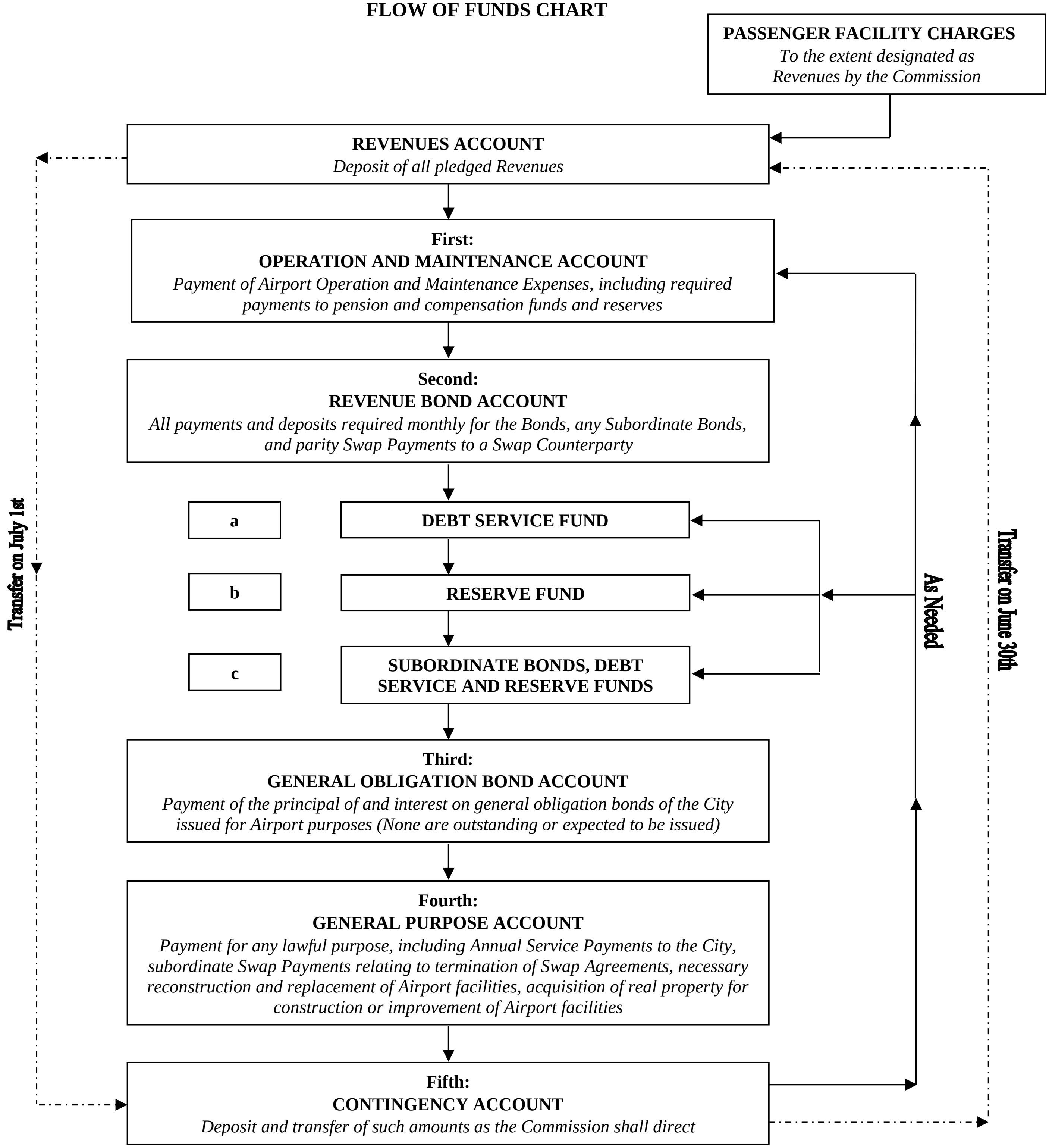
Fourth, to the General Purpose Account, the amount estimated to be needed to pay for any lawful purpose, including any subordinate Swap Payment payable in connection with the termination of a Swap Agreement (see "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Interest Rate Swaps"); and

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 2023AB 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."

Proceeds of additional Bonds are expected to be a significant source of funding for the Airport's current Capital Improvement Program (the "CIP") and other future capital projects. See "CERTAIN RISK FACTORS–Risks Related to the Commission's Capital Projects" and "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan." Also see "AIRPORT CAPITAL IMPROVEMENT PLAN AND FUNDING–Summary of Capital Improvement

Plan Funding" and "FINANCIAL FRAMEWORK AND ANALYSIS–Framework for Financial Operation–*The Bond Resolution*–Proposed and Future Bonds" in APPENDIX A.

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, 2018B, 2018C, 2019B and 2019D Bonds. **The Series 2023AB 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 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 Outstanding 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 2023AB Bonds.

Original Reserve Account

Each Series of the Series 2023AB Bonds will be designated as an 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 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 January 1, 2023, the Original Reserve Requirement was approximately $535.0 million. The balance in the Original Reserve Account is set forth in the table below.

Original Reserve Account Balance
As of January 1, 2023

Cash and Permitted Investments	$536.6 million
National Reserve Policies[(1)]	41.8 million
TOTAL	$578.4 million

(1) National Public Finance Guarantee Corporation ("National") is the reinsurer of reserve policies in the Original Reserve Account. As of January 1, 2023, 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. These policies expire in mid-2026.

Following the issuance of the Series 2023AB Bonds, the Original Reserve Requirement will be approximately $534.9 million. Immediately following the issuance of the Series 2023AB Bonds, cash and Permitted Investments in the Original Reserve Account are expected to equal approximately $578.4 million, or 108.1% 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 2023AB 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 January 1, 2023, the 2017 Reserve Requirement was approximately $41.3 million and approximately $56.3 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, and premium, if any, 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 2023AB 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 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, 2023)

Series	Principal Amount	Letter of Credit Provider	Expiration Date	Credit Provider Ratings (short term; long term)[6]
Series A-1 Notes Series B-1 Notes 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 Series B-2 Notes Series C-2 Notes	$100,000,000	Sumitomo Mitsui Banking[2]	April 7, 2027	P-1/A-1/F1; A1/A/A-
Series A-3 Notes Series B-3 Notes Series C-3 Notes	$100,000,000	Barclays Bank[3]	May 24, 2024	P-1/A-1/F1; A1/A/A+
Series A-4 Notes Series B-4 Notes 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 Series B-5 Notes 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 Series B-6 Notes 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, 2023. 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, 2023, of the $600 million of Commercial Paper Notes authorized, there were approximately $286.2 million of Commercial Paper Notes outstanding. 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 2023AB 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. As of January 1, 2023, $96,715,000 of SFO Fuel Bonds remain outstanding. 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, 2023. 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 was adversely affected by the COVID-19 pandemic due to reduced guest reservations and event facility bookings that 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, respectively. See "SECURITY FOR THE SERIES 2023AB 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 2023AB Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2023AB 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 2023AB 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 2023AB Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

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 recent years, approximately 80% of 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 approximately 20% was 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 Traffic and Service" 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 or Americans to enter other countries; 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 17.3 percent of passengers were connecting passengers in Fiscal Year 2021-22. 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 "SAN FRANCISCO INTERNATIONAL AIRPORT– Certain Effects of the COVID-19 Pandemic" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Historical Airline Traffic and Service" and " – Key Factors Affecting Future Airline Traffic–Public Health Concerns and the COVID-19 Pandemic."

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 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 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 Traffic–Financial Health of the Airline Industry" 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 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 Traffic–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."

The COVID-19 Pandemic and Worldwide Health Concerns

The COVID-19 pandemic caused significant reductions in domestic and international passenger air travel and had significant negative effects on passenger traffic at the Airport. While a significant portion of passenger traffic has returned, the pandemic likely will continue to affect passenger traffic and Airport operations and financial performance. Some of the impacts to date are discussed under "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Effects of the COVID-19 Pandemic" and in APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT-AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Historical Airline Traffic and Service" and "—Key Factors Affecting Future Airline Traffic – Public Health Concerns and the COVID-19 Pandemic."

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.

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 Federal Aviation Administration (the "FAA"). In addition, certain safety and security operations at the Airport have been assumed by the Transportation Security Administration ("TSA"). 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 2023AB 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, an on-Airport rental car company, and Avianca, Aeromexico, LATAM Airlines, Philippine Airlines and several other foreign flag passenger air carriers which operate at the Airport 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 its Lease and Use Agreement or other lease, as applicable, 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. The Commission would also hold a claim for actual use of facilities by the airline or other tenant after the bankruptcy filing which would have a higher priority under the Bankruptcy Code. 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. As a result of the COVID-19 pandemic and the resulting economic uncertainty, the Commission suspended a portion of the projects in the CIP, and some projects remain suspended. See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan." While it is uncertain when, or whether, the projects that remain suspended will be resumed, the Report of the Airport Consultant assumes they will be completed by the end of Fiscal Year 2026-27. In addition, the Airport has identified an additional project that is likely to be completed and funded during the period covered by the Report of the Airport Consultant (the "Planned Additional Project," described under "CAPITAL PROJECTS AND PLANNING–Other Anticipated Capital Needs–*Planned Additional Project"*), which is included in the Report of the Airport Consultant attached as APPENDIX A. The Report of the Airport Consultant assumes the issuance of approximately $5.1 billion of Bonds in 2023 through 2026 to finance the projects in the CIP (including suspended projects) and the Planned Additional Project. 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. 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 other than the Planned Additional Project, 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 or the Planned Additional Project. 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 next annual CIP update is underway and the Airport anticipates presenting it to the Commission as soon as the fall of 2023. 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 capital projects 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, based on the assumptions contained in the report, forecasts that the projected Revenues of the Commission will be sufficient to allow the Commission to comply with the rate covenant in the 1991 Master Resolution through June 30, 2029. See APPENDIX A – "REPORT OF THE AIRPORT CONSULTANT." One of the principal assumptions upon which the Airport Consultant relies in making its projection is that passenger traffic will increase as a function of growth in the economy of the region served by the Airport and continued airline competition. Whether the projected passenger traffic materializes depends on a number of factors outside of the Commission's control, such as economic growth of the United States and the San Francisco Bay Area, airline financial condition, general costs of air travel, capacity of the national air traffic control system, operational decisions made by airlines, public health concerns and the COVID-19 pandemic, and other similar assumptions. In addition, the Airport Consultant makes numerous other assumptions as described in their 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. Inevitably, some of the assumptions used to develop the projections will not be realized, and unanticipated events and circumstances may occur. The actual financial results achieved will vary from those projections, and the variations 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 COVID-19 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. The popularity of different forms of ground transportation also has shifted during the pandemic. 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.

Wireless carriers determined to begin wireless broadband operations in the 3.7-3.98 GHz frequency band ("C-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 C-Band 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. Historically, these weather conditions have occurred a few times per year. On January 28, 2022, the FAA, Verizon, and AT&T came to a voluntary agreement to delay deployment of C-Band 5G service near airports until July 5, 2022. On June 17, 2022, this deadline was extended to July 2023 to allow FAA and stakeholders to implement a permanent solution that would allow C-Band 5G service and radar altimeters to coexist at airports by reducing the risk of radar altimeters receiving out-of-band interference. The Commission does not expect these developments regarding C-Band 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. Recent studies have brought particular attention to the need to advance climate adaptation policy to mitigate and/or prevent future coastal flooding of California's airports, including a study published at Climate Risk Management 38 (2022) 100462, that identifies and highlights potential weaknesses in climate mitigation modeling techniques, potentially underestimating the effects of sea level rise, including at the Airport.

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*."

In September 2022, the Airport prepared an Infrastructure Resilience Framework ("IRF"), which is a high-level guide to improve the resilience, or endurance, of its critical facilities and lifelines to ensure the continuity of service and to enable its essential role during local and regional recovery from a catastrophic event. The Airport's critical facilities require upstream lifelines to which the Airport has significant dependencies such as utilities, data and voice communications, and transportation, to be fully functional. The IRF is intended to recommend high-level strategies and steps towards building a more resilient Airport, that is flexible, adaptive, and responsive through intentional and collaborative planning, design, construction, and operations. The IRF supports the Airport's Emergency Plan and the soon-to-be updated Business Continuity Plan, which both assume infrastructure and utilities will be available for emergency response. The IRF is expected to be expanded into a complete capital and operational plan in 2023 to enable the Airport to reduce the time and cost needed for infrastructure recovery and repair, thereby allowing the Airport to quickly resume operations.

Projections of the direct (e.g. flooding) and indirect (e.g. disruption in access to or demand for the Airport) 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 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 2023AB 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.

Of specific note, 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 through 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.

Beyond the IRF, the Airport is focused on its role in region-wide resilience as an active member of the Bay Area Corporate Climate Resilience Council, which offers a platform for like-minded San Francisco Bay Area companies to come together around shared regional climate risks and climate resilience priorities. This group is undertaking significant efforts to understand and prepare for the impacts of acute and chronic physical climate risks on their assets, operations, employees, and communities in the San Francisco Bay Area.

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."

Some current and possible regulations related to climate change are discussed under "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 global and local adverse impacts of climate change, and the responsive actions and planning recommended and necessary to prevent such adverse impacts, 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.

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 information 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.

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.

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 2023AB BONDS–Reserve Fund; Reserve Accounts; Credit Facilities." The Commission's existing interest rate swap agreement will be terminated as part of the refinancing of the Refunded Bonds.

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 or future swap agreements. Payments required under the existing or future swap agreements 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."

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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB Bonds.

Also see "SECURITY FOR THE SERIES 2023AB 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 2023AB 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 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 2023AB 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. For example, Initiative No. 21-0042 (the "Initiative") became eligible for the November 2024 ballot and would amend a number of State constitutional provisions impacting state and local government finances. The Initiative purports to further restrict the ability of local governments to impose, increase, or extend taxes, fees, and other charges. This Initiative will become qualified for the ballot on the 131st day prior to the next Statewide General Election in November 2024 unless withdrawn by the proponents prior to its qualification by the Secretary of State. The Commission is not able to predict the impact this initiative will have on the Commission's ability to generate Revenues if the Initiative is approved by the voters, but the impact could be significant. 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 2023AB 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 2023AB Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or could cause interest on the Series 2023AB 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 2023AB Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or may cause interest on the Series 2023AB 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 2023AB Bonds. Prospective purchasers of the Series 2023AB 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 2023AB 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 2023AB 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."

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 2021, the Airport ranked 17th in the United States in terms of both passengers and 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 (14th in the United States in Fiscal Year 2021-22). 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 and recovering to 34.8 million in Fiscal Year 2021-22.

Certain Effects of the COVID-19 Pandemic

The COVID-19 pandemic caused significant reductions in domestic and international passenger air travel and 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 took actions to prevent the spread of COVID-19, such as closing borders to non-essential travel, 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. While most of these restrictions have been lifted, some of these types of requirements remain in effect, particularly in countries other than the United States. The City lifted its mask mandate in February 2022, its requirement that patrons provide proof of vaccination or a negative test to dine or drink indoors at restaurants and bars in March 2022 and at mega events where 1,000 or more people gather, in April 2022.

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, though they have not yet reached pre-pandemic levels. In the first five months of Fiscal Year 2022-23, enplanements were approximately 78.8% of enplanements in the same period in Fiscal Year 2019-20 (prior to the COVID-19 pandemic).

The following table provides total enplanements by month for calendar years 2019, 2020, 2021 and 2022, based on data submitted by the airlines.

MONTHLY ENPLANEMENTS
Calendar Years 2019, 2020, 2021 and 2022

Month	2019	2020	2020 as a % of 2019	2021	2021 as a % of 2019	2022	2022 as a % of 2019
January	2,003,649	2,050,756	102.4%	369,120	18.4%	1,005,497	50.2%
February	1,873,694	1,856,937	99.1	368,635	19.7	1,125,758	60.1
March	2,316,520	931,666(1)	40.2	583,522	25.2	1,559,275	67.3
April	2,294,140	68,235	3.0	736,071	32.1	1,685,253	73.5
May	2,505,020	144,780	5.8	873,945	34.9	1,839,316	73.4
June	2,793,918	284,401	10.2	1,149,342	41.1	2,099,605	75.1
July	2,754,032	388,129	14.1	1,360,243	49.4	2,059,910	74.8
August	2,844,325	434,000	15.3	1,292,158	45.4	2,006,413	70.5
September	2,217,062	463,550	20.9	1,205,115	54.4	1,940,879	87.5
October	2,425,539	545,856	22.5	1,345,458	55.5	1,977,292	81.5
November	2,235,301	529,962	23.7	1,404,190	62.8	1,841,032	82.4
December	2,401,871	482,446	20.1	1,474,381	61.4	1,907,342	79.4
Total	28,665,071	8,180,718	28.5%	12,162,180	42.4%	21,047,572	73.1

(1) 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.

The impact of the COVID-19 pandemic on international traffic at the Airport, has been particularly significant. Domestic enplanements in November 2022 were approximately 83.9% of domestic enplanements in November 2019, while international enplanements in November 2022 were approximately 77.9% of international enplanements in November 2019. One factor slowing the Airport's recovery in Fiscal Year 2021-22 was quarantine and travel restrictions to Asia and Oceania, which represented a combined 11.4% of Fiscal Year 2018-19 traffic. For further discussion of the impacts of the pandemic on domestic and international passenger traffic, see "APPENDIX A—"REPORT OF AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Historical Airline Traffic and Service." Additional information about passenger traffic is provided under the heading "SAN FRANCISCO INTERNATIONAL AIRPORT–Passenger Traffic."

Financial Impacts

General

Much of the Airport's revenue depends on the level of aviation activity and passenger traffic at the Airport. The Commission experienced significantly lower aviation and non-aviation revenues overall as a result of the reduced passenger traffic resulting from the COVID-19 pandemic. Information about the Commission's financial results in recent fiscal years 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, 2022 (WITH INDEPENDENT AUDITORS' REPORT THEREON)." See and "CERTAIN RISK FACTORS" and 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.

Federal Aid

The decline in revenues due to the COVID-19 pandemic was partially offset by federal relief funding. 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"). The Commission has applied approximately $0.2 million, $296.1 million, and $175.1 million of these federal funds to offset Operation and Maintenance Expenses in Fiscal Years 2019-20, 2020-21, and 2021-22, respectively, and has applied approximately $5.9 million to concessions rent relief in Fiscal Year 2021-22. The Commission received an additional approximately $23.8 million in Fiscal Year 2022-23 to be applied to concessions rent relief in Fiscal Year 2022-23.

In addition, under the Infrastructure Investment and Jobs Act Airport Infrastructure Grants, the Airport is allocated approximately $98.5 million in federal funds for Federal Fiscal Years 2021-22 and 2022-23 for capital projects and expects to be allocated additional federal funds in Federal Fiscal Years 2023-24 through 2025-26.

These grants are discussed in greater detail under "CAPITAL PROJECTS AND PLANNING–Federal Grants."

Airport Responses

In order to address the financial impacts of the COVID-19 pandemic, Airport management took a variety of actions, including, among others, suspending some capital projects and restructuring debt. The Airport initially suspended $2.1 billion of capital projects, and as of January 17, 2023, $338 million in capital projects remain suspended. 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. See "CAPITAL PROJECTS AND PLANNING – The Capital Improvement Plan" for further discussion. In addition, the Commission issued refunding bonds in August 2020, April 2021 and February 2022 to restructure some of its Bonds to reduce debt service in Fiscal Years 2020-21, 2021-22 and 2022-23 by $262 million, $229 million and $197 million, respectively. Debt restructuring, along with refunding callable Bonds, are measures the Airport has utilized and may in the future utilize to reduce expenses and manage airline revenues to keep rates and charges for airlines operating at the Airport competitive compared to other airports.

The approved operating budget for the Airport for Fiscal Year 2022-23 is $1.18 billion, as compared to $1.21 in Fiscal Year 2021-22, $1.23 billion in Fiscal Year 2020-21 and $1.3 billion in Fiscal Year 2019-20. The Fiscal Year 2022-23 budget does not include federal funds to offset Operation and Maintenance Expenses and reflects less substantial debt service reductions, as compared to the preceding two fiscal years, as the Airport continues to recover from the COVID-19 pandemic. The Airport continues to prioritize safety and security, support the Commission's workforce, and remain competitive with other west coast international gateway airports.

Some of the risks associated with the ongoing COVID-19 pandemic are discussed in "CERTAIN RISK FACTORS – Uncertainties of the Aviation Industry–*The COVID-19 Pandemic and Worldwide Health Concerns*."

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**
Eleanor Johns, *President*	Executive Director of the Willie L. Brown, Jr. Institute on Politics and Public Service	2023
Malcolm Yeung, *Vice President*	Executive Director, Chinatown Community Development Center	2026
Jose Fuentes Almanza	Trustee, San Francisco Electrical Workers Health & Welfare	2026
Everett A. Hewlett, Jr.	Neutral with Alternative Disputes Resolution Services, Inc.	2024
Jane Natoli	Financial Crimes Investigator, Stripe	2025

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*.”

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.

The Airport also has a Chief Operating Officer, a Chief Financial and Commercial Officer, a Chief Development Officer, a Chief External Affairs Officer, a Chief Digital Transformation Officer, and a Chief Resilience & Sustainability 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, and Project Management report to the Chief Development Officer. The Divisions of Aviation Marketing & Development, Aviation & Parking Management, Revenue Development & Management, Hotel Development & Special Projects, SFO Medical Clinic, Accounting, Finance and Risk Management report to the Chief Financial and Commercial Officer. The Divisions of Information Technology & Telecommunications and Contracts Administration report to the Chief Digital Transformation Officer. The Divisions of Marketing & Communications, Government Affairs, International Trade & Commerce, Protocol/Economic Liaison, the Public Information Officer, and Reprographics report to the Chief External Affairs Officer. The Divisions of Planning & Environmental Affairs, Environmental Sustainability, and Infrastructure Information Management report to the Chief Resilience & Sustainability 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.

Kevin Bumen was appointed Chief Financial and Commercial Officer in November 2022. Prior to serving in this capacity, Mr. Bumen served as Chief Commercial Officer beginning in October 2020, overseeing 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.

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.

Judi Mosqueda was appointed Chief Development Officer in November 2022. In this capacity, she oversees Design and Construction for the Airport, including Architecture, Engineering, Procurement and Contracts, and Project Management. Prior to her role as Chief Development Officer, Ms. Mosqueda served as the Director of Project Management for eight years and led the successful implementation of over $5 billion in major capital projects. Prior to that, Ms. Mosqueda was a project manager responsible for implementing a wide range of project types for the Airport and other departments of the City. Ms. Mosqueda is a licensed landscape architect with over 30 years of experience in design and construction.

Geoffrey W. Neumayr was appointed Chief Resilience & Sustainability Officer in November 2022. Prior to serving in this role, he served as Chief Development Officer from July 2016. 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, LLC 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 Acting 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.

Rene Leedeman and *Ray Ricardo* were appointed Acting Chief Digital Transformation Officer at the Airport on three-month rotational assignments in April 2022. Mr. Leedeman is the Acting Chief Digital Transformation Officer for the months of May, June, July, November, December, and January and Mr. Ricardo is the Acting Chief Digital Transformation Officer for the months of August, September, October, February, March, and April. The Chief Digital Transformation Officer oversees the Airport's technology strategy and delivery plan and the Contract Administration Unit. In addition to his role as Acting Chief Digital Transformation Officer, Mr. Leedeman remains the Director for Development Operations and IT Quality Assurance where manages a team of software development engineers and quality assurance analysts who apply emerging enterprise technologies and scalable hybrid cloud infrastructure to fulfill Airport business requirements. Mr. Leedeman has also held roles as Acting Chief Information Security Officer (CISO), and Director of IT Network Operations. He is a member of ACI-NA BIT and a contributing subject matter expert to ACRP (Airport Cooperative Research Program). Mr. Leedeman has worked at the Airport for more than 20 years. Mr. Ricardo has been with the Airport for 15 years and holds a BSc degree in Business Administration and MS degree in Telecommunication's Management.

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 239,000 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, flights to and from Canada, and some flights to Mexico. Terminal 1 improvements are currently in 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, was initially suspended as a result of the COVID-19 pandemic, then in March 2022, Airport Management reinstated the project. The remainder of the work in the final phase includes a new building envelope, check-in counters, secure and non-secure connectors between Boarding Area B and Boarding Area C, and two gates. The work is expected to be completed in Spring 2024. 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. 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. AirTrain System 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 System runs 24 hours per day, seven days per week. See "*– Public Parking and Rental Car Facilities*."

Gates

The Airport has 110 operational gates, 46 of which can accommodate wide-body aircraft and nine of which can accommodate "New Large Aircraft" (described in the following paragraph), as of December 2022. Of the 110 gates, 27 gates are located in the ITC, 25 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 27 gates in the ITC and four of the gates in Terminal 1 are connected to the 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-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. Airlines with decreasing traffic may thus lose preferential-use gates, which can be allocated to other airlines with increasing traffic or reserved for common use. 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 a maintenance and operation 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 and vaults 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 more than nine days of operations based on consumption in 2022 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 three days of operations based upon 2022 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 the AirTrain System. 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 2021-22, a weekday average of 2,991 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 $825,829 for Fiscal Year 2021-22) 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 System 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 System.

Off-Airport Parking Facilities. Parking facilities located near the Airport and operated by private companies offer more than 6,000 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 through 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."

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 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. However, 81% of domestic arrivals were on time at the Airport in the period from

October 2021 through September 2022, as compared to 73% at Oakland Airport and 75% at San Jose Airport primarily due to the reduced airline operations as a result of the COVID-19 pandemic.

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 2022-23, the Airport was served by 53 passenger airlines and 6 cargo-only airlines. Domestic passenger air carriers provided non-stop service to 88 destinations and scheduled one-stop service to an additional 4 destinations in the United States. Passenger airlines provided non-stop scheduled passenger service to 46 international destinations and did not provide one-stop service to any international destinations.

For Fiscal Year 2021-22, the Airport was served by 53 passenger airlines and 6 cargo-only airlines (as compared to 60 passenger airlines and five cargo-only airlines in Fiscal Year 2019-20, which included a period before the COVID-19 pandemic). Domestic passenger air carriers provided non-stop service to 82 destinations and scheduled one-stop service to an additional 16 destinations in the United States. Passenger airlines provided non-stop scheduled passenger service to 48 international destinations and one-stop service to one additional international destination. The figures in this and the preceding paragraph reflect service that was provided at any time during the applicable time period. For further discussion of airlines serving the airport and service from the Airport, see APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Historical Airline Traffic and Service."

During Fiscal Year 2021-22, United Airlines (including SkyWest Airlines/United Express) handled 47.2% of the total enplaned passengers at the Airport (compared to 47.7% in Fiscal Year 2020-21); Alaska Airlines (including Horizon Air and SkyWest Airlines/Alaska Airlines) handled 12.5% of total enplaned passengers; and Delta Air Lines (including SkyWest Airlines/Delta Air Lines) handled 9.3% of total enplaned passengers.

Although United Airlines (including SkyWest Airlines/United Express) handled 47.2% of the Airport's total enplanements during Fiscal Year 2021-22, audited results for Fiscal Year 2021-22 indicate that payments by United Airlines accounted for 28.4% of the Airport's operating revenues.

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 2022-23. 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. See APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS–Historical Airline Traffic and Service–Airlines Serving the Airport" for additional information.

AIR CARRIERS REPORTING AIR TRAFFIC AT THE AIRPORT
First Five Months of Fiscal Year 2022-23[(1)]

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

Foreign Flag Carriers
Aer Lingus
Aeromexico
Air Canada[*]
Air France[*]
Air India[*]
Air New Zealand[*]
Air Pacific Limited dba Fiji Airways
Air Transat
All Nippon Airways[*]
Asiana Airlines[*]
British Airways[*]
COPA Airlines
Cathay Pacific Airways
China Airlines[*]
China Eastern[*]
China Southern Airlines[*]
Condor Flugdienst Gmbh
EVA Airways[*]
Emirates[*]
Flair Airlines
French Bee

Foreign Flag Carriers (continued)
Iberia[(3)]
Japan Airlines[*]
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[(4)]
Horizon Air (Alaska Airlines)
Jazz Aviation (Air Canada)
SkyWest Airlines (Alaska SkyWest, American Eagle, Delta Connection and United Express)

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* 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 2022-23.
(2) Provides international and domestic air passenger service at the Airport.
(3) Level Airlines operates under Iberia's permit.
(4) 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 2021-22, domestic low-cost carriers serving the Airport included Frontier Airlines, jetBlue Airways, Southwest Airlines and Sun Country Airlines. One international low-cost carrier, French Bee, served the Airport in 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

For calendar year 2021, the Airport was ranked the 17th 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 2022-23 and 2021-22 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 2022-23	*151,170*	*19.4%*	*14,718,153*	*28.6%*	*5,087,762*	*172.7%*	*19,805,915*	*48.8%*
First Five Months 2021-22	*126,656*		*11,443,497*		*1,865,883*		*13,309,380*	
2021-22	316,369	57.7	28,572,974	137.4	6,239,066	280.1	34,812,040	154.6
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

(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.

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. Passenger traffic began to recover from its pandemic low in early 2021 with the onset of vaccination efforts against COVID-19, and gained momentum throughout Fiscal Year 2021-22. Although the momentum slowed down twice because of the rise in infection rates due to the Delta variant in July 2021 and the Omicron variant in January 2022, it recovered immediately following the drop in the infection rates and continued to improve. The passenger traffic recovery was mainly driven by domestic demand through the first half of the Fiscal Year 2021-22 and gained further strength in international travels following the easing of travel restrictions to Europe in the second quarter and Canada in the third quarter. For further discussion, including enplanements by month in 2019-2022, see "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Effects of the COVID-19 Pandemic" and APPENDIX A—"REPORT OF THE AIRPORT CONSULTANT – AIRLINE TRAFFIC AND ECONOMIC ANALYSIS – Historical Airline Traffic and Service."

During Fiscal Year 2021-22, an estimated 82.7% 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. Origin and destination traffic comprised 79.3% of passenger traffic in Fiscal Year 2020-21. 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 2017-18 through 2021-22 and for Fiscal Year 2021-22's top ten airlines during the first five months of Fiscal Year 2022-23 (with comparative data for the same period in Fiscal Year 2021-22) are shown in the table below, ranked in the order of the results from Fiscal Year 2021-22. Enplanements for airlines include enplanements by affiliates.

TOTAL ENPLANEMENTS BY AIRLINE
(Fiscal Years)

							First Five Months (July through November)	
Airline	2017-18	2018-19	2019-20	2020-21	2021-22	% of 2021-22[1]	*2021-22*	*2022-23[13]*
United Airlines	12,860,422	13,066,968	9,255,208	3,305,425	8,207,321	47.2%	*3,073,476*	*4,593,887*
Alaska Airlines[2]	1,464,505	3,376,047	2,353,270	890,371	2,180,641	12.5	*745,340*	*1,175,659*
Delta Air Lines	2,157,886	2,219,421	1,614,526	658,583	1,615,032	9.3	*716,187*	*803,424*
American Airlines	2,198,766	2,175,454	1,539,607	757,433	1,401,428	8.1	*636,147*	*626,864*
Southwest Airlines	1,907,453	1,713,578	1,156,504	404,218	831,567	4.8	*347,656*	*431,691*
jetBlue Airways	805,572	738,297	519,464	264,689	704,364	4.0	*341,644*	*320,355*
Air Canada[3]	545,755	567,734	393,221	–	291,064	1.7	*98,058*	*242,822*
Frontier Airlines[4]	–	–	199,230	147,461	284,132	1.6	*124,454*	*181,688*
Hawaiian Airlines[5]	–	–	–	72,334	154,612	0.9	*59,434*	*68,935*
Aeromexico[6]	–	–	–	–	150,092	0.9	*57,549*	*69,544*
Air India[7]	–	–	–	53,101	–	–	–	–
Turkish Airlines[8]	–	–	–	49,200	–	–	–	–
Lufthansa Airlines[9]	255,434	243,861	158,103	–	–	–	–	–
EVA Airways[10]	–	282,641	186,882	–	–	–	–	–
Cathay Pacific[11]	258,182	260,286	–	–	–	–	–	–
Virgin America[2]	2,325,380	–	–	–	–	–	–	–
SUBTOTAL	24,779,355	24,644,287	17,376,015	6,602,815	15,820,253	90.9	*6,199,945*	*8,514,869*
All others[12]	4,034,496	3,977,519	2,838,890	321,763	1,575,996	9.1	*407,219*	*1,310,657*
TOTAL	28,813,851	28,621,806	20,214,905	6,924,578	17,396,249	100.0%	*6,607,164*	*9,825,526*
Percentage change	7.2%	(0.7%)	(29.4%)	(65.7%)	151.2%			*48.7%*

(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) 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.
(4) 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.
(5) Hawaiian Airlines served the Airport in Fiscal Years 2017-18 through 2019-20, but was not among the top 10 most active airlines in terms of total enplanements for those years.
(6) Aeromexico served the Airport in Fiscal Years 2017-18 through 2020-21, but was not amount the top 10 most active airlines in terms of total enplanements for those years.
(7) Air India served the Airport in Fiscal Years 2017-18 through 2019-20 and 2021-22, but was not amount the top 10 most active airlines in terms of total enplanements for those years.
(8) Turkish Airlines served the Airport in Fiscal Years 2017-18 through 2019-20 and 2021-22, but was not amount the top 10 most active airlines in terms of total enplanements for those years.
(9) Lufthansa served the Airport in Fiscal Years 2020-21 and 2021-22, but was not among the top 10 most active airlines in terms of total enplanements.
(10) EVA Airways served the Airport in Fiscal Years 2017-18, 2020-21, and 2021-22, but was not among the top 10 most active airlines in terms of total enplanements for those years.
(11) Cathay Pacific served the Airport in Fiscal Years 2019-20 through 2021-22, but was not among the top 10 most active airlines in terms of total enplanements for those years.
(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 total enplanements during the first five months of Fiscal Year 2022-23 were United Airlines, Alaska Airlines, Delta Airlines, American Airlines, Southwest Airlines, jetBlue Airways, Air Canada, Frontier Airlines, British Airways (83,965), and Lufthansa German Airlines (78,620).
Source: Commission.

Domestic Enplanements. Domestic enplanements for the Airport's 10 most active airlines for Fiscal Years 2017-18 through 2021-22 and for Fiscal Year 2021-22's top ten airlines during the first five months of Fiscal Year 2022-23 (with comparative data for the same period in Fiscal Year 2021-22) are shown in the table below, ranked in the order of the results from Fiscal Year 2021-22. Enplanements for airlines include enplanements by affiliates.

DOMESTIC ENPLANEMENTS BY AIRLINE
(Fiscal Years)

							First Five Months (July through November)	
Airline	2017-18	2018-19	2019-20	2020-21	2021-22	% of 2021-22[1]	*2021-22*	*2022-23*
United Airlines	10,755,903	10,746,159	7,543,776	2,930,849	7,203,138	50.4%	*2,771,329*	*3,707,202*
Alaska Airlines[2]	1,363,302	3,261,369	2,271,606	837,095	2,057,466	14.4	*704,758*	*1,122,487*
Delta Air Lines	2,157,886	2,219,421	1,614,526	658,583	1,615,032	11.3	*716,187*	*803,424*
American Airlines	2,198,766	2,175,454	1,539,607	757,433	1,401,428	9.8	*636,147*	*626,864*
Southwest Airlines	1,907,453	1,713,578	1,156,504	404,218	831,567	5.8	*347,656*	*431,691*
jetBlue Airways	805,572	738,297	519,464	254,994	678,751	4.7	*329,293*	*320,355*
Frontier Airlines	223,728	173,520	199,230	147,461	284,132	2.0	*124,454*	*181,688*
Hawaiian Airlines	191,827	187,805	136,333	72,334	154,612	1.1	*59,434*	*68,935*
Sun Country Airlines	85,788	85,440	74,086	28,533	60,787	0.4	*35,278*	*41,966*
Breeze Aviation Group[3]	–	–	–	–	3,048	0.0	–	*23,504*
Swissport USA[4]	–	–	–	185	–	–	*32*	–
Virgin America[2]	2,264,806	–	–	–	–	–	–	–
SUBTOTAL	21,955,031	21,301,043	15,055,132	6,091,685	14,289,961	100.0	*5,724,568*	*7,328,116*
All others	0	0	0	0	73	0.0	–	–
TOTAL	21,955,031	21,301,043	15,055,132	6,091,685	14,290,034	100.0%	*5,724,568*	*7,328,116*
Percentage change	7.0%	(3.0%)	(29.3%)	(59.5%)	134.6%			*28.0%*

(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) Breeze Aviation Group commenced operations at the Airport in May 2022.
(4) 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, but was not among the top 10 most active airlines in terms of total enplanements for those years.
Source: Commission

International Enplanements. International enplanements for the Airport's 10 most active airlines for Fiscal Years 2017-18 through 2021-22 and for Fiscal Year 2021-22's top ten airlines during the first five months of Fiscal Year 2022-23 (with comparative data for the same period in Fiscal Year 2021-22) are shown in the table below, ranked in the order of the results from Fiscal Year 2022-23. Enplanements for airlines include enplanements by affiliates.

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INTERNATIONAL ENPLANEMENTS BY AIRLINE
(Fiscal Years)

Airline	2017-18	2018-19	2019-20	2020-21	2021-22	% of 2021-22[1]	*First Five Months (July through November) 2021-22*	*2022-23[15]*
United Airlines	2,104,519	2,320,809	1,711,432	374,576	1,004,183	32.3%	*302,147*	*886,685*
Air Canada[2]	545,755	567,734	393,221	–	291,064	9.4	*98,058*	*242,822*
Aeromexico	162,642	158,105	118,542	47,813	150,092	4.8	*57,549*	*69,544*
Alaska Airlines[3]	–	–	–	53,276	123,175	4.0	*40,582*	*53,172*
Lufthansa Airlines	255,434	243,861	158,103	18,102	120,997	3.9	*32,573*	*78,620*
British Airways[4]	220,552	222,770	145,577	–	116,340	3.7	*29,587*	*83,965*
Turkish Airlines[5]	–	–	–	49,200	113,968	3.7	*39,723*	*69,051*
Air France[6]	174,842	174,620	115,358	–	106,858	3.4	*28,427*	*77,570*
Qatar[7]	–	–	–	18,708	88,974	2.9	*33,232*	*43,579*
Emirates[8]	–	–	–	–	88,506	2.8	*21,372*	*57,886*
Air India Limited[9]	–	–	–	53,101	–	–	–	–
TACA[10]	–	–	–	23,458	–	–	–	–
Philippine Airlines[11]	–	–	–	20,203	–	–	–	–
EVA Airways[12]	239,811	282,641	186,882	16,571	–	–	–	–
Cathay Pacific Airlines[13]	258,182	260,286	152,504	–	–	–	–	–
Korean Air Lines[13]	163,173	165,146	122,128	–	–	–	–	–
Singapore Airlines[13]	157,949	169,227	117,844	–	–	–	–	–
SUBTOTAL	4,282,859	4,565,199	3,221,591	675,008	2,204,157	71.0	*683,250*	*1,662,894*
All others[14]	2,575,961	2,755,564	1,938,182	157,885	902,058	29.0	*199,346*	*834,516*
TOTAL	6,858,820	7,320,763	5,159,773	832,893	3,106,215	100.0%	*882,596*	*2,497,410*
Percentage change	7.9%	6.7%	(29.5%)	(83.9%)	272.9%			*183.0%*

(1) Column may not total due to rounding.
(2) Air Canada served the Airport in Fiscal Year 2020-21, but was not among the top 10 most active airlines in terms of international enplanements in that year.
(3) 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.
(4) British Airways served the Airport in Fiscal Year 2020-21, but was not among the top 10 most active airlines in terms of international enplanements in that year.
(5) Turkish Airlines served the Airport in Fiscal Years 2017-18 through 2019-20, but was not amount the top 10 most active airlines in terms of international enplanements for those years.
(6) 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.
(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 that year.
(8) Emirates served the Airport in Fiscal Years 2017-18 through 2020-21, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(9) Air India Limited served the Airport in Fiscal Years 2017-18 through 2019-20 and 2021-22, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(10) TACA served the Airport in Fiscal Years 2017-18 through 2019-20 and 2021-22, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(11) Philippine Airlines served the Airport in Fiscal Years 2017-18 through 2019-20 and 2021-22, but was not among the top 10 most active airlines in terms of international enplanements in those years.
(12) EVA Airways served the Airport in Fiscal Year 2021-22, but was not among the top 10 most active airlines in terms of international enplanements in that year.
(13) Cathay Pacific Airlines, Korean Airlines and Singapore Airlines served the Airport in Fiscal Years 2020-21 and 2021-22, but were not among the top 10 most active airlines in terms of international enplanements in those years.
(14) 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.
(15) The top ten most active airlines in terms of international enplanements for the first five months of Fiscal Year 2022-23 were United Airlines, Air Canada, British Airways, Lufthansa Airlines, Air France, Aeromexico, Turkish Airlines, Emirates, KLM Royal Dutch Airlines (57,090), and Singapore Airlines (55,523).

Source: Commission.

International enplanements for Fiscal Year 2021-22 increased 272.9% compared to Fiscal Year 2020-21. In Fiscal Year 2021-22, enplanements to Asia and the Middle East increased by 153.2%; enplanements to Canada increased 1,041.2%; enplanements to Europe increased 555.3%; enplanements to Latin America increased 151.0%; and enplanements to Australia and Oceania increased by 296.5%. In the first five months of Fiscal Year 2022-23, international enplanements increased 183% as compared to the corresponding period in Fiscal Year 2021-22, including a 196.2% increase in enplanements to Asia and the Middle East, a 233.6% increase in enplanements to Canada; a 243.2% increase in enplanements to Europe; a 37.4% increase in enplanements to Latin America; and a 792.9% increase in enplanements to Australia and Oceania.

International enplanements by destination for Fiscal Years 2017-18 through 2021-22 and the first five months of Fiscal Year 2022-23 (with comparative data for the same period in Fiscal Year 2021-22) are shown in the following table.

INTERNATIONAL ENPLANEMENTS BY DESTINATION
(Fiscal Years)

						% of 2021-22[1)]		*First Five Months (July through November)*	
Destination	2017-18	2018-19	2019-20*	2020-21	2021-22	International Enplanements	Total Enplanements	*2021-22*	*2022-23*
Asia/Middle East	2,922,171	3,090,886	2,099,720	335,606	849,638	27.4%	4.9%	*249,674*	*739,558*
Europe	1,862,789	2,071,317	1,482,297	160,932	1,054,549	33.9	6.1	*256,494*	*880,319*
Canada	869,925	917,096	676,710	35,783	408,363	13.1	2.3	*120,267*	*401,154*
Latin America	867,883	825,965	567,652	273,599	686,715	22.1	3.9	*239,679*	*329,213*
Australia/Oceania	336,052	414,080	333,394	26,973	106,950	3.4	0.6	*16,482*	*147,166*
TOTAL	6,858,820	7,319,344	5,159,773	832,893	3,106,215	100.0%	17.9%	*882,596*	*2,497,410*

(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 2021-22, according to traffic reports submitted by the airlines, Airport air cargo volume (on and off) was approximately 545,335 metric tons, including U.S. mail, freight and express shipments, an increase of 73,543 metric tons (15.6%) compared to reported cargo volume for Fiscal Year 2021-21. A total of approximately 325,988 metric tons was international cargo, mail, freight and express shipments (an increase of 25.8% compared to Fiscal Year 2020-21) and approximately 219,347 metric tons was domestic cargo, mail, freight and express shipments (an increase of 3.1% compared to Fiscal Year 2020-21). The Airport was ranked 17th in the United States in terms of air cargo volume in calendar year 2021, 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 2022-23, according to traffic reports submitted by the airlines, Airport air cargo volume (on and off) was approximately 192,222 metric tons, including U.S. mail, freight and express shipments, a decrease of 44,660 metric tons (18.9%) compared to reported cargo volume for the first five months of Fiscal Year 2021-22. In the first five months of Fiscal Year 2022-23, domestic cargo and mail traffic tonnage decreased 17,751 metric tons (19.1%) and international cargo and mail traffic tonnage decreased 26,909 metric tons (18.7%) compared to the first five months of Fiscal Year 2022-22.

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 2021-22 and 2022-23.

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 2022-23	*182,329*	*9,893*	*192,222*	*(18.9)*
First Five Months 2021-22	*222,769*	*14,113*	*236,882*	
2021-22	512,268	33,068	545,335	15.6
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

[1] Totals may not add due to rounding.
Source: Commission.

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 2017-18 through 2021-22 and for Fiscal Year 2021-22's top ten airlines during the first five months of Fiscal Year 2022-23 (with comparative data for the same period in Fiscal Year 2021-2022) are shown in the table below, ranked in the order of the results from Fiscal Year 2021-22. Landed weights for airlines include landed weight of affiliates.

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

Airline	2017-18	2018-19	2019-20	2020-21	2021-22	% of 2021-22[1]	*First Five Months (July through November)* *2021-22*	*2022-23[12]*
United Airlines	16,315,849	16,555,781	13,070,159	6,407,767	11,435,976	43.2%	*4,487,102*	*5,923,493*
Alaska Airlines[2]	2,694,093	3,949,910	3,020,090	1,523,460	2,507,418	9.5	*866,050*	*1,275,153*
Delta Air Lines	2,579,834	2,555,766	1,993,374	1,208,342	2,089,920	7.9	*937,352*	*942,263*
American Airlines	2,562,887	2,589,043	1,945,770	1,067,894	1,520,737	5.7	*683,089*	*674,131*
Southwest Airlines	2,188,500	1,946,440	1,535,680	750,437	955,031	3.6	*384,117*	*484,106*
jetBlue Airways	1,011,057	902,658	709,469	447,491	919,669	3.5	*433,568*	*378,007*
All Nippon[3]	–	–	–	295,928	379,959	1.4	*160,460*	*142,991*
Korean Air Lines	648,994	649,509	532,487	339,479	360,650	1.4	*147,032*	*176,860*
Air Canada[4]	700,161	794,984	590,547	–	356,572	1.3	*115,713*	*300,128*
China Airlines[5]	–	–	–	341,849	356,258	1.3	*158,761*	*142,870*
Air Transport[6]	–	–	–	340,898	–	–	–	–
EVA Airways[7]	–	–	483,642	–	–	–	–	–
British Airways[8]	–	–	389,388	–	–	–	–	–
Cathay Pacific[9]	523,393	559,497	–	–	–	–	–	–
Lufthansa Airlines[10]	–	516,270	–	–	–	–	–	–
Virgin America[2]	1,787,582	–	–	–	–	–	–	–
SUBTOTAL	31,012,904	31,019,858	24,270,606	12,723,545	20,882,190	78.8	*8,373,244*	*10,440,002*
All others[11]	8,521,518	8,343,850	6,528,682	2,963,161	5,614,495	21.2	*2,073,176*	*3,018,345*
TOTAL	39,534,422	39,363,708	30,799,288	15,686,706	26,496,685	100.0%	*10,446,420*	*13,458,347*
Percentage change	5.2%	(0.4%)	(21.8%)	(49.1%)	68.9%			*29.8%*

(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) All Nippon served the Airport in Fiscal Years 2017-18 through 2019-20, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(4) Air Canada served the Airport in Fiscal Year 2020-21, but was not among the top 10 most active airlines in terms of revenue landed weight for that period.
(5) China Airlines served the Airport in Fiscal Years 2017-18 through 2019-20, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(6) Air Transport served the Airport in Fiscal Years 2019-20 and 2021-22, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(7) EVA Airways served the Airport in Fiscal Years 2017-18, 2018-19, 2020-21 and 2021-22, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(8) British Airways served the Airport in Fiscal Years 2017-18, 2018-19, 2020-21 and 2021-22, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(9) Cathay Pacific served the Airport in Fiscal Years 2019-20 through 2021-22, but was not among the top 10 most active airlines in terms of revenue landed weight for those periods.
(10) Lufthansa served the Airport during Fiscal Years 2017-18 and 2019-20 through 2021-22, but was not among the top 10 most active airlines in terms of landed weight for those periods.
(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 based on landed weight in the first five months of Fiscal Year 2022-23 were United Airlines, Alaska Airlines, Delta Airlines, American Airlines, Southwest Airlines, jetBlue Airways, Air Canada, British Airways (183,020), Korean Airlines and Frontier Airlines (170,493).

Source: Commission.

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 2021-22, international passenger traffic (enplanements and deplanements) at the Airport totaled approximately 6.2 million (an increase of 280.9% over the prior Fiscal Year) compared to approximately 12.2 million at Los Angeles Airport (an increase of 179.8%). 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 65.7% in Fiscal Year 2021-22, primarily due to the decrease in international passenger activity.

The following table summarizes comparative passenger traffic data at the three San Francisco Bay Area airports for Fiscal Years 2017-18 through 2021-22. Air traffic in the San Francisco Bay Area has declined as a result of the COVID-19 pandemic.

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

Airport	2017-18	2018-19	2019-20	2020-21	2021-22	
					Number	% Change
San Francisco	57,747,186	57,446,488	40,542,936	13,676,933	34,890,102	155.1%
Oakland	13,356,803	13,615,771	9,493,637	5,182,912	8,386,024	61.8
San Jose	13,490,514	14,949,956	11,328,759	4,226,239	9,813,775	132.2
TOTAL SAN FRANCISCO BAY AREA	84,594,503	86,012,215	61,365,332	23,086,084	53,089,901	130.0
Percentage change	8.3%	1.7%	(28.7%)	(62.4%)	130.0%	

* 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, 2023 the City and 36 of the airlines that served the Airport in the first five months of Fiscal Year 2022-23 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 "—Extension of Lease and Use Agreements." Seventeen of the airlines that reported traffic on scheduled passenger flights in the first five months of Fiscal Year 2022-23 were non-signatory as of January 1, 2023. Three are affiliates that report traffic under their respective signatories. The remaining fourteen airlines' passengers comprised less than 4% of the Airport's total passengers in the first five months of Fiscal Year 2022-23. 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 ($5,219,000 in Fiscal Year 2022-23 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 $7.6 billion (approximately 85%) out of the total $8.9 billion CIP. 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.

Extension of Lease and Use Agreements. 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 enter 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.

Expiration of Lease and Use Agreements. The Commission has concluded negotiations and reached agreement on a successor lease and use agreement with the airlines, and the airlines are in the process of executing the agreements so the Airport can seek all required City approvals, including the approval of the Commission and the Board of Supervisors. The new agreements include a residual ratemaking approach similar to that currently in place, and incorporate the build-up of a discretionary cash fund for use by the Airport, funded through the airline rate base, which would enhance available liquidity and potentially provide an additional funding source for capital projects not yet included in the CIP. Management expects to execute all new residual agreements before the end of the current agreement (as amended) in June 2023. No assurance can be given that the new agreements will be executed prior to expiration of the Lease and Use Agreements or that the agreements will receive the required Board of Supervisors or Commission approvals prior to the expiration of the existing lease and use agreements.

Upon the expiration of the Lease and Use Agreements as extended, should there be no new long-term agreements with airlines, the Commission will have various options, including (a) continuing the term of the existing agreements on a month-to-month holdover basis under the holdover provisions of the existing Lease and Use Agreements or (b) setting airline rates and charges by resolution. See "Holding Over" in APPENDIX E–"SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AND USE AGREEMENTS." If the Commission and the airlines do not execute new agreements by the time the existing Lease and Use Agreements expire and the Commission elects not to extend the term of the existing agreements on a month-to-month holdover basis, 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, and that will allow the continued safe and efficient operation of the Airport and additional capital investment. The Commission cannot impose a residual rate-setting system without the agreement of the airlines.

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 or the discharge of a pre-petition debt owed to the governmental authority.

Amounts under a nonresidential lease arising from or after the filing of 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 filed before December 27, 2022, the debtor in possession or a trustee, if one is appointed, has 210 days from the date of filing of the bankruptcy petition to make a motion 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.

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 Agreement, 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 recently conducted a financial compliance review of the Airport covering Fiscal Years 2011-12 through 2017-18. The purpose of the review was to verify that the Airport and the City were in compliance with the Final Policy. The FAA provided its draft report from this review in August 2021 (the "Draft Audit") for the Commission's response, which the Commission timely provided. The Draft Audit 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, and the FAA did not further address this issue in its Draft Audit. The Commission cannot predict the final 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" and therefore permissible 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, however, 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 also 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 own 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") separately 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. It does not appear that the parties have yet resolved this issue.

The Commission cannot predict the outcome of the dispute between the FAA and the State Department of Finance. However, 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 October 2022, the International Civil Aviation Organization ("ICAO") adopted a long-term goal of net-zero carbon emissions by 2050, aligning with those previously set by the Airport Council International, International Air Transport Association, Airlines for America and others. 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. This U.S. Aviation Climate Action Plan helps the aviation sector directly contribute to the broader United States' 2030 goal of economy-wide net greenhouse gas emissions reductions of 52 percent from a 2005 level, set by the White House in April 2021.

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 in February 2021 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 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 commenced 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 2022 scoping plan update (the "Update"), a draft of which was released in May 2022 and then recirculated in September 2022 with revisions to certain aspects of the proposal that merit revisions to the project description. This Update identifies paths to both a 40 percent reduction in GHG emissions from a 1990 baseline by 2030 and carbon neutrality no later than 2045. The draft Update analyzes the transition to 20% of aviation fuel demand for intrastate flights be met by electricity (batteries) or hydrogen (fuel cells) in 2045 and sustainable aviation fuel to support most or the rest of the aviation fuel demand that has not already transitioned to hydrogen or batteries. It also identifies regulations to reduce fuel demand for petroleum. As the Update is finalized, its emissions reduction pathways are likely to become more ambitious to align with new regulations and Executive Orders set by the State Governor, who has called for it to prioritize direct emission reductions without overreliance on carbon capture and sequestration and direct air capture. To that end, 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 2022 passage of the nearly two trillion-dollar H.R. 5376: The Inflation Reduction Act is anticipated to accelerate both nationwide and Airport-specific deployment of these emission reduction technologies.

The Airport's sustainability and emissions mitigation 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 1,830 full-time equivalent positions for Fiscal Year 2022-23, as compared to 1,848 in Fiscal Year 2021-22. 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, 2024. 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 the required testing and submitted the final report to the California Regional Water Quality Control Board, San Francisco Bay Region (the "Regional Board") on June 1, 2022.

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. The Airport has completed the required sampling and the report summarizing the results is being prepared for submission to the Regional Board in early 2023.

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. However, on September 6, 2022, the EPA published a proposed rule designating PFOS and PFOA as hazardous substances under CERCLA.

The Airport's 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, focusing on decarbonization, global and human health, through sustainability initiatives. It has a long and active history of establishing specific goals, implementing through co-created action plans specific projects and 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 net zero carbon and 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); reducing energy consumption by 25% (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.

In 2021, the Airport achieved a 15% reduction in energy consumption as compared to 2013, 65% diversion of waste from landfills, 35% reduction in GHG emissions within its operational control as compared to 1990, and obtained 17 green building certifications from 2017 through 2021. Lower passenger traffic as a result of the COVID-19 pandemic contributed to some of these achievements, but such reductions also reflect direct efforts made by the Airport. Some of the actions that the Airport took to achieve this progress are discussed in the following sections. Per passenger water usage exceeded the 2013 baseline, primarily because 2021 passenger traffic was 46% lower than 2013 passenger traffic.

Planning for Net Zero Carbon

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 six levels of carbon management: Mapping, Reduction, Optimization, Neutrality, Transformation and Transition. As of November 2022, there were more than 420 airports certified world-wide, with the Airport achieving a Level 4 Transformation Accreditation. This level certifies that the Airport set an absolute emissions reduction target that includes all of Scope 1 and Scope 2 emissions and is aligned with the IPCC 1.5-degree pathway. It also recognized 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. The Airport aims to achieve the highest level of certification, Transition, by the end of 2028, by defining and implementing net zero requirements for new projects, establishing policies and programs to encourage Airport tenant, airline and passenger behavior change, retrofitting and fuel switching equipment in existing Airport facilities, electrifying its Central Utilities Plant (which accounts for 85% 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 Transition 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 net zero emissions, the Commission also anticipates investing in carbon capture and sequestration technologies and purchasing carbon offsets by the end of 2028 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 November 2022, 23 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 now receiving a continuous SAF supply via pipeline from producer, Neste, and the Airport's hydrant system by tanker from World Energy. Airlines contracted for these deliveries include commercial airlines (Alaska, Jet Blue, American, and Lufthansa), cargo carriers (DHL, Amazon), 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 recently expanded its charging facilities at two boarding areas utilizing a grant from the Bay Area Air Quality Management District, and strives to complete an all-electric gate build out by 2025.

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 that wrote the first airport decarbonization strategy for all existing buildings and leaseholds and is auditing all properties for gas equipment to replace via a 2022-2027 CIP.

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 (4.5 MW as of 2022); 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 (EV) charging; and has completed the extension of the all-electric AirTrain System to the Long Term Parking Garages (including two LEED Gold Certified AirTrain System stations) to reduce shuttle bus usage. In 2021, the Airport created the first dashboard to track electricity generation across all 13 solar renewable energy systems. The Airport is currently delivering a load-managed proof-of-concept project for charging stations at five locations that will allow the efficient distribution of limited electrical power resources on campus and serve as a model for expanding to 2,000 EV stalls by 2024. The Airport will also welcome its first fast-charging (Level 3) parking lot and convenience store, to be located adjacent to SFO's ride hailing company staging lot, via a Request for Proposals in 2023.

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 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 completed 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 developed the first scalable zero waste airport terminal strategy to divert 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. In 2021, the Airport expanded its water bottle plastics ban to include all single-use plastic beverage containers, attaining 87% compliance among Airport tenants. This Plan is expected to be updated in 2023 to reflect the Airport's progress in materials diversion since its publication and map specific steps to circularity, including conducting a waste characterization study and testing new refuse monitoring technology. To move towards this zero 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 on an annual basis. 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, achieving 72% compliance across 1,729 unique products types as of 2021 making straws, lids, cutlery and more only available upon request, and encouraging the availability and use of reusable cups. As of 2021, the Airport obtained 92% material diversion from landfills for Airport construction using a new web-based tool. 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. The Airport also 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. In 2023, the Airport expects to pilot reusable carryout containers in its International Terminal and develop a plan to design and operate a fully reusable and zero waste Terminal no later than 2025.

The Airport's Strategic Plan also includes a goal of reducing water use per passenger by 15% (compared to 2013 baseline). In 2021, water use at the Airport was 48% below 2013 levels, however per passenger water usage was up primarily due to passenger traffic being 46% lower in 2021 than it was in 2013 as a result of the COVID-19 pandemic. Sustainably achieving consistent reductions in water use has required planning and advancements of innovative infrastructure projects through a water modernization program, including, as of 2021, upgrading 11% of the water meters to smart meters, detecting and fixing eight leaks saving 4.5 million gallons of water, updating the Airport's Water Conservation Plan, and participating in water conservation and innovation grant programs. The Airport's CIP includes the design and construction of the Advanced Water Treatment Facility Plant 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 additional implementation of the leak detection program and 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 System 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. In 2022, the Airport became the first to achieve LEED Platinum 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 to promote the resilience of the campus.

The 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 achieved LEED Platinum and the first airport 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.

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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 Courtyard 3 Connector and Harvey Milk Terminal 1 Center projects. 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.

ENVIRONMENTAL GOALS AND AWARDS

Project	Environmental Goals or Awards	Project Cost ($ 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	258.0	July 2021
Courtyard 3 Connector	Targeting LEED BD+C C+S v4/4.1 Gold	288.9	Spring 2025
	Targeting WELL Building Standard		
Harvey Milk Terminal Boarding Area B	LEED BD+C NC v4/4.1 Platinum	888.3	December 2021
	WELL Building Standard Platinum		
Harvey Milk Terminal 1 Center	Fitwel 2-Star Design Phase	1,514.4	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		

In addition, in late 2022, Airports Going Green®, an aviation industry forum on sustainability led by the Chicago Department of Aviation and co-hosted by the American Association of Airport Executives, awarded the Airport the Outstanding Sustainability Program award for its Electrification Action Plan for Existing Buildings and the Outstanding Infrastructure Development award for Harvey Milk Terminal 1, Boarding Area B. The Airport also received two honorable mentions within Outstanding Sustainability Program category for its Sustainable Planning, Design and Construction Guidelines, and for its Zero Waste Concessions plan.

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 and expected to release its related Plan for this in 2023.

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 2020-21, activities outside the Airport's direct operational control produced over 200 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. The Commission also adopted Resolution No. 21-0002 condemning systemic racism and reinforcing the Airport's commitment to address racial equity as a strategic priority.

Racial Equity Action Plan

In 2020, the Airport strengthened its commitment to racial equity by developing its first ever Racial Equity Action Plan ("REAP"). The Airport's REAP provides a blueprint for advancing racial equity in all aspects of the Airport's work over the period from 2021-2023. Both a process and a strategic plan, the REAP assesses seven key focus areas for all employees, with a focus for Black, Indigenous, and People of Color employees. The REAP also identifies resources needed to support change efforts and holds the Commission accountable by setting timely and measurable goals. The Airport's REAP 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 workforce programs, policies, and practices. Phase 2, which is slated to be released in early 2024, will examine City procurement, contracting, grants and the delivery of Airport services. As a result of these efforts, the Airport was awarded the Overall Human Resources Program Award and was named Large Hub Inclusion Champion by the Airports Council International – North America in June 2022. Both of the Airport programs associated with these awards incorporated the REAP.

Strategic Plan

Racial equity was elevated as a strategic priority by creating Strategic Plan Goal 6: "Achieve 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." The goal is supported by six objectives and nine indicators derived from the REAP.

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 section 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 2021-22, 50% 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 2021-22, 28% of the construction hours on the Commission's construction projects were performed by local hires, and of the 43,230 apprenticeship hours, 48% were performed by local hires. The Commission's social responsibility section 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 section 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 CIP Oversight Committee (previously named the Capital Project Review Committee) and the Capital Improvement Plan Working Group (the "CIP Working Group"). The CIP Oversight Committee is comprised of senior management, and the CIP Working Group is comprised of management staff including a subcommittee that focuses solely on Utility and Infrastructure capital projects. 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 CIP Oversight Committee reviews the CIP Working Group's ranked list of projects for funding in a Capital Improvement Plan. In reviewing the Capital Improvement Plan, the CIP Oversight Committee considers available funding and the projected financial impact of capital projects. The CIP Oversight Committee 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, and the most recent update was approved by the Commission in January 2023. The next annual CIP update is underway and the Airport anticipates presenting it to the Commission as soon as the fall of 2023.

The Capital Improvement Plan

Overview

The current CIP was approved by the Commission on January 17, 2023. The CIP consists of a total of 74 project categories totaling $8.9 billion, of which $5.5 billion of funding had been obtained and allocated to projects and an additional approximately $292 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 Rolling Capital Improvement Plan (the "Rolling CIP"), previously referred to as 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 "Ascent Program Reserve"). The Rolling CIP includes projects that address other capital needs and totals $1.6 billion. The Ascent Program – Phase 1 and the Rolling CIP are described in greater detail below.

Since the approval of the CIP, the Airport has continued to work 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 in 2020, the Airport initially suspended a total of $2.1 billion from its CIP, which consisted of $1.8 billion in capital projects from Ascent Program – Phase I and the Rolling CIP and $300 million of the Ascent Program Reserve balance. As of January 17, 2023, approximately $338 million in capital projects and use of Ascent Program Reserves from the Ascent Program– Phase 1 and the Rolling Capital Improvement Plan remain suspended. 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 during 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 $8.9 billion CIP includes an estimated $3.4 billion in project spending over the ten-year period of Fiscal Years 2022-23 through Fiscal Year 2031-32 and includes the following funding sources: $3.0 billion through a combination of proceeds of the previously issued Bonds, and additional Bonds expected to be issued in the future (see "CERTAIN RISK FACTORS– Risks Related to the Commission's Capital Projects"), $345 million of the CIP to be reimbursed with FAA AIP funds and other grants, 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 2031-32 (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 January 17, 2023, the date of Commission approval.

Capital Improvement Plan
($ in millions)

($ in millions)	Funding Prior to CIP Approval[1, 4]	Future Funding	Total
Ascent Program - Phase I			
Project Costs	$5,289	$1,674	$6,963
Program Reserve[2]	–	307	307
Subtotal – Ascent[3]	$5,289	$1,980	$7,270
Rolling CIP Project Costs	217	1,397	1,615
Director's Rolling CIP Reserve	0	23	23
Rolling CIP Subtotal	217	1,420	1,638
Total CIP[3]	$5,506	$3,401	$8,907

(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. $432 million of the $739 million Ascent Program Reserve originally established was allocated to projects prior to March 9, 2022. An additional approximately $80 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 January 17, 2023, the Airport also had approximately $292 million in Bond and Commercial Paper Note 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 January 17, 2023, the Airport has suspended $338 million in capital projects from Ascent Program – Phase I and the Rolling CIP and the Airport Director has reduced the Ascent Program Reserve to zero. The net result is that the current CIP, excluding suspended projects, is $8.6 billion. The Terminal 3 West project was also suspended as result of the COVID-19 pandemic, but the project was reactivated on January 1, 2023. 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 $8.9 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 $432 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 $307 million as of March 9, 2022. An additional approximately $80 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.

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 January 2023 based on the Approved Fiscal Year 2022-23 CIP. 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 ($2.6 billion) and the renovation and reconfiguration of the eastern and western sides of Terminal 3 ($1.1 billion). The 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 ($256 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 ($241 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 2023AB 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 ($98 million); airport support technology and computer system improvements ($91 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 ($130 million); utility improvements ($109 million); wastewater system improvements ($103 million); and energy and efficiency improvements ($30 million).

Major Ascent Program Phase I Capital Projects - Airfield

Major airfield-related CIP projects include taxiway improvement projects ($198 million); runway improvements ($94 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 "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain Effects of the COVID-19 Pandemic."

Rolling Capital Improvement Plan- Major Capital Projects

The Rolling Capital Improvement Plan consists of 26 new infrastructure projects added to the CIP after Fiscal Year 2016-17. The Rolling CIP has a total approved project cost of $1.6 billion. This reflects an increase of $1.5 billion 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 cargo and hanger improvements ($503 million); parking and garage improvements ($246 million); the rehabilitation of Runway 10L-28R ($166 million) which was completed in November 2021; support facility improvements ($146 million); water system improvements ($134 million); international terminal improvements ($126 million); and a newly created Director's Rolling CIP Reserve ($23 million).

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 System 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 may also include a variety of contingencies depending on the risk profile of the project, 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 may 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 may add 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 November 2022, 73% 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 79% 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 2023-24, 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

It is likely that the Airport will undertake the Planned Additional Project described below during the period covered by the Report of the Annual Consultant. In addition, 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.

Planned Additional Project

With the onset of the COVID-19 pandemic, the Terminal 3 redevelopment project (among others) was suspended. As passenger traffic returns, the Commission has reactivated the project effective January 1, 2023. However, the Airport's priorities and operational practices have evolved over the suspension period, resulting in a refinement of project scope and the addition of four key scope components: 1) Pre-Security Renovation to accommodate a modern 2-Step check-in process and self-bag drop; 2) F Plaza Reconfiguration to enhance wayfinding, circulation, and security; 3) East Annex Addition to provide for additional revenue-generating concessions and airline tenant lease spaces; and 4) Pre-Security Façade Replacement to improve wayfinding, building energy efficiency and to help meet sustainability goals. Commission staff anticipates the Airport to incur an additional $1.0 billion of capital spending beyond what was approved in the CIP to complete the enhanced scope for Terminal 3, for a total project budget of $1.82 billion. The expanded scope is not included in the CIP and is referred to in this Official Statement including APPENDIX A as the Planned Additional Project.

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. Also see "—*Shoreline Protection Program*" below.

Master Utilities Infrastructure Study/Infrastructure Modernization Plan

The Commission completed a Master Utilities Infrastructure Study ("MUIS") to identify utility infrastructure in need of replacement or upgrade. The MUIS provided a preliminary roadmap for future capital projects to either maintain and renovate existing utilities infrastructure or construct new utilities infrastructure to meet future anticipated Airport needs. A small number of the projects identified in the MUIS are in the CIP. Concurrently, the Airport is also developing an Infrastructure Modernization Plan ("IMP") to refine utility infrastructure planning for short, medium, and long-term needs, as well as incorporate resiliency and adaptation framework, and electrification studies. The IMP will holistically develop scopes, schedules, and budgets for implementable projects as well as serve as a singular authority for all utility infrastructure related scopes. The cost of future utility infrastructure projects may be substantial.

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 San Francisco 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 was released on August 31, 2022. Federal environmental review under NEPA is expected to commence in mid-2023. 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 2024. Permitting is anticipated to occur in 2023, with detailed design and construction anticipated to commence in 2024, 2025 respectively. Construction will be implemented in phases over several years. 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 early-2024. The Airport anticipates pursuing modifications to the FIRM to remove the Airport premises from the FIRM that would take effect once the Shoreline Protection Program is completed. See "—*FEMA Flood Insurance Rate Map*" above.

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 potentially significant expenditures 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 San Francisco City Attorney filed a lawsuit on behalf of the People of the State of California in San Francisco Superior Court against the five largest investor-owned oil companies seeking to have the companies pay into an abatement fund to help fund infrastructure for climate change adaptation. In July 2018, the United States District Court for the Northern District of California denied the People's motion for remand to State court and then dismissed the lawsuit, which the City had joined as a plaintiff. The plaintiffs 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 District Court 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. In October 2022, the District Court ordered the case remanded to State court and stayed the remand pending any appeals. The defendants have appealed the District Court's decision to the Ninth Circuit. While the City believes that the claims in this lawsuit are meritorious, it can give no assurance regarding whether the lawsuit 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 $275.0 million in AIP grants, including an estimated $198.8 million in FAA discretionary grants and $68.0 million in TSA funding, of which a portion has already been received. 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 $14.7 million (estimated) and $83.3 million as of June 30, 2022 and 2021, 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 five 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 Annual Service Payment in fiscal year ended June 30, 2021 did not exceed the base year payment when adjusted for inflation, therefore the FAA did not militate discretionary grants in federal fiscal year ended September 30, 2022. 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. The FAA awarded the Airport approximately $254.8 million of federal CARES Act grant funds. As of October 14, 2021, the Airport had 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) 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. In addition, the TSA awarded the Airport approximately $0.8 million of federal CARES Act grant funds that are related to cleaning and sanitizing of the TSA checkpoint and administrative spaces following local and state health and U.S. Centers for Disease Control and Prevention requirements. 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, provided additional direct aid for airports. The FAA awarded the Airport approximately $40.6 million of 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, the FAA awarded the Airport approximately $5.9 million of federal CRRSAA grant funds to provide relief to eligible concessionaires. As of July 21, 2022, the Airport requested and received the total of $5.9 million in CRRSAA reimbursement, of which 99.4% was applied to concessions rent relief in Fiscal Year 2021-22 and 0.6% was applied to offset Operation and Maintenance Expenses in Fiscal Year 2020-21 for administering the concessions relief.

The ARPA, which became law on March 11, 2021, provided additional direct aid for airports. The FAA awarded the Airport approximately $169.0 million of federal ARPA grant funds As of June 9, 2022, the Airport requested and received the total $169.0 million of ARPA reimbursement, which was applied to offset Operation and Maintenance Expenses in Fiscal Year 2021-22. 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. As of December 29, 2022, the Airport requested and received the total of $23.8 million in ARPA reimbursement to be applied to concessions rent relief in Fiscal Year 2022-23.

The Infrastructure Investment and Jobs Act, which included direct aid for airports, among other things, became law on November 15, 2021. Under the Infrastructure Investment and Jobs Act**,** in Federal Fiscal Years 2021-22 and 2022-23, the Airport was allocated a total of approximately $98.5 million in federal funds for capital projects and expects to be allocated additional federal funds in Federal Fiscal Years 2023-24 through 2025-26.

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 2023AB 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 have comprised approximately 80% of passenger traffic in recent years. 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 "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain 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 through Fiscal Year 2021-22 were, and in Fiscal Year 2022-23 and future fiscal years may continue to be, impacted by the COVID-19 pandemic. For further discussion of the pandemic, see "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain 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 2017-18 through 2021-22 is shown in the following table. See APPENDIX B–"FINANCIAL STATEMENTS WITH SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES JUNE 30, 2022 (WITH INDEPENDENT AUDITORS' REPORT THEREON)."

The Commission's net position decreased by approximately $165.4 million from Fiscal Year 2020-21 to Fiscal Year 2021-22, resulting in a negative total net position of approximately $660.2 million. This reduction was primarily attributable to the residual effect of the Airport depreciating its capital assets faster than repaying its bonded debts.

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

	2017-18[7]	2018-19	2019-20	2020-21	2021-22
Assets:					
Unrestricted current assets[1][2][3]	$ 567,930	$ 597,189	$ 596,234	$ 719,602	$ 1,104,277
Restricted current assets	570,803	678,516	608,347	625,641	591,895
Unrestricted non-current assets	-	-	-	-	241,871
Restricted non-current assets	1,521,951	1,438,161	1,572,623	1,147,970	930,708
Net pension assets	-	-	-	-	153,872
Capital assets, net	4,930,029	6,131,342	6,737,388	7,070,878	6,977,073
Total assets	7,590,713	8,845,208	9,514,592	9,564,091	9,999,696
Deferred outflows of resources:					
Unamortized loss on refunding of debt	75,343	64,272	49,470	52,746	36,158
Deferred outflows on derivative instruments	29,245	38,828	28,221	21,374	10,192
Deferred outflows related to OPEB	13,387	20,584	32,003	39,632	35,683
Deferred outflows related to pensions	91,596	80,371	94,151	94,882	82,086
Total deferred outflows of resources	209,571	204,055	203,845	208,634	164,119
Liabilities:					
Current liabilities[4]	272,022	265,115	273,521	268,178	527,812
Current liabilities payable from restricted assets	298,855	252,616	256,196	459,508	215,088
Noncurrent liabilities[5]	6,584,291	7,800,699	8,637,322	8,860,986	9,102,113
Net OPEB liability	244,096	236,160	256,506	258,525	251,367
Net pension liability	308,459	254,206	278,176	340,330	-
Derivative instruments	37,558	46,085	28,221	21,374	10,192
Total liabilities	7,745,281	8,854,881	9,729,942	10,208,901	10,106,572
Deferred inflows of resources:					
Deferred inflows related to OPEB:	394	21,901	18,448	43,768	50,638
Deferred inflows related to pensions	22,230	48,297	62,787	14,859	380,803
Deferred inflows related to leases	-	-	-	-	286,045
Total deferred inflows of resources	22,624	70,198	81,235	58,627	717,486
Net position:					
Net investment in capital assets	(564,762)	(646,073)	(725,562)	(1,030,427)	(1,327,327)
Restricted for debt service	186,655	237,449	220,591	117,856	61,899
Restricted for capital projects	419,486	488,746	406,194	436,516	492,914
Restricted for other purpose[7],[8]	-	-	-	-	1,978
Unrestricted	(9,000)	44,062	6,037	(18,748)	110,293
Total net position	$ 32,379	$ 124,184	$ (92,740)	$ (494,803)	$ (660,243)

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(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): 2021-22: $2,949; 2020-21: $22,714; 2019-20: $18,074; 2018-19: $1,307; 2017-18: $1,609.

(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): 2021-22: $417,053; 2020-21: $160,189; 2019-20: $0; 2018-19: $3,392; 2017-18: $0. 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) 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."

(7) Amounts include the On-Airport Hotel's assets and liabilities (including the Hotel trust accounts) except the Hotel Debt Service trust account, the Hotel Revenue Stabilization Fund trust account, the Hotel Capitalized Interest trust account, and the Hotel's capital lease obligations.

(8) If amount is negative, it is reclassed to Unrestricted Net Position.

Source: Commission.

Total unrestricted cash totaled $348.5 million as of fiscal year end in Fiscal Year 2019-20, $484.0 million as of fiscal year end in Fiscal Year 2020-21 and $787.6 million as of fiscal year end in Fiscal Year 2021-22. These amounts do not include amounts held in the Contingency Account. For further discussion of the Contingency Account, see "SECURITY FOR THE SERIES 2023AB BONDS–Contingency Account." The amount of unrestricted cash changes frequently, sometimes substantially.

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 2017-18 through 2021-22 is shown in the table below. See APPENDIX B–"FINANCIAL STATEMENTS WITH SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES JUNE 30, 2022 (WITH INDEPENDENT AUDITORS' REPORT THEREON)."

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

	2017-18	2018-19	2019-20	2020-21	2021-22
Aviation Revenues	$670,282	$565,635	$613,473	$337,215	$468,840
Concession Revenues[(1)]	310,325	327,412	255,338	113,914	274,765
Net Sales and Services	83,195	87,396	75,068	64,287	77,648
Total Operating Revenues	1,063,802	980,443	943,879	515,416	821,253
Total Operating Expenses[(2)]	(770,186)	(764,011)	(931,072)	(914,385)	(809,830)
Operating (Loss) Income	293,616	216,432	12,807	(398,969)	11,423
Nonoperating Revenue (Expense)[(3)]	(196,910)	(99,126)	(245,280)	(53,093)	(179,955)
Income (Loss) Before Capital Contribution and Transfers	96,706	117,306	(232,473)	(452,062)	(168,532)
Capital Contributions[(4)]	15,051	23,611	49,292	64,735	40,998
Transfer to the City	(46,549)	(49,112)	(33,743)	(14,736)	(37,906)
Changes in Net Position[(5)]	$65,208	$91,805	$(216,924)	$(402,063)	$(165,440)

(1) Also includes parking and transportation revenues and On-Airport Hotel operating revenues.

(2) Includes depreciation expense in the amounts of $265.2 million for Fiscal Year 2017-18, $268.8 million for Fiscal Year 2018-19, $312.1 million for Fiscal Year 2019-20, $331.1 million in Fiscal Year 2020-21; and $356.6 million in Fiscal Year 2021-22. Includes On-Airport Hotel operating expenses in the amount of $15.2 million for Fiscal Year 2019-20, $14.4 million for Fiscal Year 2020-21, and $25.0 million for Fiscal Year 2021-22.

(3) Includes interest expense in the amount of $211.5 million for Fiscal Year 2017-18; $228.9 million for Fiscal Year 2018-19; $300.2 million in Fiscal Year 2019-20; $272.8 million in Fiscal Year 2020-21; and $321.1 million Fiscal Year 2021-22. Interest expense for Fiscal Year 2020-21 was adjusted to $270.3 million in the Commission's Fiscal Year 2021-22 audited financial statements as a result of $2.5 million of unrealized investment losses being recharacterized as negative investment revenue.

(4) Represents federal and state grant funds. In Fiscal Year 2020-21, includes $36.3 million asset contributions from SFO Fuel. In Fiscal Year 2021-22, includes $24.0 million asset contributions from SFO Fuel.

Source: Commission.

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Available Financial Resources

The following table and accompanying footnotes describe some of the financial resources available to the Commission. All figures are as of June 30, 2022.

Contingency Account:(1)	$163.2 million
Unrestricted Cash:(2)	$787.6 million
PFC Fund balance:(3)	$477.5 million
Available Commercial Paper:	$514.0 million(4)

(1) See "SECURITY FOR THE SERIES 2023AB BONDS–Contingency Account" for a description of the Contingency Account.

(2) 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.

(3) Amounts in the PFC Fund may be designated by the Commission as Revenues to offset debt service on Bonds. See "SECURITY FOR THE SERIES 2023AB BONDS–Pledge of Net Revenues; Source of Payment."

(4) 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 $286.2 million in Commercial Paper Notes was outstanding as of January 1, 2023. See "SECURITY FOR THE SERIES 2023AB BONDS–Other Indebtedness–*Subordinate Bonds.*"

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 38% of total operating revenue in Fiscal Year 2021-22. 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.

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TOP TEN SOURCES OF REVENUE

		FY 2019-20[1]	FY 2020-21[1]	FY 2021-22		
Company/Source	Category	Revenues ($ in thousands)	Revenues ($ in thousands)	Revenues ($ in thousands)	Percent of Operating Revenue	Percent of Total Revenue[2]
United Airlines	Airline	$247,709	$224,630	$307,228	37.41%	30.51%
On Airport Parking[3]	Public Parking	65,327	34,237	94,111	11.46	9.35
American Airlines	Airline	37,754	38,589	47,535	5.79	4.72
Delta Air Lines	Airline	32,262	29,324	45,836	5.58	4.55
Alaska Airlines	Airline	38,920	29,315	45,327	5.52	4.50
SkyWest Airlines	Airline	N/A	15,499	27,273	3.32	2.71
The Hertz Corporation[5]	Rental Car	N/A	13,987	25,722	3.13	2.55
Enterprise Rent-a-Car Co. of San Francisco, LLC (formerly EAN, LLC)[4]	Rental Car	27,015	15,535	25,230	3.07	2.51
Southwest Airlines	Airline	22,570	19,408	24,377	2.97	2.42
Avis Budget Car Rental, LLC	Rental Car	18,594	N/A	23,722	2.89	2.36
Signature Flight Support		N/A	15,119	N/A	-	-
Raiser CA LLC/Uber 032512	Ground Transportation	22,568	N/A	N/A	-	-
DFS Group, L.P.	Duty Free and General Merchandise	22,404	N/A	N/A	-	-
Subtotal Ten Highest		**$535,123**	**$435,643**	**$666,361**	**81.14%**	**66.18%**
Other Operating Revenue		408,756	79,773	154,892	18.86	15.38
Total Operating Revenue		**$943,879**	$515,416	$821,253	**100.00%**	**81.56%**
Other Revenue[6]		95,415	299,655	112,842		11.21
PFC Collections		72,967	29,473	72,804		7.23
Total Airport Revenue		**$1,112,261**	**$844,544**	**$1,006,899**		**100.00%**

(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 and emerged from bankruptcy in June 2021.
(6) Includes interest and other non-operating revenue. "Other Revenues" for Fiscal Year 2020-21 was adjusted to $297,113 in the Commission's Fiscal Year 2021-22 audited financial statements as a result of $2,542 of unrealized investment losses being recharacterized as "Other Revenue" rather than being included as interest expense (figures in thousands).
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 2022-23, annual terminal rental rates at the Airport range from $327.50 per square foot for Category I space (ticket counters and hold rooms) to $32.75 per square foot for Category V space (unenclosed or covered areas at ramp level), with an average rate per square foot of $187.47. 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 landing fee rate for Fiscal Year 2022-23 is $7.73 per thousand pounds of landed weight compared to $11.40 per thousand pounds of landed weight for Fiscal Year 2021-22. Operators without a lease or operating permit pay a landing fee charge of $9.66 per thousand pounds of landed weight. For Fiscal Year 2022-23, the minimum landing fee for fixed wing aircraft is $415 compared to $393 for Fiscal Year 2021-22.

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 "SAN FRANCISCO INTERNATIONAL AIRPORT–Certain 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)]
2021-22	$21.14
2020-21	36.62
2019-20	25.68
2018-19	16.46
2017-18	20.10

(1) Reflects net aviation revenue due (undercollected) in Fiscal Year 2017-18 and Fiscal Year 2019-20. See "SECURITY FOR THE SERIES 2023AB 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 2018-19 through 2022-23 is set forth below.

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

	2018-19	2019-20	2020-21	2021-22	2022-23
Landing Fees (per 1,000 pounds)	$5.54	$5.80	$7.29	$11.40	$7.73
Minimum Landing Fee (fixed wing)	372	393	393	393	415
Minimum Landing Fee (rotary)	186	196	196	196	208
Average Terminal Rental Rate (per square foot)	179.21	191.50	196.45	196.45	187.47

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, 2023, the Incentive Program has resulted in 22 new destinations offered by a combination of United Airlines and 14 new carriers.

In September 2021, to incentivize new service to domestic destinations, the 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 SFO with new non-stop air service to domestic destination(s) not served nonstop by any airline from SFO 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 and has been extended through December 31, 2023. Breeze Airways started operation at the Airport in May 2022 and is currently serving five new domestic destinations from the Airport: Richmond, Virginia, Charleston, South Carolina, Louisville, Kentucky, Provo, Utah, and San Bernardino, California.

Additionally, the Commission approved a new Air Carrier Incentive Program in January 2023. Through this program, airlines with seasonal service or nearly-all-year service that have previously been unserved at the Airport may choose from one of two options: (i) a one-time, minimum of four months and maximum of seven months of summer or winter seasonal service or (ii) a minimum period of twelve consecutive months and up to 24 consecutive months across both summer and winter seasons (with an allowance for up to a maximum of two consecutive months of reduced, limited or no service during low seasonal demand in each year, beginning from the start date of the new air service). Seasonal service to Rome, Italy will begin in May 2023 and will be the first market for this new program.

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 2021-22 totaled $174.9 million, up from $60.6 million in Fiscal Year 2020-21. 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. During the COVID-19 pandemic, the share of ground transportation revenues coming from public parking and rental cars initially grew, but over time the demand for, and revenue share for, shared transportation modes has increased. 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. The MAG had been suspended since the effective date of the leases until enplanements returned 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). The MAG suspension has ended and the on-Airport rental car companies have resumed MAG payments as of November 1, 2022.

The on-Airport rental car companies generated aggregate concession revenue and building space rent to the Airport of $60.8 million in Fiscal Year 2021-22 and $36.2 million in Fiscal Year 2020-21.

The Commission implemented a rental car customer facility charge ("CFC") in early 2022, at a rate of $10.00 per rental car transaction in accordance with State law, for the purpose of making improvements to the Commission's rental car facilities. CFC revenues are not classified as Revenues of the Commission under the 1991 Master Resolution in accordance with a recently approved 1991 Master Resolution amendment.

Turo, Inc. (f.k.a. RelayRides, Inc.) ("Turo") is a web and mobile application 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 a peer-to-peer car sharing company 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 illegally 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 impose permit requirements on Turo, including charging the AirTrain System fee described under "–SFO Transportation Fees" and the 10% Gross Receipts Charge paid by off-airport rental car companies. Turo's cross-complaint claims that Turo is merely a technology platform and a peer-to-peer car-sharing program – not a rental car company – and that it does not operate at the Airport. 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 System 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. On June 28, 2021, Turo filed a petition for review with the California Supreme Court. The California Supreme Court granted the petition for review, but transferred the case back to the Court of Appeal for hearing. On June 28, 2022, the Court of Appeals held that the trial court erred in concluding that Turo is a rental car company under California law, and vacated the trial court's order granting summary adjudication on that issue. The parties have agreed to an interim stay until April 30, 2023 while they pursue settlement discussions, which could result in Turo obtaining a permit to operate legally at the Airport. Turo has entered into settlements agreements of similar litigation with Boston Logan International Airport and Los Angeles International Airport, and executed operating permits for legal operations at those airports. Settlement discussions between the Airport, the City Attorney and Turo are ongoing, and the stay could be extended to the extent necessary to reach a mutually acceptable settlement agreement and operating permit.

SFO Transportation Fees

The rental car companies collect a per rental contract fee ($16.00 in Fiscal Years 2021-22 and 2022-23) that is paid to the Commission for reimbursement of certain costs of operating and providing the AirTrain System facilities between the Terminal Complex and the rental car facility located one mile north of the Terminal Complex. The total collected in Fiscal Year 2021-22 was $15.6 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, $22.6 million for year 4, and $28.1 million for year 5. The guaranteed maximum prices for years 3 and 4 have been reduced due to the COVID-19 Pandemic. As the current parking contract ends on June 30, 2023, the Commission intends to initiate a competitive selection process for a parking management contractor.

In Fiscal Year 2021-22, parking revenues increased by 174.9%, or $59.9 million, to $94.1 million, as compared to $34.2 million in Fiscal Year 2020-21. Parking transactions increased by 127.7% in Fiscal Year 2021-22 as compared to the prior fiscal year and the average price per exit increased by 20.7% from $31.04 in Fiscal Year 2020-21 to $37.48 in Fiscal Year 2021-22. 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. Effective July 15, 2022, the $25 per day long-term parking rate was reinstated due to consistently high demand levels.

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 and long-term parking special rates. From October 29, 2020 through September 30, 2022, the Airport generated over $38.7 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. 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 $38.0 million in Fiscal Year 2021-22, an increase of $27.5 million or 262.1% from Fiscal Year 2020-21, primarily driven by increase in passenger traffic. In Fiscal Year 2021-22, TNCs recorded 5.4 million Airport pick-ups/drop-offs resulting in $30.0 million in trip fee revenue as compared to 1.8 million Airport pick-ups/drop-offs and $8.3 million in trip fee revenue in Fiscal Year 2020-21. Commercial modes of transportation experienced increases in trips in Fiscal Year 2021-22, including hotel shuttles (99.5%) shared-ride vans (104.6%), door-to-door pre-arranged vans (174.6%), limousines (271.1%), taxis (372.0%), scheduled buses (119.3%), charter buses (262.1%), and off-airport parking vans (66.1%).

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 most boutique locations have reopened along with nearly 90% of all food and beverage and retail locations. The remaining 10% 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 was deferred until no later than August 31, 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 and is being implemented. In addition, the Airport plans to extend $ 5.9 million in Fiscal Year 2021-22 and $23.8 million in Fiscal Year 2022-23 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. As passenger volumes continue to improve, approximately 53% of all concession leases have had MAGs reinstated as of January 1, 2023.

Retail and Food and Beverage Program

As of October 2022, the domestic terminals have 39 retail locations and 50 restaurants and the international terminal has 25 retail locations (including 15 duty free stores) and 21 restaurants. Some locations were temporarily closed as a result of the COVID-19 pandemic, however, currently the main DFS Galleria stores and most boutique locations have reopened along with nearly 90% of all food and beverage and retail locations, while a few locations remain closed or are operating at reduced hours. 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. Currently Boarding Area B has 19 newly operating restaurants and retail stores with an additional seven locations planned to be opened between 2023 and 2024. Overall concessions square footage has increased from 20,956 to 25,973 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 was initially suspended due to the effects from pandemic however resources have been recently remobilized as timing and scope of the Terminal 3 West project is currently being reevaluated. (See "CAPITAL PROJECTS AND PLANNING–The Capital Improvement Plan.")

A comprehensive renovation of the ITC concessions program has substantially been completed since December 2021 with 21 new food and beverage concepts, five new retail locations and 15 newly renovated retail stores have opened. One remaining location in this program has experienced delays and the expected opening date is yet to be determined. 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 were initially 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.*" More than half of all leases have had MAG reinstated as of January 1, 2023.

In Fiscal Year 2021-22, food and beverage domestic terminal sales increased from the prior year by 191.9% and ITC sales increased from the prior year by 361.0% for an overall increase of 214.9%. In Fiscal Year 2021-22, food and beverage domestic terminal revenues to the Airport increased by 227.8% as compared to Fiscal Year 2020-21 and ITC revenues increased from the prior year by 496.0% for an overall increase of 255.7%. The overall rise in both sales and revenues is mainly driven by the increase in passenger traffic. The difference between sales and revenue increase reflects how the Airport's concessionaire leases are structured and the suspension of MAGs. Overall, the domestic terminal passenger food and beverage spend rate increased by 24.2% in Fiscal Year 2021-22 over the prior Fiscal Year from $8.45 to $10.49 and the ITC food and beverage spend rate increased by 34.6% from $7.36 to $9.91. The overall passenger food and beverage spend rate at the Airport in Fiscal Year 2021-22 was $10.40, a 25.4% increase from Fiscal Year 2020-21.

In Fiscal Year 2021-22, retail sales, excluding duty free and duty paid, increased 173.2% compared to the prior year, with a per passenger spend rate increase of 8.8% to $4.02 from $3.69. In Fiscal Year 2021-22, rent from retail concessions increased 151.8%. Both increase in sales and rent is primarily driven by the increase in passenger traffic.

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 15 stores covering about 46,295 square feet, primarily in the ITC, with one location in Terminal 1. ITC renovations under this concession agreement have been mostly completed and the Terminal 1 location is expected to begin construction in 2023. 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 2022 is $12,737,715.25. As a result of the market disruption from the COVID-19 pandemic, the Airport placed Clear Channel in lease holdover status as of January 1, 2023 while it contemplates a lease extension or completing a competitive leasing process.

Top Ten Sources of Concession Revenues

In Fiscal Year 2021-22, concession revenues, including revenues for parking and other ground transportation, were $274.8 million, a 141.2% increase compared to the previous Fiscal Year's revenues of $113.9 million.

The following table summarizes concession revenues for Fiscal Years 2019-20 through Fiscal Year 2021-22 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. "Concession Revenues" for identified concessionaires/managers includes only revenues derived from percentage rent (including minimum annual guarantees where applicable), not fees for permits or facility rent.

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TOP TEN SOURCES OF AIRPORT CONCESSION REVENUES*

Concessionaire/Manager	Concession Revenue Sources	Lease/Agreement Expiration Date	FY 2019-20 Concession Revenue ($ in thousands)	FY 2020-21 Concession Revenue ($ in thousands)	FY2021-22 Concession Revenue ($ in thousands)
DFS Group, L.P.	Duty Free and General Merchandise	Various[1]	$ 24,348	$ 2,776	$ 14,370
Clear Channel Airports	Advertising	12/31/23[2]	11,957	12,202	12,712
Avis Budget Rental Car, LLC	Rental Car	8/31/25[3,4]	9,189	3,313	12,294
The Hertz Corporation	Rental Car	8/31/25[3,5]	8,641	3,637	12,086
Enterprise Rent-a-Car Rental, LLC (formerly EAN, LLC)	Rental Car	8/31/25[3,6]	13,541	4,417	11,649
Tastes on the Fly San Francisco, LLC	Food and Beverage	Various[7]	5,844	708	3,821
Alclear, LLC.	Travel Service	12/31/23 [8]	2,518	2,239	2,713
Sixt Rent A Car, LLC	Rental Car	8/31/25[3,9]	n/a	n/a	2,671
Fox Rent A Car, Inc.	Rental Car	8/31/20[3,10]	n/a	896	1,719
American Express Travel Related Services Co., Inc	VIP Club	11/05/24[11]	n/a	2,255	1,577
Sprint Spectrum	Wireless Network	Expired [12]	n/a	719	n/a
GTE MobilNet of California	Wireless Network	Expired [12]	n/a	719	n/a
T-Mobile	Wireless Network	Expired [12]	n/a	719	n/a
New Cingular Wireless	Wireless Network	Expired [12]	n/a	719	n/a
Travelex America, Inc.	Currency Exchange	8/31/2020[13]	5,701	n/a	n/a
DTG Operations Rental Car	Rental Car	12/31/18[14]	4,270	n/a	n/a
WDFG North America, LLC (Formerly Host International Inc.)	General Merchandise	Various[15]	2,699	n/a	n/a
Sub Total			**$88,708**	**$35,317**	**$75,613**
Other Revenue[16]			166,630	78,597	199,152
Total Concession Revenue			**$255,338**	**$113,914**	**$274,765**

* See also "–Concession Revenues," and "—Ground Transportation Revenues – Rental Cars."

(1) There are two concession leases for DFS Group: a duty paid lease and a duty free lease. In Fiscal Year 2021-22, both leases were subject to only percentage rent (not a minimum annual guarantee). The duty paid lease expires January 31, 2028; the duty free lease expires March 31, 2034.

(2) The fixed rent for Clear Channel in Fiscal Year 2021-22 was $12.5 million.

(3) 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.

(4) Doing business as Avis Rent-A-Car and Budget Rent-A-Car. Avis Budget Rental Car, LLC was subject to only percentage rent (not a minimum annual guarantee) in Fiscal Year 2021-22.

(5) The Hertz Corporation was subject to only percentage rent (not a minimum annual guarantee) in Fiscal Year 2021-22. Doing business as Hertz Rent-A-Car, Dollar Rent-A-Car and Thrifty Car Rental.

(6) Doing business as Enterprise Rent-A-Car, Alamo Rent-A-Car and National Car Rental. Tenant was subject to only percentage rent (not a minimum annual guarantee) in Fiscal Year 2021-22.

(7) Tastes on the Fly operates various locations within the Airport, each with a different expiration date. The total minimum annual guaranteed rent for Fiscal Year 2021-22 was $0.4 million. Minimum annual guaranteed rent was reinstated for some locations in Fiscal Year 2021-22.

(8) The total minimum annual guaranteed rent for Alclear, LLC. in Fiscal Year 2021-22 was $1.6 million.

(9) Sixt Rent A Car off-airport permit ceased 8/31/2020. On-airport lease commenced September 2020. Tenant was subject to only percentage rent (not a minimum annual guarantee) in Fiscal Year 2021-22.

(10) Fox Rent A Car on-airport lease ceased 08/31/2020. Off-airport permit commenced September 2020.

(11) American Express Travel Services rents space for its common use club at CAT II rate.

(12) Tenants' active holdover status ended 1/31/2022. Tenants were not one of the top ten sources of concession revenue in Fiscal Year 2019-20 and Fiscal Year 2021-22.

(13) Travelex America lease ended 08/31/2020. Tenant was not one of the top ten sources of concession revenues in Fiscal Year 2020-21 or Fiscal Year 2021-22.

(14) Doing business as Dollar Rent-A-Car and Thrifty Car Rental. Also see footnote (3) above.

(15) WDFG North America, LLC (Formerly Host International Inc.) operates various locations within the Airport, each with a different expiration date. Tenant was not one of the top ten sources of concession revenue in Fiscal Year 2020-21 and Fiscal Year 2021-22.

(16) Represents the aggregate concession revenue received from approximately 83 additional concessionaires operating 156 concessions, public parking and ground transportation operators at the Airport, including public parking revenues of approximately $65.3 million in Fiscal Year 2019-20, approximately $34.2 million in Fiscal Year 2020-21, and approximately $94.1 million in Fiscal Year 2021-22, and TNC trip fee revenues of approximately $36.9 million in Fiscal Year 2019-20, approximately $8.3 million in Fiscal Year 2020-21, approximately $30.0 million in Fiscal Year 2021-22.

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 September 30, 2022.

SUMMARY OF AIRPORT PFC APPLICATIONS
As of September 30, 2022

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	742	0
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	61	476
9[h]	October 2020	January 2021	209	209	December 2030	0	209
	TOTAL[i]:			$2,321[i]		$1,636[i]	$685[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 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 $137 million of PFCs as Revenues in Fiscal Year 2022-23.

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]
2021-22	$60.9	$397.0	$0.0
2020-21	29.3	0.0	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

(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. The Commission 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.
(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 2021-22 operating expenses decreased $104.6 million (11.4%) to $809.8 million from $914.4 million in Fiscal Year 2020-21. This decrease was primarily attributable to decreases in expenses for personnel, services provided by other city departments, general and administrative, and environmental remediation. Personnel expenses decreased $146.7 million (40.3%) primarily due to decrease in pension expenses as a result of investment gains. Depreciation increased $25.5 million (7.7%), primarily due to the additions of capital assets related to the AirTrain System, Terminals, and Runway improvement projects. Contractual services increased $4.3 million (5.6%), primarily due to increased expenses for various professional services contracts, such as parking and shuttle buses as a result of increased passenger traffic. The On-Airport Hotel operating expenses increased $10.6 million (73.4%) primarily due to the significant rise in labor costs and hotel supplies. Light, heat and power expenses increased $2.8 million (11.1%) primarily due to an increase in consumption and rates. Services provided by other City departments decreased $2.4 million (8.1%), primarily due to lower Police academy training costs. Repairs and maintenance expenses increased $4.7 million (9.1%), primarily due to the return of pre-pandemic service levels in maintenance contracts for elevator, escalator, and moving walkways. Materials and supplies expenses increased $1.1 million (9.3%), primarily due to inflation as well as increased spending on cleaning and electrical supplies due to higher passenger traffic and outages that occurred during fiscal year 2022. General and administrative expenses decreased $1.2 million (20.8%), primarily due to a decrease in estimated bad debts expense related to the Airport COVID-19 Emergency Rent Relief Program for concession tenants. Environmental remediation expenses decreased $3.3 million (60.9%), primarily due to fewer capital project activities.

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

As provided by San Francisco Charter Section 16.104(b)(8) and 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 2023AB Bonds, and certain other expenditures. See "SECURITY FOR THE SERIES 2023AB BONDS–Flow of Funds." The amount of Annual Service Payment for each of Fiscal Years 2017-18 through 2021-22 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. New federal legislation could change or revoke this status. The 2018 FAA Act included a provision that required 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*." No further action has been taken by Congress since the issuance of the report.

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 2017-18 through 2021-22. 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
2021-22	$37.9	$64.9	$29.0	$30.5	$61.8(2)	$186.2	$224.1
2020-21	14.7	69.4	26.9	29.0	48.2(3)	173.5	188.2
2019-20	33.5	69.5	27.1	33.4	53.5(4)	183.5	217.0
2018-19	49.1	65.2	25.0	29.2	51.9(5)	171.3	220.4
2017-18	46.5	58.8	24.2	23.6	49.7(6)	156.3	202.8

(1) Represents costs of direct services provided by the City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments.
(2) Approximately $22.5 million in utility costs were recovered from Airport tenants.
(3) Approximately $19.2 million in utility costs were recovered from Airport tenants.
(4) Approximately $23.6 million in utility costs were recovered from Airport tenants.
(5) Approximately $22.8 million in utility costs were recovered from Airport tenants.
(6) Approximately $22.9 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, to 2.50% from 2.75% and to 3.25% from 3.50%, respectively. The new assumptions are first effective for the July 1, 2020 actuarial valuation.

In November 2021, the Retirement Board reduced the discount rate to 7.2% from 7.4%, effective for the July 1, 2021 actuarial valuation, which increased the employer contribution rate by about 2.14% of pay and increased the Actuarial Liability by approximately $702 million. The Retirement Board also elected to amortize all prior assumption changes and actuarial gains and losses (including the Fiscal Year 2020-21 actuarial gain) over five years. This reduced the contribution rate by 2.20%.

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 2023AB 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 2023AB 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 2016-17 through 2020-21. 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, 2021 and was issued in January 2022.

CITY AND COUNTY OF SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM
End of Fiscal Years 2016-17 through 2020-21
($ 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
2021	$31,905,275	$35,673,834	$30,043,222	111.8%	94.2%	$1,245,957	26.90%
2020	29,499,918	26,620,218	26,695,844	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

† Employer contribution rates are shown before required employer/employee cost-sharing.
Source: Retirement System Actuarial Valuation reports as of July 1, 2017, July 1, 2018, July 1, 2019, July 1, 2020 and July 1, 2021.

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 2017-18 through 2022-23 are set forth below.

AIRPORT CONTRIBUTIONS TO THE RETIREMENT SYSTEM

Fiscal Year	Contribution Rate	Airport Contribution
2022-23	21.35%	$43.5 million†
2021-22	24.41	47.4 million
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

† 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 2017-18 through 2021-22 and budgeted for 2022-23 are set forth in the following table:

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

Fiscal Year	Active Employees	Retirees	Total
2022-23[†]	$33.1[†]	$17.4[†]	$50.0[†]
2021-22	35.1	14.5	49.6
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

(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 B.

As of June 30, 2022, the City reported net OPEB liabilities related to the Plan of $3.7 billion. The Airport's proportionate share of the City's net OPEB liability as of June 30, 2022 was $251.4 million. For the year ended June 30, 2022, the Airport's proportionate share of the City's OPEB expense was $272.0 million. See Note 10(b) in APPENDIX B–"FINANCIAL STATEMENTS WITH SCHEDULE OF PASSENGER FACILITY CHARGE REVENUES AND EXPENDITURES JUNE 30, 2022 (WITH INDEPENDENT AUDITORS' REPORT THEREON)."

As of June 30, 2022, the Airport had set aside $149.6 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 2021-22. 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 2022-23 assumed recovery of air traffic at a relatively slow rate and 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 2022-23 is $1.18 billion. Budgeted total revenues in the amount of $1.18 billion include aviation revenues ($631.6 million), parking and concessions ($247.2 million), other non-aviation revenues ($99.6 million) and non-operating revenues ($199.5 million). Budgeted total expenditures for Fiscal Year 2022-23 are $1.18 billion, including personnel costs ($283.2 million), non-personnel services, materials and supplies, equipment, and contribution to surety bond fund ($190.7 million), small capital outlay ($5.2 million), debt service ($443.5 million), utilities ($57.9 million), services of other departments, including Fire and Police Departments ($145.3 million), the Annual Service Payment ($37.1 million), and facilities maintenance ($15.0 million). This compares to an approved operating budget for the Airport for Fiscal Year 2021-22 of $1.21 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 of 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 excess auto, 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 September 30, 2022 to be 594 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 September 30, 2022, the book value of the City Pool was approximately $12.9 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 September 30, 2022)	
U.S. Treasuries	30.46%
Federal Agencies	37.76
Commercial Paper	3.10
Money Market Funds	8.69
Supranationals	4.98
Public Time Deposits	0.23
Negotiable Certificates of Deposit	14.77
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, 2022, the book value of the Airport's cash and investments held in the City Pool was estimated to be approximately $1.8 billion.

BOOK VALUE OF AIRPORT FUNDS IN CITY POOLED INVESTMENT FUND
(as of June 30, 2022)

Construction Funds	$405.4 million
Operating Fund	775.8 million
Contingency Account	168.0 million
PFC Funds	491.5 million
Special Revenue Fund	0.5 million
TOTAL	$1,841.2 million

Source: Commission.

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Currently Outstanding Bonds

The Commission had outstanding $8,099,275,000 in aggregate principal amount of Second Series Revenue Bonds as of January 1, 2023. Some of these Bonds, or portions thereof, are expected to be refunded on the date of issuance of the Series 2023AB Bonds with certain proceeds of the Series 2023AB Bonds and certain other available moneys of the Commission. See "PLAN OF REFUNDING" and APPENDIX I – "LIST OF REFUNDED BONDS."

Series	Dated Date	Outstanding Principal (as of 1/1/23)	Purpose
2009D (Non-AMT/Private Activity)†	November 4, 2009	$ 51,615,000	Refunding
2010A (AMT)	February 10, 2010	119,745,000	Refunding
2013A (AMT)†	July 31, 2013	295,650,000	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	139,020,000	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	100,280,000	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	72,015,000	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	8,010,000	New Money/Refunding
2019D (Non-AMT/Private Activity) $^{\Omega}$	February 7, 2019	402,115,000	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	12,285,000	New Money
2019H (AMT)†	September 10, 2019	148,195,000	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
2022A (AMT)†	February 8, 2022	301,530,000	New Money/Refunding
2022B (Non-AMT/Governmental Purpose)†	February 8, 2022	236,475,000	New Money/Refunding
2022C (Taxable)†	February 8, 2022	194,815,000	New Money/Refunding
TOTAL		$8,099,275,000	

† Secured by Original Reserve Account. See "SECURITY FOR THE SERIES 2023AB BONDS–Reserve Fund; Reserve Accounts; Credit Facilities–*Original Reserve Account*."

$^{\Omega}$ Secured by 2017 Reserve Account. See "SECURITY FOR THE SERIES 2023AB 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, 2023, the Commission had outstanding $396,085,000 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 2023AB BONDS–Additional Bonds–*Repayment Obligations*."

CREDIT FACILITIES SUPPORTING VARIABLE RATE BONDS
(as of January 1, 2023)

	Series 2010A[6]	Series 2018B	Series 2018C
Outstanding Principal Amount	$119,745,000	$138,170,000	$138,170,000
Type	LOC[1]	LOC[1]	LOC[1]
Expiration Date	April 14, 2023	June 3, 2026	June 3, 2027
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, 2023. 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.
(6) All of these Bonds will be refunded with the proceeds of the Series 2023AB Bonds. See APPENDIX I – "LIST OF REFUNDED BONDS."
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 2023AB 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 and will be terminated in connection with the refunding of related outstanding Bonds as described above under "PLAN OF REFUNDING." 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.

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The table below summarizes the interest rate swap agreement to which the Commission was a party as of January 1, 2023. The interest rate swap agreement will be terminated in connection with the refunding described above under "PLAN OF REFUNDING."

SUMMARY OF INTEREST RATE SWAP AGREEMENT

Associated Bonds:	Series 2010A
Effective Date:	February 1, 2010
Outstanding Notional Amount:	$119,730,000
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):	($5,977,816.85)
Expiration Date:	May 1, 2030

(1) As of January 2, 2023. 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 January 1, 2023 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 2, 2023.

Source: Commission.

Debt Service Requirements

The table on the following page presents the annual debt service requirements for the Series 2023AB 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 2023A Bonds		Series 2023B Bonds		Total Series 2023AB Debt Service[3]	Aggregate Debt Service[3]
		Principal	Interest	Principal	Interest		
2023	$404,314,216	$2,898,333	$2,696,417	-	$1,325,167	$6,919,917	$411,234,133
2024	487,728,926	10,030,000	7,975,333	-	3,975,500	21,980,833	509,709,759
2025	530,397,018	10,511,667	7,473,833	-	3,975,500	21,961,000	552,358,018
2026	555,597,379	11,962,500	6,948,250	-	3,975,500	22,886,250	578,483,629
2027	547,977,155	17,783,333	6,350,125	-	3,975,500	28,108,958	576,086,114
2028	533,823,547	20,813,333	5,460,958	-	3,975,500	30,249,792	564,073,338
2029	452,171,627	20,837,500	4,420,292	-	3,975,500	29,233,292	481,404,919
2030	452,257,182	17,708,333	3,378,417	-	3,975,500	25,062,250	477,319,432
2031	468,458,696	-	2,493,000	-	3,975,500	6,468,500	474,927,196
2032	476,239,638	-	2,493,000	-	3,975,500	6,468,500	482,708,138
2033	507,434,328	-	2,493,000	-	3,975,500	6,468,500	513,902,828
2034	468,439,401	-	2,493,000	-	3,975,500	6,468,500	474,907,901
2035	468,438,724	-	2,493,000	-	3,975,500	6,468,500	474,907,224
2036	468,452,756	-	2,493,000	-	3,975,500	6,468,500	474,921,256
2037	472,561,584	8,310,000	2,493,000	-	3,975,500	14,778,500	487,340,084
2038	502,546,788	41,550,000	2,077,500	-	3,975,500	47,603,000	550,149,788
2039	549,674,113	-	-	-	3,975,500	3,975,500	553,649,613
2040	550,581,408	-	-	-	3,975,500	3,975,500	554,556,908
2041	555,093,274	-	-	-	3,975,500	3,975,500	559,068,774
2042	540,798,171	-	-	$13,251,667	3,975,500	17,227,167	558,025,338
2043	482,930,812	-	-	66,258,333	3,312,917	69,571,250	552,502,062
2044	559,702,342	-	-	-	-	-	559,702,342
2045	559,544,083	-	-	-	-	-	559,544,083
2046	559,420,711	-	-	-	-	-	559,420,711
2047	559,281,911	-	-	-	-	-	559,281,911
2048	558,589,318	-	-	-	-	-	558,589,318
2049	554,145,872	-	-	-	-	-	554,145,872
2050	512,938,361	-	-	-	-	-	512,938,361
2051	339,477,867	-	-	-	-	-	339,477,867
2052	263,456,743	-	-	-	-	-	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]	**$15,049,584,255**	**$162,405,000**	**$64,232,125**	**$79,510,000**	**$80,172,583**	**$386,319,708**	**$15,435,903,964**

(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 2017-18 through 2021-22.

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

	2017-18	2018-19	2019-20	2020-21	2021-22
Net Revenues[1]	$493,304	$476,653	$385,832	$311,233	$429,280
PFCs Treated as Revenues	4,068	63,260	151,810	-	-
Transfer from the Contingency Account[2]	132,000	155,164	166,213	167,295	168,193
TOTAL AVAILABLE FOR DEBT SERVICE	$629,372	$695,076	$703,855	$478,528	$597,474
Total Annual Debt Service[3]	$405,341	$436,459	$479,168	$290,261	$288,609
Historical Debt Service Coverage per the 1991 Master Resolution[4]	155.3%	159.3%	146.9%	164.9%	207.0%
Historical Debt Service Coverage Excluding Transfer	122.7%	123.7%	112.2%	107.2%	148.7%

(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 2021-22, the calculation of Net Revenues excluded $175.1 million of revenue from the CARES, CRRSAA, and ARPA grant reimbursements received by the Airport, which are not includable as Revenue, and excluded $175.1 million of operating expenses that were reimbursed using the CARES, CRRSAA, and ARPA grant funds. 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 such 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 2023AB 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 2023AB 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, 2023, 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 2023AB Bonds. The Airport Consultant has consented to the Report of the Airport Consultant, dated February 7, 2023, 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 projections; 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 future Bond issuances projected during the projection period. The Report does not reflect the issuance of the Series 2023AB Bonds or the refunding of the Refunded Bonds.

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 future Bonds projected to be issued during the projection period (but not including the issuance of the Series 2023AB Bonds or the refunding of the Refunded Bonds) based on such Net Revenues for Fiscal Year 2022-23 through Fiscal Year 2028-29, as set forth in the Report of the Airport Consultant attached hereto as APPENDIX A. Such projections reflect the impact on revenues and expenses associated with Bond issues projected to be undertaken during the projection period. The projections do 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" (other than the Planned Additional Project). Any additional future capital projects may be financed by future Bond issues.

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PROJECTION OF DEBT SERVICE COVERAGE
(Fiscal Year)
($ in thousands)

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29
Net Revenues[(1)]	$479,626	$604,886	$719,995	$767,744	$822,398	$990,481	$956,537
Transfer from the Contingency Account[*]	97,984	127,180	156,523	168,666	177,563	224,286	216,281
TOTAL AVAILABLE FOR DEBT SERVICE	$577,610	$732,066	$876,518	$936,411	$999,962	$1,214,767	$1,172,818
Debt Service Requirement[(2)]	$391,935	$508,720	$626,093	$674,666	$710,253	$897,144	$865,123
Projected Debt Service Coverage per the Resolution	147%	144%	140%	139%	141%	135%	136%
Projected Debt Service Coverage Excluding Transfer	122%	119%	115%	114%	116%	110%	111%

(1) Includes certain PFC revenues projected to be designated as Revenues by the Commission as described in the Report of the Airport Consultant.
(2) Cash basis. Includes projected debt service on outstanding Bonds and future 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 the Commission's outstanding variable rate Bonds and Bonds projected to be issued during each of the projected years based upon projections provided in December 2022 by Public Financial Management, Inc., co-Municipal Advisor of the Commission. The Report of the Airport Consultant does not reflect the issuance of the Series 2023AB Bonds or the refunding of the Refunded 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 2023AB 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 2023AB Bonds to their respective offices, or the pledge of Net Revenues to the payment of the Series 2023AB 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 covered 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 ("A4A"), a trade association and lobbying group that represents major North American airlines, filed a complaint in United States Federal District Court for the Northern District 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 parties agreed to bifurcate the case, with initial discovery and dispositive 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. On March 17, 2022, the court held a hearing on the dispositive motions. On April 5, 2022, the court issued an order granting the City's motion for summary judgment and denying A4A's motion. The court agreed with the City on all points, finding that the City acted within its authority as a market participant in enacting the HAO. Because being a market participant is a full defense to A4A's federal preemption claims, the court's ruling resulted in A4A's case being dismissed. A4A timely filed an appeal to the United States Court of Appeals for the Ninth Circuit, and briefing of the matter is complete as of January 4, 2023. Oral arguments have been requested but not yet scheduled.

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 2023AB 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 2023AB 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 2023AB Bonds.

UNDERWRITING

Purchase of Series 2023AB Bonds

BofA Securities, Inc., on its own behalf and as representative of the other underwriters identified on the cover hereof (such other underwriters, together with BofA Securities, 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 2023AB 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 2023AB Bonds if any such Series 2023AB Bonds are purchased.

The Series 2023AB Bonds are being purchased through negotiation by the Underwriters at a purchase price equal to $263,021,913.84 (representing the principal amount of the Series 2023AB Bonds, plus original issue premium equal to $21,584,069.30 and less an underwriters' discount equal to $477,155.46) pursuant to the Bond Purchase Contract.

The Underwriters may offer and sell the Series 2023AB Bonds to certain dealers and others at prices lower than the public offering prices set forth on the page immediately following the cover page to this Official Statement. 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.

BofA Securities, Inc., one of the Underwriters of the Series 2023AB Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill"). As part of this arrangement, BofA Securities, Inc. may distribute securities to Merrill, which may in turn distribute such securities to investors through the financial advisor network of Merrill. As part of this arrangement, BofA Securities, Inc. may compensate Merrill as a dealer for their selling efforts with respect to the Series 2023AB Bonds.

Morgan Stanley & Co. LLC, an Underwriter of the Series 2023AB Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2023AB Bonds.

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.

An affiliate of one of the Underwriters, Goldman Sachs Bank USA, is counterparty for the Commission's Swap Agreement. A portion of bond proceeds will be applied to fund a settlement payment to Goldman Sachs Bank USA in connection with the termination of the Swap Agreement.

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 2023AB BONDS–Other Indebtedness–*Subordinate Bonds*" and "AIRPORT'S FINANCIAL AND RELATED INFORMATION–Credit Facilities."

TAX MATTERS

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 2023AB 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 2023A Bond for any period that such Series 2023A Bond is held by a "substantial user" of the facilities financed or refinanced by the Series 2023A 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 2023B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Special Tax Counsel observes that interest on the Series 2023A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax, and that, for tax years beginning after December 31, 2022, interest on the Series 2023AB Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Special Tax Counsel is also of the opinion that interest on the Series 2023AB 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 2023AB Bonds. A complete copy of the proposed form of opinion of Special Tax Counsel is set forth in APPENDIX G hereto.

To the extent the issue price of any maturity of the Series 2023AB Bonds is less than the amount to be paid at maturity of such Series 2023AB 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 2023AB 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 2023AB Bonds is the first price at which a substantial amount of such maturity of the Series 2023AB 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 2023AB Bonds accrues daily over the term to maturity of such Series 2023AB 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 2023AB Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2023AB Bonds. Beneficial Owners of the Series 2023AB Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2023AB Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2023AB Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2023AB Bonds is sold to the public.

Series 2023AB 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 2023AB 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 2023AB 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 2023AB Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2023AB 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 2023AB Bonds may adversely affect the value of, or the tax status of interest on, the Series 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB Bonds. Prospective purchasers of the Series 2023AB 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 2023AB 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 2023AB Bonds in the event of an audit examination by the IRS. Under current procedures, 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 2023AB 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 2023AB Bonds, and may cause the Commission or the Beneficial Owners to incur significant expense.

Payments on the Series 2023AB 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 Beneficial Owner of Series 2023AB Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series 2023AB 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 a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

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 2023AB 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 2023AB 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 2023AB Bonds that the Series 2023AB 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 2023AB Bonds are treated as an equity interest for such purposes, though, the acquisition or holding of Series 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB Bonds, the purchase of the Series 2023AB 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 2023AB 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 2023AB Bonds, the arithmetical accuracy of certain computations included in the schedules provided by the Co-Municipal Advisors on behalf of the Commission relating to sufficiency of the escrows to defease the Refunded Bonds, will be verified by AW Smith LLC (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 2023AB Bonds are subject to the approval of Squire Patton Boggs (US) LLP and Alexis S.M. Chiu, Esq., 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 2023AB 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 2023AB Bonds. Special Tax Counsel expects to deliver an opinion on the tax aspects of the Series 2023AB Bonds at the time of issuance of the Series 2023AB 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 2023AB Bonds.

The Co-Municipal Advisors, Co-Bond Counsel, Disclosure Counsel, Special Tax Counsel and Underwriters' Counsel will receive compensation with respect to the Series 2023AB Bonds, which compensation is contingent upon the sale and delivery of the Series 2023AB Bonds.

FINANCIAL STATEMENTS

The audited financial statements of the Commission for Fiscal Year 2021-22 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 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 previously provided that audited financial statements prepared by the Commission each Fiscal Year were 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's audited financial statements for Fiscal Years 2017-18, 2018-19, 2019-20, 2020-21 and 2021-22 were not completed until January 25, 2019, November 27, 2019, November 13, 2020, January 7, 2022 and January 25, 2023, respectively, for a variety of reasons including remote working conditions due to COVID-19 and a delay in calculations required under GASB 75. The 1991 Master Resolution has been amended such that the audited financial statements are to be provided to the Trustee by January 26 (210 days after the end of the fiscal year).

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 2023AB 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 2023AB 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.

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 2023AB 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 REFUNDING BONDS
Series 2023A (AMT) and Series 2023B (Non-AMT/Governmental Purpose)

Prepared for

Airport Commission of the
City and County of San Francisco, California

Prepared by

LeighFisher
San Francisco, California

February 7, 2023

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Leigh|Fisher

February 7, 2023

Ms. Eleanor Johns, 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 Refunding Bonds,
Series 2023A (AMT) and Series 2023B (Non-AMT/Governmental Purpose)

Dear Ms. Johns:

We are pleased to submit this Report of the Airport Consultant (the Report) on certain aspects of the proposed issuance of Second Series Revenue Refunding Bonds, Series 2023A (AMT) and Series 2023B (Non-AMT/Governmental Purpose) (collectively, the 2023 Refunding 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 $456 million.* Depending on financial market conditions, the Commission intends to use the net proceeds of the 2023 Refunding Bonds to refund certain currently outstanding Second Series Revenue Bonds, to make a swap termination payment in connection with certain of the bonds to be refunded, and pay costs of issuance.

As part of a future transaction assumed to occur later in calendar year 2023, the Commission may issue additional Second Series Revenue Bonds (the 2023 New Money Bonds) and use the net proceeds to pay down all or a portion of its Commercial Paper balances (and make any associated capitalized interest, reserve funding, and Contingency Account deposits). For purposes of the financial analysis and financial projections documented herein, no annual debt service savings associated with the 2023 Refunding Bonds were assumed, and all of the currently outstanding Commercial Paper balances were assumed to be paid down with 2023 New Money Bond proceeds.

Currently outstanding Second Series Revenue Bonds, the 2023 Refunding Bonds, the assumed 2023 New Money 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.

*Preliminary, subject to change.

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.

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, and evaluated 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 April 19, 2022, the Airport Commission approved an amended capital improvement plan totaling $7.8 billion (of which $5.5 billion had been funded prior to that date), which reflected the combination of two distinct categories of projects:

- The "Ascent Program – Phase 1", which represents $7.3 billion of capital spending (including approximately $5.3 billion previously funded since program inception in 2016). 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 "Rolling Capital Improvement Plan" (Rolling CIP), which as of April 19, 2022, represented $492 million of spending on support systems, miscellaneous airfield improvements, energy and efficiency improvements, and equipment projects which are in addition to the Ascent Program. The Rolling CIP had previously been referred to as the "Infrastructure Projects Plan".

On January 17, 2023, the Airport Commission approved a mid-year update to the Rolling CIP portion of the capital improvement plan to add new projects, and amend elements of the Rolling CIP that had already been approved. Specifically, the following projects were added to the Rolling CIP: Cargo and Hangar Improvements, Parking and Garage Improvements, and International Terminal and Miscellaneous Improvements; totaling $1.1 billion in all in estimated additional spending, and bringing the new approved budget for the Rolling CIP to $1.6 billion.

While certain elements of the Ascent Program – Phase 1 projects were temporarily suspended as a result of the COVID-19 pandemic, as reflected in the April 2022 Commission approval, it is assumed that those temporarily deferred projects would be completed over the next five years through FY 2027.

In addition to the Ascent Program – Phase 1 and the Rolling CIP, Commission management has identified the Terminal 3 Enhancements project (referred to herein as a "Planned Additional Project") that is likely to be completed and funded during the projection period described in this Report, at a cost of approximately $1.0 billion of capital spending beyond what was approved in the capital improvement program to complete the enhanced scope for Terminal 3 enhancements.

The table below reflects Commission management's current expectation regarding the capital improvement plan (defined herein as the "CIP"), including the acceleration of the remainder of Ascent Program – Phase 1 project spending into the next five years, the updated Rolling CIP, and the addition of the Planned Additional Project. The Planned Additional Project has not been presented to or approved by the Commission. Commission management expects to obtain approval from the Airport Commission for this element of the CIP later in calendar year 2023.

Airport Commission management continues to undertake the process of reevaluating and revising the capital improvement plan. 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. Actual projects approved by the Commission may be different, and the schedule and cost of projects may change from what is assumed in this Report.

Anticipated funding sources for the CIP include Commission Bonds, Commercial Paper for short-term funding needs, AIP grants, Airport cash, and other miscellaneous sources. Bond proceeds are by far the largest funding source for the CIP, equivalent to approximately 95% of the remaining CIP spending of $4.4 billion (including currently outstanding commercial paper balances).

Ascent Program – Phase 1

The Ascent Program – Phase 1 includes the following projects among others, many 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.

- ***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. While certain elements of this project are in service, it is expected that this project would be fully completed in 2025.

- ***International Terminal refresh projects:*** Upgrades and improvements to parts of the International Terminal to increase operational efficiency.

SUMMARY OF THE UPDATED CAPITAL IMPROVEMENT PLAN

($ in millions)	Prior funding	2023 New Money Bonds	Future funding for FY 2023 to FY 2027	Total through FY 2027
	[A]	[B]	[C]	[D=A+B+C]
Ascent Program - Phase 1				
Project costs	$ 5,289	$ 243	$ 1,431	$ 6,963
Ascent Program reserve	-	-	307	307
Subtotal - Ascent Phase 1	$ 5,289	$ 243	$ 1,738	$ 7,270
Rolling CIP				
Cargo & Hangar improvements	$ -	$ -	$ 503	$ 503
Parking & Garage improvements	-	-	243	243
International Terminal & miscellaneous	-	-	400	400
Other miscellaneous projects	217	48	203	468
Rolling CIP Reserve	-	-	23	23
Subtotal - Rolling CIP	$ 217	$ 48	$ 1,372	$ 1,638
Subtotal - Ascent plus Rolling CIP	**$ 5,507**	**$ 291**	**$ 3,110**	**$ 8,907**
Planned Additional Project				
Terminal 3 enhancements	-	-	1,000	1,000
CIP total	**$ 5,507**	**$ 291**	**$ 4,110**	**$ 9,907**

Note: Reflects Airport Commission management's current expectation regarding the CIP, and funding status as of January 17, 2023. Prior funding amounts include approximately $291 million of Commercial Paper issued through December 2022, which are assumed to be refunded with 2023 New Money Bond proceeds. The planned additional projects are subject to refinement in terms of scope and timing, but for purposes of this Report it was assumed that the associated bond issuance would be incurred through the end of FY 2027, and the financial projections shown herein reflect this assumption.

- ***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.

- ***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 and is in service.

- ***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). For purposes of the financial analysis described in this Report are anticipated to be full drawn down and applied to project costs.

Rolling CIP

The Rolling CIP component of the Capital Improvement Plan, which includes $1.6 billion of total spending (including a Rolling CIP Reserve of $23 million). Projects in this category include:

- ***Cargo and Hangar Improvements:*** The proposed projects will include construction of new cargo facilities on West Field Road including Cargo Building 626 Phase I, Cargo Building 720, and a new Ground Support Equipment (GSE) Facility.

- ***International Terminal and miscellaneous:*** The proposed projects will address critical infrastructure in the International Terminal building including upgrades to the Heating Ventilation and Air Conditioning (HVAC) system, replacement of the roof membrane with added photovoltaic (PV) panels, waterproofing and access system replacement, and removal of corrosion at exterior exposed steel. Other project scope consists of a new Advanced Water Treatment Plant (AWTP) and associated Recycled Water Distribution system, replacing SFO's outdated, limited-capacity facility and would increase the Airport's ability to remove harmful particulates before discharging water to the San Francisco Bay or reusing it on campus. The remaining scope for this group of projects include the demolition of West Field area buildings such as the old Post Office along with construction of new hardstand aircraft parking positions.

- ***Parking and Garage Improvements:*** The proposed project will involve construction of an additional 1,100 space parking garage with an upgrade to the West Field Road AirTrain Station and pedestrian walkway from the AirTrain Station to the administration campus.

- ***Other Miscellaneous Projects.*** Those projects are primarily relates to support systems, miscellaneous airfield improvements, energy and efficiency improvements, and equipment.

Planned Additional Project – Terminal 3 Enhancements

With the onset of the COVID-19 pandemic, the Terminal 3 redevelopment project (among others) was suspended. As passenger traffic returns, the Commission has reactivated the project effective January 1, 2023. However, the Airport's priorities and operational practices have evolved over the suspension period, resulting in a refinement of project scope and the addition of four (4) key scope components: 1) Pre-Security Renovation to accommodate a modern 2-Step check-in process and self bag drop; 2) F Plaza Reconfiguration to enhance wayfinding, circulation, and security; 3) East Annex Addition to provide for additional revenue-generating concessions and airline tenant lease spaces; and 4) Pre-Security Façade Replacement to improve wayfinding, building energy efficiency and to help meet sustainability goals. Commission staff anticipates to incur an additional $1.0 billion of capital spending beyond what was approved in the FY 2023 CIP to complete the enhanced scope for Terminal 3, for a total project budget of $1.82 billion.

THE 2023 BONDS AND FUTURE BONDS

The City (acting through the Airport Commission) intends to issue the 2023 Refunding Bonds to:

- Refund certain of the Commission's previously issued Bonds, subject to financial market conditions at the time the 2023 Refunding Bonds are priced
- Make a swap termination payment in connection with certain of the Bonds to be refunded, and
- Pay issuance costs associated with the 2023 Refunding Bonds

Additionally, as mentioned earlier, the Commission is assumed for purposes of this Report to issue 2023 New Money Bonds later in calendar year 2023 and use the additional net proceeds to pay down the Commission's Commercial Paper balance in an amount of approximately $291 million (plus associated capitalized interest, debt service reserve deposits, and Contingency Account deposits). (As of January 1, 2023, actual Commercial Paper balances of the Commission were $286.2 million.)

Projects for which Commercial Paper has been used, that would potentially be paid down as part of this transaction are, among others: Terminal 1; Terminal 3 West; wastewater system improvements; and International Terminal refresh projects.

Subsequent to the issuance of the 2023 New Money Bonds, this Report assumes the issuance of approximately $4.8 billion in principal amount of additional Bonds in 2024, 2025, and 2026 (the Future Bonds), to fund approximately $3.9 billion of capital costs to complete the funding of the CIP through FY 2027 (as well as to fund $95.5 million of deposits to the Commission's Contingency Account).

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 2023 New Money Bonds, and the projected Future Bonds. The projection period extends to FY 2029, which reflects the full impact on revenues and expenses of CIP spending through FY 2027.

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 any such future refunding bonds is not reflected in the financial analysis discussed in this Report.

THE BOND RESOLUTION*

The 2023 Refunding 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 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 the projection period considered in this Report. (The Commission did not apply PFC revenues as Revenues during FY 2021 or FY 2022.)

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.

*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.

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, 2022, the balance in the Contingency Account was approximately $168 million in cash, excluding accrued interest earnings and without accounting adjustments (and $163.2 million after an adjustment for an unrealized loss). 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 2023 New Money Bond 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.

In addition to $344 million of 2023 New Money Bonds, this Report assumes the issuance of Future Bonds with a principal amount of approximately $4.8 billion to fund elements of the CIP through FY 2027, as described more fully later in the Report. The issuance amounts and timing of the 2023 New Money Bonds and the Future Bonds are subject to change as aviation activity levels, facility needs, and the Airport operating environment evolve over time, and depending on financial market conditions, but for purposes of this Report the 2023 New Money Bonds are assumed to be issued in 2023, and the Future Bonds are assumed to be issued in 2024, 2025, and 2026.

The financial analysis section of this Report includes the projected effects of the 2023 New Money Bonds and the Future Bonds on Revenues, Operation and Maintenance Expenses, Debt Service, and Net Revenues of the Airport Commission. No annual debt service savings associated with the issuance of the 2023 Refunding Bonds was assumed.

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, and were subsequently extended by two years, to June 30, 2023, without material changes to the other terms and conditions of the Lease and Use 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, whereby 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.

Airport Commission staff has concluded negotiations and reached an agreement on a successor lease and use agreement with the airlines, and the airlines are in the process of executing the agreements and returning the agreements for all required City approvals, including the approval of the Airport Commission and the San Francisco Board of Supervisors. The new agreement with the airlines retains a residual ratemaking approach similar to that currently in place, and incorporates the build-up of a discretionary cash fund for use by the Commission, funded through the airline rate base, which would enhance available liquidity and potentially provide an additional funding source for capital projects not yet included in the CIP. Commission management expects to execute all new residual agreements before the expiration of the current agreement (as amended) on June 30, 2023. No assurance can be given that the new agreements will be executed, or that the agreements will receive the required Board of Supervisors and Airport Commission approvals, prior to expiration of the existing lease and use agreements. For purposes of this Report it was assumed that all provisions of the existing agreements would remain in effect through FY 2029.

Upon the expiration of the existing agreements, should there be no new long-term agreements in place with airlines, the Commission will have various options, including: (a) continuing the term of the existing agreements on a month to month holdover basis under the holdover provisions of the existing agreements, or (b) not entering into new agreements and setting airline rates and charges by resolution. In any event, including if the Commission and the airlines are unable to finalize and execute new agreements by the time the existing agreements expire, and the Commission elects not to extend the term of the existing agreements on a month to month holdover basis, the Commission intends to set cost-recovery based rates and charges by resolution that are consistent with the requirements of the Bond Resolution and any applicable parameters established by the FAA and the U.S. DOT, and that will allow the continued safe and efficient operation of the Airport and additional capital investment.

The Commission cannot impose a residual rate-setting system without the agreement of the airlines.

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. PFC revenues rebounded to total $75.8 million in FY 2022. 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, 2022, a total of approximately $1.6 billion in PFC revenues (including restricted interest income) had been collected, including $512.8 million of PFC revenues collected but not yet expended. Based on the traffic projection included in this Report, the Airport Commission is expected to collect the full authorized amount towards the end of the projection period described in the Report (FY 2029). 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 2023 New Money Bonds, and the anticipated Future Bonds to be issued to complete capital spending at the Airport through FY 2027.

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
- Debt service requirements on all current Outstanding Bonds, and estimated debt service requirements on the 2023 New Money Bonds and projected Future Bonds that are assumed to be issued during the projection period
- 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 through FY 2022, and estimated financial results for FY 2023 based on three months of preliminary data for the first quarter of FY 2023

- The Airport Commission's FY 2023 and FY 2024 annual budgets and internal airline rates and charges model, as well as other considerations related to the business operations of the Airport

- Airport Commission staff's current expectations for its 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 base case 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 2023 New Money

Bonds and the anticipated Future Bonds), debt service coverage (including Transfers), and airline cost per enplaned passenger.

SUMMARY OF PROJECTIONS – BASE CASE

	Historical				Projected						
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Enplaned passengers	28,622	20,215	6,925	17,396	23,686	27,091	29,293	30,813	31,444	32,068	32,681
Percentage change		-29.4%	-65.7%	151.2%	36.2%	14.4%	8.1%	5.2%	2.0%	2.0%	1.9%
Net Revenues (a)	$ 539,913	$ 537,642	$ 311,233	$ 429,280	$ 479,626	$ 604,886	$ 719,995	$ 767,744	$ 822,398	$ 990,481	$ 956,537
Transfer (b)	155,164	166,213	167,295	168,193	97,984	127,180	156,523	168,666	177,563	224,286	216,281
Total amount available	$ 695,076	$ 703,855	$ 478,528	$ 597,474	$ 577,610	$ 732,066	$ 876,518	$ 936,411	$ 999,962	$ 1,214,767	$ 1,172,818
Debt Service on Bonds - cash basis (c)	436,459	479,168	290,261	288,609	391,935	508,720	626,093	674,666	710,253	897,144	865,123
Debt Service Coverage	159%	147%	165%	207%	147%	144%	140%	139%	141%	135%	136%
Passenger airline payments	$ 506,733	$ 485,392	$ 431,751	$ 616,190	$ 437,384	$ 514,562	$ 640,776	$ 747,426	$ 846,908	$ 929,568	$ 1,016,441
Airline cost per enplaned passenger	$ 17.70	$ 24.01	$ 62.35	$ 35.42	$ 18.47	$ 18.99	$ 21.87	$ 24.26	$ 26.93	$ 28.99	$ 31.10

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 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 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 REFUNDING BONDS
Series 2023A (AMT) and Series 2023B (Non-AMT/Governmental Purpose)

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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	25	American, jetBlue, Southwest
Terminal 2 (c)		
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	14	Foreign-flag, United (international)
	27	
Total gates	110	
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
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 December 2022.
(b) Terminals 1, 2, and 3 also handle flights to and from Canada, and flights to Mexico.
(c) Air Canada and Breeze also operate from Terminal 2.
(d) All international flights requiring customs and immigration arrive at either the International Terminal or four gates in Boarding Area B capable of accessing the Federal Inspection Station (FIS).
(e) Including Alaska (international arrivals), Frontier, 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, December 2022.

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 110 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 (25 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 14 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.

The three domestic terminals currently have approximately 50 food and beverage outlets and 39 retail outlets. The ITC has 21 restaurants and 25 retail outlets (including 15 duty free stores).

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 2,990 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 8,057 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	2,990
Long-Term Garages and surface lot	7,296
Total public parking spaces	15,316
Employee parking	8,057
Total parking spaces	23,373

Source: San Francisco Airport Commission, October 2022.

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 approximately 6,000 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 2021

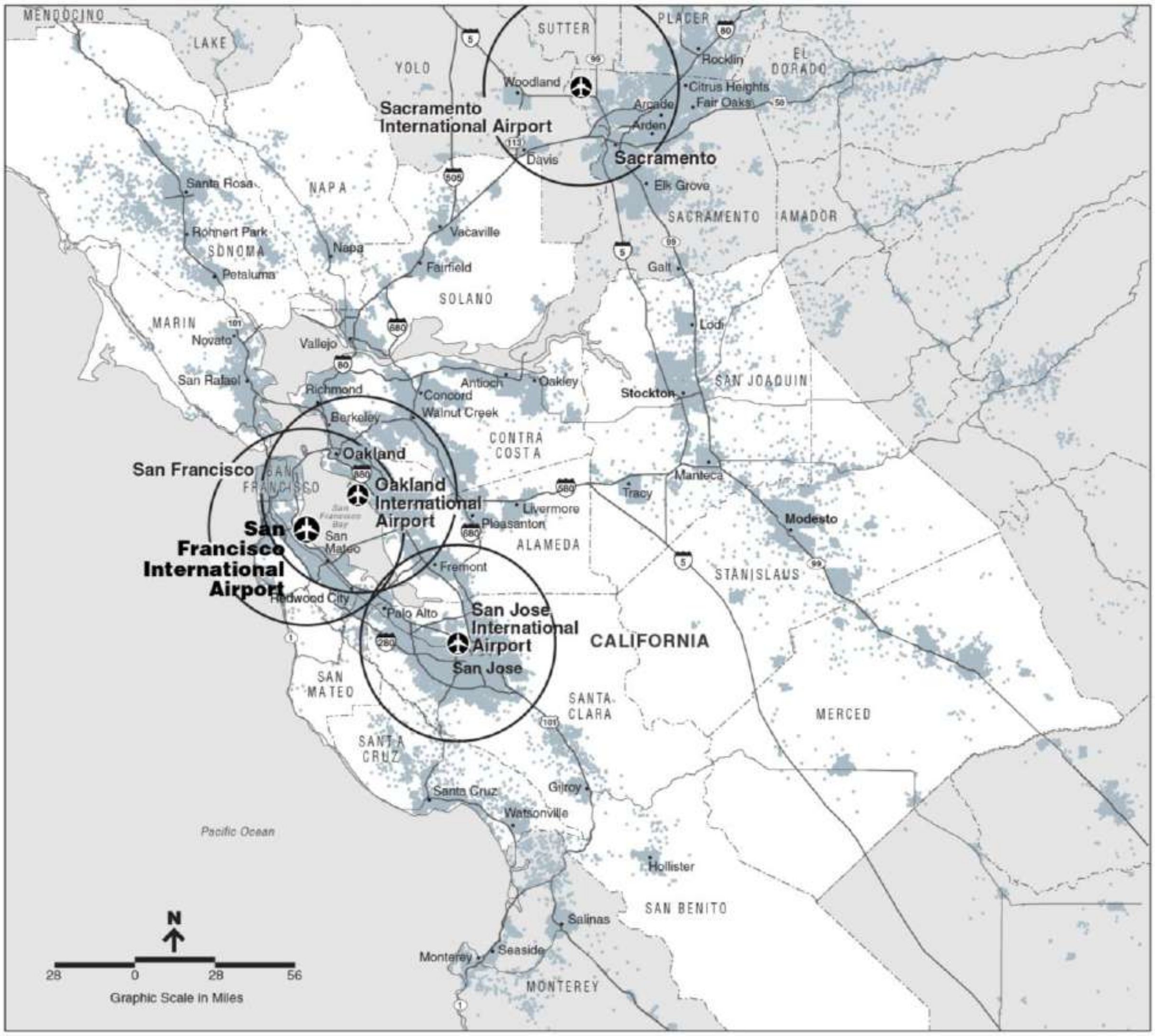
MSA	County	Population	Percent of total
San Francisco-Oakland-Berkeley MSA	Alameda	1,648,556	17.3%
	Contra Costa	1,161,413	12.2
	San Francisco	815,201	8.5
	San Mateo	737,888	7.7
	Marin	260,206	2.7
Subtotal—San Francisco MSA		4,623,264	48.4%
San Jose-Sunnyvale-Santa Clara MSA	Santa Clara	1,885,508	19.8%
	San Benito	66,677	0.7
Subtotal—San Jose MSA		1,952,185	20.5%
Stockton MSA	San Joaquin	789,410	8.3%
Modesto MSA	Stanislaus	552,999	5.8%
Santa Rosa-Petaluma MSA	Sonoma	485,887	5.1%
Vallejo MSA	Solano	451,716	4.7%
Santa Cruz-Watsonville MSA	Santa Cruz	267,792	2.8%
Merced MSA	Merced	286,461	3.0%
Napa MSA	Napa	136,207	1.4%
Total Airport Service Region		9,545,921	100.0%

CSA = Combined Statistical Area; MSA = Metropolitan Statistical Area

Source U.S. Department of Commerce, Bureau of the Census, www.census.gov, accessed November 2022.

* 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:	
Oakland	32
San Jose	34
Vallejo	43
Napa	54
Stockton	83
Santa Rosa	84
Sacramento	103
Monterey	107
Los Angeles	386

SFO825 F-0001

According to the U.S. Department of Commerce, Bureau of the Census, the population of the San Francisco CSA was 9.5 million in 2021, accounting for 24% of California's total population of 39.9 million. The San Francisco-Oakland-Berkeley Metropolitan Statistical Area (MSA) includes the City of San Francisco (equivalent to San Francisco County), which accounted for 8.5% 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.*

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 the largest share of total scheduled departing seats (domestic and international) at Bay Area airports in FY 2019 through FY 2022 (65%, 63%, 58%, and 62%, respectively), as shown in Table 4. OAK and SJC are medium-hub airports and provide primarily short- and medium-haul domestic service.**

Domestic Airline Service. As shown in Table 4, SFO dominates long-haul domestic service, with approximately 80% of long-haul domestic scheduled departing seats in the Bay Area in FY 2019 through FY 2022. During Fiscal-Year-to-date (FYTD) 2023 (July-December), SFO is scheduled to account for 82% of long-haul domestic scheduled departing seats in the Bay Area, up from 79% during the same period of the prior year. OAK and SJC provide primarily short- and medium-haul domestic service.

International Airline Service. SFO is the Bay Area's international gateway and dominates international service, accounting for approximately 90% of Bay Area international scheduled departing seats in in three of the last four Fiscal Years, as shown in Table 4. During the first six months of FY 2023, SFO is scheduled to account for 93% of international scheduled departing seats in the Bay Area, up from 89% during the same period of the prior year. OAK and SJC provide limited international service.

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.

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* Data are presented for the most recent period available and, for internet sources, dated when accessed. Published airline schedule data for July 2022 (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.

** 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 2022: Merced Regional Airport, Charles M. Shultz Sonoma County Airport and Sacramento Stockton Metropolitan Airport.

Table 4

Departing Seats By Sector and Length of Haul

Bay Area Airports

Sector/ Length of haul (miles)	Percent of scheduled departing seats by segment					
					July-December	
	FY 2019	FY 2020	FY 2021	FY 2022	FY 2022	FY 2023
Domestic						
Long-haul (more than 1,500)						
SFO	80%	79%	78%	81%	79%	82%
OAK	10	10	13	9	9	8
SJC	11	11	9	11	12	10
Subtotal--Long-haul	100%	100%	100%	100%	100%	100%
Medium-haul (501-1,500)						
SFO	50%	48%	46%	48%	48%	47%
OAK	22	22	27	24	25	24
SJC	28	29	27	28	28	29
Subtotal--Medium-haul	100%	100%	100%	100%	100%	100%
Short-haul (0-500)						
SFO	47%	46%	42%	42%	43%	38%
OAK	26	25	32	32	31	32
SJC	27	29	26	27	25	29
Subtotal--Short-haul	100%	100%	100%	100%	100%	100%
Domestic total						
SFO	59%	58%	55%	57%	58%	56%
OAK	19	19	24	21	21	22
SJC	21	23	21	21	21	23
Total Domestic	100%	100%	100%	100%	100%	100%
International						
Long-haul (more than 1,500)						
SFO	90%	91%	85%	91%	89%	93%
OAK	5	4	8	4	5	3
SJC	5	5	8	5	6	4
Subtotal--Long-haul	100%	100%	100%	100%	100%	100%
Medium-haul (501-1,500)						
SFO	81%	83%	78%	87%	86%	96%
OAK	4	2	--	1	0	1
SJC	15	14	22	12	13	3
Subtotal--Medium-haul	100%	100%	100%	100%	100%	100%
International total						
SFO	89%	90%	84%	90%	89%	93%
OAK	5	4	7	4	4	3
SJC	6	6	9	6	7	4
Total International	100%	100%	100%	100%	100%	100%
Total Bay Area Airports						
SFO	65%	63%	58%	62%	62%	62%
OAK	17	17	22	19	19	18
SJC	18	20	20	19	19	19
Total Bay Area Airports	100%	100%	100%	100%	100%	100%

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed November 2022.

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 fifteenth busiest airport in the United States in terms of total enplaned passengers in FY 2022, up from nineteenth in FY 2021, but 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 2022, the Airport ranked fourteenth among U.S. airports in terms of domestic and international revenue origin-destination (O&D) passengers, up from eighteenth and nineteenth in FY 2021 and FY 2020, respectively, but down from fifth in FY 2019, as shown on Figure 3. Notwithstanding the decreases in passenger traffic related to the pandemic, SFO's large O&D passenger base reflects, in part, the San Francisco CSA's population of 9.5 million in 2021, which is the fifth most populous CSA in the nation (following the New York, Los Angeles, Washington DC/Baltimore, and Chicago CSAs).

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 2022, SFO ranked twentieth among U.S. airports in terms of domestic and international revenue connecting passengers, up slightly from twenty-first in FY 2021, but down from thirteenth in FY 2019 and FY 2020. In FY 2022, connecting passengers accounted for 19% of SFO's revenue enplaned passengers and 31% of United's passengers at the Airport (down from 36% in FY 2019).

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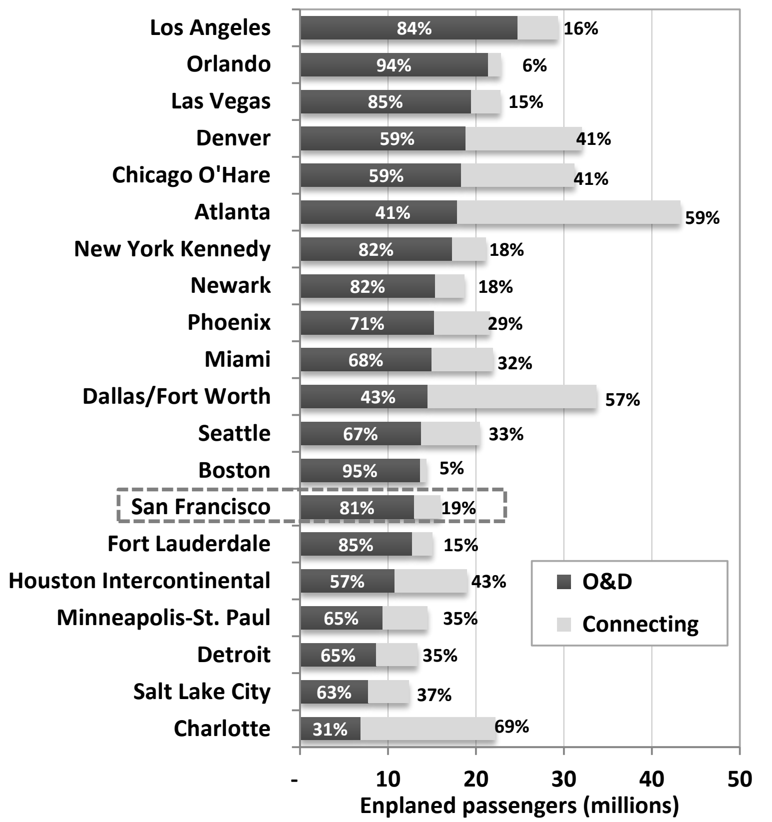
*Data reported to the U.S. DOT excludes nonrevenue passengers and may differ from data reported by the airlines to the Airport.

Figure 3
Revenue Enplaned Passengers
at the 20 Busiest U.S. Airports in FY 2022
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 2022 (81%) excludes non-revenue passengers and differs from the estimate in Table 13 (82.7%) which is based on total (revenue and non-revenue) enplaned passengers.
Data for FY 2022 estimated using enplaned passenger data for the 12 months ended May 31, 2022, the most recent data available.

Sources: U.S. Department of Transportation, *Air Passenger Origin-Destination Survey,* reconciled to Schedule T100, and Schedule T100, accessed November 2022.

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, annually, in FY 2019 through the first 6 months of FY 2023 in terms of scheduled departing seats, as shown in Table 5.

Table 5
Scheduled Departing Seats at United Airlines Connecting Hubs
Ranked by 2022 seats

	In millions					
					July - December	
Connecting hub	FY 2019	FY 2020	FY 2021	FY 2022	FY 2019	FY 2023
Houston-Bush	20.3	16.3	11.3	17.9	10.2	9.0
Denver	16.8	14.9	12.2	17.8	8.3	9.6
Chicago O'Hare	22.5	17.9	10.8	17.6	11.6	9.7
Newark	18.1	14.3	7.9	16.5	9.1	9.1
San Francisco	**15.3**	**12.2**	**5.4**	**10.1**	**8.0**	**6.3**
Washington Dulles	9.3	7.8	5.0	8.6	4.8	4.5
Los Angeles	7.4	5.6	3.2	6.0	3.8	3.2
Subtotal--connecting hubs	109.7	89.1	55.8	94.5	55.8	51.4
Other airports	69.2	56.7	35.8	60.9	35.3	31.4
Total system	178.9	145.7	91.6	155.4	91.1	82.9
	Percent of total					
Houston-Bush	11.4%	11.2%	12.4%	11.5%	11.2%	10.8%
Denver	9.4	10.2	13.3	11.5	9.1	11.6
Chicago O'Hare	12.6	12.3	11.7	11.3	12.7	11.7
Newark	10.1	9.8	8.6	10.6	10.0	11.0
San Francisco	**8.6**	**8.3**	**5.9**	**6.5**	**8.7**	**7.6**
Washington Dulles	5.2	5.3	5.5	5.5	5.3	5.5
Los Angeles	4.1	3.9	3.5	3.9	4.2	3.9
Subtotal--connecting hubs	61.3%	61.1%	60.9%	60.8%	61.3%	62.1%
Other airports	38.7	38.9	39.1	39.2	38.7	37.9
Total system	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: For Fiscal Years ended June 30

Sources: OAG Worldwide Ltd, OAG Analyser database, accessed November 2022.

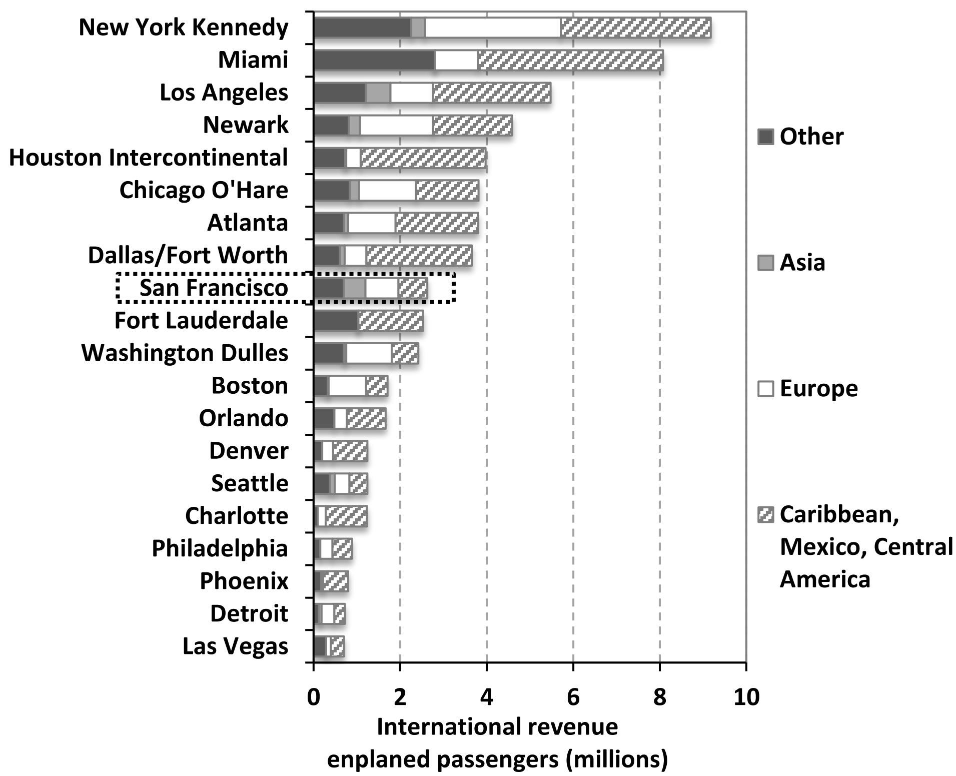
United's seven U.S. connecting hubs (including SFO) accounted for more than 60% of its systemwide departing seats, annually, in FY 2019 through the first 6 months of FY 2023. As shown in Table 5, United's Denver hub experienced the largest change in its share of systemwide seats, increasing from 9.4% in FY 2019 to 11.6% during the first 6 months of FY 2023. 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, FY 2020, and FY 2022, 97% in FY 2021, and 95% in the first 6 months of FY 2023—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 efforts to maintain a level of service competitive with Southwest and Frontier, low-cost and ultra low-cost airlines providing domestic service at Denver.

The Airport is United's largest Asian-Pacific gateway and accounted for 43.1% of United passengers (1.1 million passengers) connecting between the United States and Asian-Pacific countries in FY 2019. In FY 2022, the Airport's share had increased to 46.2%, however the number of passengers connecting between the United States and Asian-Pacific countries had decreased by 66% (down to 368,000 passengers), due to travel restrictions that remained in place in these countries (including Japan and China, two of United largest international markets at San Francisco, pre-pandemic).

International Gateway

According to Airports Council International, SFO was the 40th busiest airport in the world in 2021 in terms of total passengers, up from its ranking of 50th in 2020 but 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. As shown on Figure 4, SFO was the ninth busiest U.S. gateway airport in the United States in FY 2022, in terms of international revenue enplaned passengers, down from its fourth-place ranking in FY 2019.

Figure 4
International Revenue Enplaned Passengers
at the 20 Busiest U.S. Gateway Airports in FY 2022
Ranked by total international passengers



Note: FY 2022 data is for the 12 months ended May 31, 2022, the most recent available.

Source: U.S. Department of Transportation, Schedule T100, accessed November 2022.

International Regions Served. During the 12 months ended May 31, 2022 (the most recent data available), SFO enplaned 2.6 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%. During the 12 months ended May 31, 2022, the share of SFO's international passengers to Asia and

Europe had decreased to 48%, while the share of passengers to the Caribbean, Mexico, and Central America had increased to 25% of SFO's international passengers, 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 Intercontinental, Miami, and Phoenix, have generally recovered international passenger traffic more quickly.

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 2022, SFO provided an average of 90 daily international departures, down from 115 in July 2019, as shown in Table 6.

Table 6
West Coast International Passenger Airline Service
July 2019 and July 2022
Ranked by July 2022 seats

	Number of international destinations served		Average daily departures		Average daily departing seats	
Airport	July 2019	July 2022	July 2019	July 2022	July 2019	July 2022
Primary international gateways						
Los Angeles LAX	88	70	187	147	45,521	33,467
San Francisco	**52**	**44**	**115**	**90**	**27,951**	**21,443**
Seattle	25	27	66	55	10,273	8,860
Subtotal--primary gateways			367	292	83,744	63,769
Other airports						
San Diego	9	10	12	8	1,934	1,501
Portland	9	10	14	9	1,978	1,359
San Jose	9	7	10	4	1,554	793
Sacramento	4	5	4	5	604	721
Fresno	2	4	3	4	524	631
Oakland	13	6	7	3	1,520	627
Sana Ana (Orange County)	3	4	2	4	305	610
Ontario	2	4	2	2	485	369
Palm Springs	2	2	1	1	149	127
Burbank *(a)*	--	2	--	0	--	79
Lake Union (Seattle)	1	1	1	1	15	14
Subtotal--other airports			56	42	9,068	6,831
All airports			**424**	**334**	**92,812**	**70,600**

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.

(a) Service discontinued in October 2022.

Source: OAG Worldwide Ltd, OAG Analyser database, accessed November 2022.

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 2022, United accounted for 34% of international departing seats at SFO and provided service to 23 international destinations with an average of 32 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 2022, Delta accounted for 28% of international departing seats at SEA and provided service to 9 international destinations with an average of 14 daily international departures (compared with 20 in July 2019). Alaska also offers international service at SEA and in July 2022, accounted for 15% of international departing seats and provided service to 8 international destinations with an average of 14 daily international departures (compared to 17 in July 2019).

- At LAX, six U.S. airlines provided international service in July 2022, together accounting for 27% of international departing seats:

  - American: An average of 6 daily international departures to 7 international destinations
  - Delta: An average of 8 daily international departures to 9 international destinations
  - United: An average of 14 daily international departures to 15 international destinations
  - Alaska: An average of 9 daily international departures to 11 international destinations
  - jetBlue: An average of 2 daily international departures to 3 international destinations
  - Spirit: An average of 2 daily international departures to 2 international destinations

Limited international service is also provided at 11 West Coast airports in Burbank, Fresno, Lake Union (Seattle), 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 11 airports primarily to airports in Canada and Mexico. In July 2022, service was provided to Asia from Ontario and San Diego and to Europe from Oakland, Portland, San Diego, and San Jose. Airline service at these 11 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 in terms of outbound domestic O&D passengers, as shown on Figure 5.

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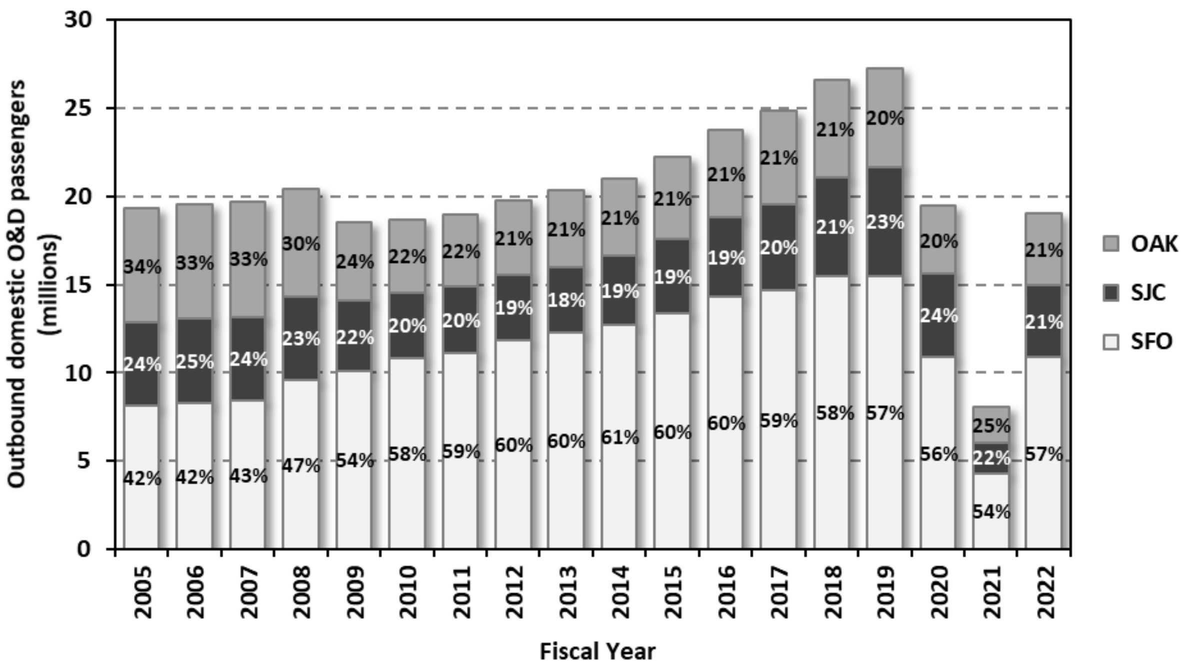
*A "low-cost carrier" is an airline that operates under a generally recognized low-cost business model, which may include a single passenger class of service, use of standardized aircraft utilization, in-flight services, use of smaller and less expensive airports, and lower employee wages and benefits.

In FY 2022, SFO accounted for 57% of all Bay Area outbound domestic O&D passengers, the same as in FY 2019, prior to the pandemic.

Figure 5
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 2022.

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. In 2018 Virgin America was rebranded as Alaska, following the merger of the two airlines. 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. Breeze, Frontier, jetBlue and Sun Country also provide LCC service at SFO.

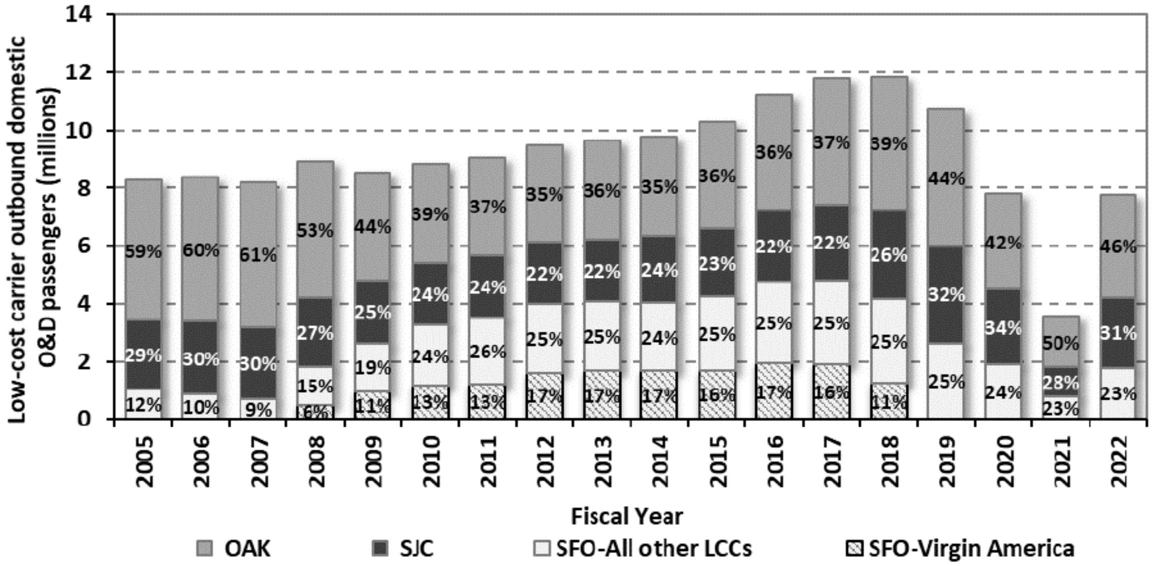
SFO accounted for 23% of LCC passengers at Bay Area Airports in FY 2022, down from its 2019 share of 25%, as shown on Figure 6.

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 November 2022, only French Bee and WestJet have resumed service. Flair, an ultra low-cost Canadian airline, started service at SFO in April 2022.

Figure 6

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 Allegiant, Breeze, Frontier, jetBlue, Southwest, Spirit, 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 2022.

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 to reduce their operating costs.

* 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 7 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, 2010, and from 2015 through 2021. Also presented are projected growth rates between 2021 and 2029.

Population. As shown in Table 7, from 2010 through 2021, the population of the San Francisco CSA increased an average of 0.6% per year, faster than for five of the most populous metropolitan areas in the country, the State of California (an average increase of 0.5% per year), and the same as the nation. In 2021, the population of the San Francisco CSA decreased 1.6%, as more companies embraced remote work (allowing people to move out of the San Francisco CSA and keep their jobs) and several tech companies relocated out of the area. In its May 2022 report, the Demographic Research Unit of the California Department of Finance noted that recent decreases in California's population reflect federal policies restricting immigration and continuing delays in processing foreign migration.*

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* California Department of Finance, Demographic Research Unit, Slowing State Population Decline Puts Latest Population at 39,185,000, May 2, 2022, www.dof.ca.gov.

Table 7

Historical and Projected Socioeconomic Trends

San Francisco CSA, State of California, and United States

	Population (thousands)			Nonagricultural employment (thousands)			Per capita personal income (2021 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	4,023	14,587	132,011	$70,120	$52,573	$48,265
2010	8,943	37,320	309,327	3,638	14,283	130,345	66,085	53,740	50,555
2015	9,491	38,904	320,739	4,245	16,052	141,825	80,766	62,360	55,705
2016	9,571	39,149	323,072	4,386	16,480	144,336	84,075	63,857	56,014
2017	9,623	39,338	325,122	4,487	16,827	146,608	87,309	65,005	56,986
2018	9,649	39,437	326,838	4,583	17,172	148,908	90,992	66,373	58,041
2019	9,648	39,438	328,330	4,667	17,431	150,905	94,118	68,807	59,619
2020	9,699	39,500	331,501	4,326	16,188	142,186	101,312	73,966	62,573
2021	9,546	39,238	331,894	4,421	16,708	146,124	107,919	76,614	64,143
Projected									
2029	9,854	39,949	353,008	5,053	19,873	152,072	129,779	85,066	79,236
	Percent increase (decrease)								
2015-2016	0.8%	0.6%	0.7%	3.3%	2.7%	1.8%	4.1%	2.4%	0.6%
2016-2017	0.5	0.5	0.6	2.3	2.1	1.6	3.8	1.8	1.7
2017-2018	0.3	0.3	0.5	2.1	2.1	1.6	4.2	2.1	1.8
2018-2019	(0.0)	0.0	0.5	1.8	1.5	1.3	3.4	3.7	2.7
2019-2020	0.5	0.2	1.0	(7.3)	(7.1)	(5.8)	7.6	7.5	5.0
2020-2021	(1.6)	(0.7)	0.1	2.2	3.2	2.8	6.5	3.6	2.5
	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%
2010-2021	0.6	0.5	0.6	1.8	1.4	1.0	4.6	3.3	2.2
2021-2029	0.4	0.2	0.8	1.7	2.2	0.5	2.3	1.3	2.7

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 November 2022. Adjusted to constant 2021 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 2021-2050, The California Economic Forecast,* September 2022.
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: 2021-2031*, September 2022, www.bls.gov; IHS Markit as reported by Federal Aviation Administration, *FAA Aerospace Forecast, Fiscal Years 2022–2042*, June 2022, www.faa.gov.

The California Department of Transportation (Caltrans) projects population in the San Francisco CSA and the State to increase an average of 0.4% and 0.2%, respectively, between 2021 and 2029, slower than the rate for the nation by the U.S. Census Bureau (an average of 0.8% per year).*

Nonagricultural Employment. As shown in Table 7, nonagricultural employment in the San Francisco CSA increased an average of 1.8% per year between 2010 and 2021, faster than that for, the State of California (an average increase of 1.4% per year), the nation (an average increase of 1.0% per year), and seven of the most populous metropolitan areas in the United States as shown in Table 8. In the first 9 months of 2022 (the most recent data available), employment in the San Francisco CSA increased 4.4% year-over-year, the same as the State of California, and faster than the nation (an average increase of 3.4% year-over-year). Caltrans projects nonagricultural employment in the San Francisco CSA to increase 1.7% per year, between 2021 and 2029, slower than the growth rate for the State, but faster than the growth rate for the nation forecast by the U.S. Department of Labor.

Gross Domestic Product. In 2020 (the most recent year available for CSAs), Gross Domestic Product (GDP) for the San Francisco CSA was $1,101 billion (in 2020 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 4.6% between 2010 and 2021, faster than that for the other nine most populous metropolitan areas, the State of California (an average increase of 3.3% per year), and the nation (an average increase of 2.2% per year). Caltrans projects per capita personal income (in constant dollars) in the San Francisco CSA and the State to increase an average of 1.8% and 1.3% per year, respectively, between 2021 and 2029, slower than for the nation (an average increase of 2.7% 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 2021, 45.0% of the San Francisco CSA residents over the age of 25 had earned a Bachelor's degree or higher, greater than that for 8 of the 10 most populous U.S. metropolitan areas, the State of California (36.2%), and the nation (35.0%), according to the U.S. Department of Commerce, Bureau of the Census.

Comparative Socioeconomic Trends. Table 8 presents comparative socioeconomic trends for the 10 most populous U.S. metropolitan areas in 2010 and 2021. The San Francisco CSA ranked first among the 10 CSAs in terms of:

- Per capita income—an average of $107,919 in 2021, followed by the New York CSA with an average per capita income of $84,805 in 2021, 21% lower than the San Francisco CSA.

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* 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.

- Per capita income growth—an average increase of 4.6% per year between 2010 and 2021, followed by the Washington, D.C. CSA with per capita income growth averaging 3.1% per year and an average per capita income 30% lower than the San Francisco CSA in 2021.

The San Francisco CSA ranked third among the 10 CSAs in terms of nonagricultural employment growth between 2010 and 2021—an average increase of 1.8% per year, lower than that for the Dallas-Fort Worth CSA (an average increase of 2.2% per year) and the Atlanta CSA (an average increase of 1.9%).

Table 8

Comparative Socioeconomic Trends for the 10 Most Populous U.S. Metropolitan Areas

Ranked by 2021 population

Combined Statistical Area	Population (thousands) 2010	Population (thousands) 2021	Population CAGR 2010-2021	Total employment (thousands) 2010	Total employment (thousands) 2021	Total employment CAGR 2010-2021	Per capita personal income (2021 dollars) 2010	Per capita personal income (2021 dollars) 2021	Per capita personal income CAGR 2010-2021	Percent of population with bachelor's degree or higher
New York	22,287	23,217	0.4%	9,627	10,334	0.6%	$68,549	$84,805	2.0%	43.4%
Los Angeles	17,906	18,490	0.3	6,725	7,740	1.3	51,613	69,309	2.7	33.8%
Washington, D.C.	9,087	9,947	0.8	4,503	4,854	0.7	54,405	76,066	3.1	48.4%
Chicago	9,850	9,876	0.0	4,322	4,596	0.6	66,970	71,256	0.6	39.9%
San Francisco	**8,943**	**9,546**	**0.6**	**3,638**	**4,421**	**1.8**	**66,085**	**107,919**	**4.6**	**45.0%**
Boston	7,912	8,430	0.6	3,433	3,729	0.8	64,971	81,680	2.1	45.3%
Dallas-Fort Worth	6,834	8,255	1.7	2,974	3,890	2.5	50,204	65,807	2.5	37.4%
Houston	6,127	7,399	1.7	2,568	3,069	1.6	57,732	64,351	1.0	35.4%
Philadelphia	7,075	7,366	0.4	3,163	3,319	0.4	55,378	69,943	2.1	39.8%
Atlanta	6,072	6,997	1.3	2,472	3,048	1.9	53,115	61,293	1.3	40.5%
State of California	37,320	39,238	0.5	14,283	16,708	1.4	53,740	76,614	3.3	36.2%
United States	309,327	331,894	0.6	130,345	146,124	1.0	50,555	64,143	2.2	35.0%

CSA = Combined Statistical Area

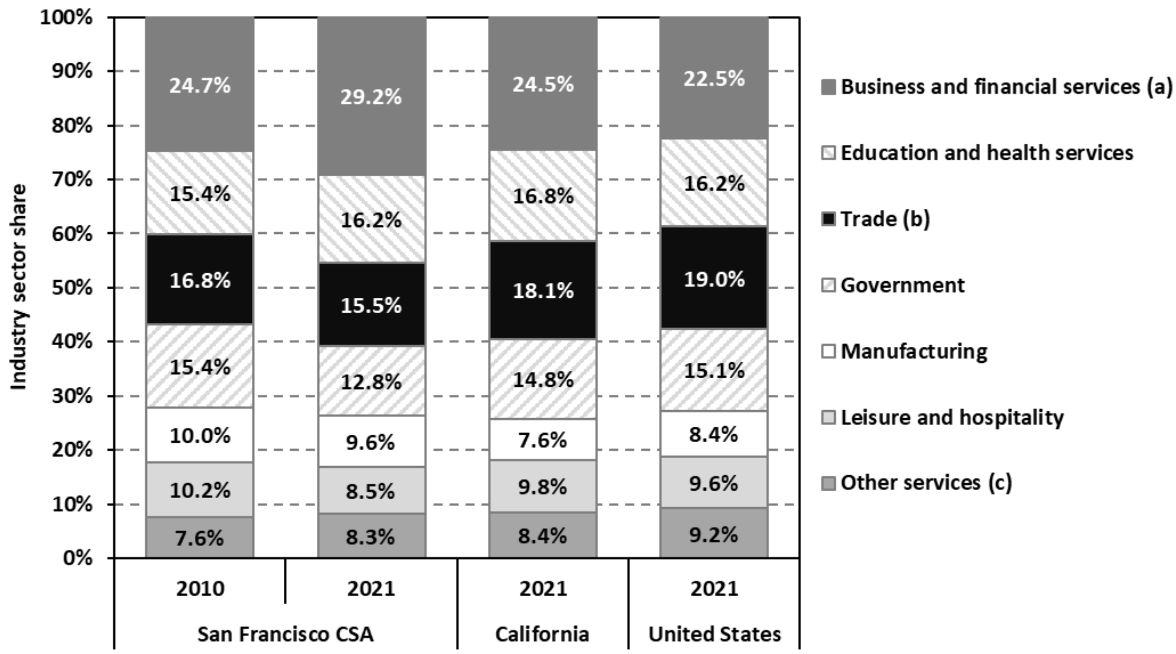
Sources: U.S. Department of Commerce, Bureau of the Census, www.census.gov, U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov, accessed November 2022. Adjusted to constant 2021 dollars using the U.S. Department of Labor, Consumer Price Index for Urban Consumers (1982-84 = 100), www.bls.gov.

In addition to the metrics summarized in Table 8, 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 2021, the Bay Area accounted for more than 22% of venture capital transactions and more than one-third of venture capital transaction value ($120.3 billion) in the United States.*
- 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 7 shows a comparative distribution of nonagricultural employment by industry sector for the San Francisco CSA in 2010 and 2021 as well as for the State and the nation in 2021.

Figure 7
Comparative Distribution of Nonagricultural Employment



Note: Percentages may not sum to 100.0% due to rounding.

(a) Includes professional, technical, and business services, financial activity, and information.

(b) Includes transportation and public utilities.

(c) Includes mining, construction, and other services.

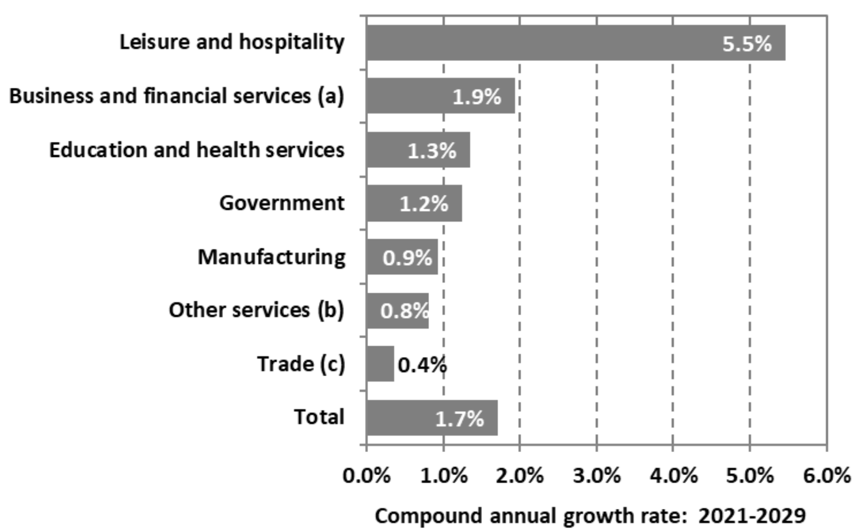
Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed November 2022.

* Pitchbook, "2022 U.S. Venture Capital Outlook," December 17, 2021, and "Q4 2021 Pitchbook-NVCA Venture Monitor", January 14, 2022, www.pitchbook.com.

Between 2010 and 2021, business and financial services, other services, and education and health services sectors in the San Francisco CSA experienced the strongest growth, increasing an average of 3.4%, 2.6%, and 2.2% per year, respectively, nearly twice as much or more than the overall growth rate for all sectors (1.2%). The San Francisco CSA's business and financial services sector (inclusive of technology) accounted for the largest share of employment in 2021 with 29.2%, more than the share for the State (24.5%) and the nation (22.5%). The share of leisure and hospitality employment decreased from 10.2% in 2010 to 8.5% in 2021, 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 share of government employment also decreased between 2010 and 2021. The largest four sectors—business and financial services, education and health services, trade, and government—accounted for 73.7% of the San Francisco CSA's nonagricultural employment in 2021.

Caltrans projects San Francisco CSA employment to increase in all sectors between 2021 and 2029, as shown on Figure 8. The leisure and hospitality sector is projected to have the fastest growth at 5.5% as the sector recovers from the pandemic and the economic recession. Business and financial services and education and health services are projected to be the next fastest growing sectors, with forecast growth of 1.9% and 1.3% per year, respectively, followed by government with forecast growth of 1.2% per year. Overall, employment is forecast to increase an average of 1.7%, per year between 2021 and 2029.

Figure 8
Forecast Growth Rates for Nonagricultural Employment by Sector
San Francisco CSA



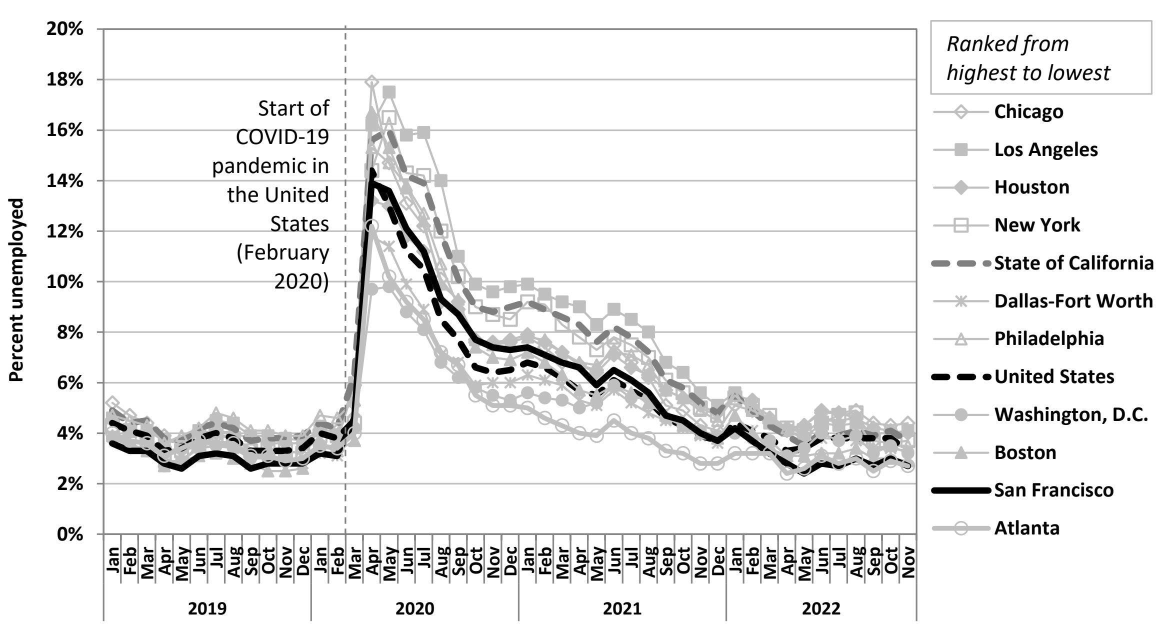
(a) Includes professional, technical, and business services, financial activity, and information.
(b) Includes transportation and public utilities.
(c) Includes mining, construction, and other services.

Source: California Department of Transportation, *California County-Level Economic Forecast 2021-2050, The California Economic Forecast*, December 2021, 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 9 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 November 2022. During this period, unemployment rates for the San Francisco CSA have generally followed trends in the nation. During 2022, unemployment rates for the San Francisco CSA were lower than those for the nation, as well as lower than most of the ten most populous metropolitan areas.

In its November 2022 report, the San Francisco Federal Reserve Bank reported that during October through mid-November, "Labor market conditions remained tight, and employment levels grew at a modest pace. Wages and prices rose at a slower pace relative to the previous reporting period. Activity in residential real estate markets weakened moderately, while commercial real estate activity was unchanged overall."*

Figure 9
Monthly Unemployment Rate Trends
for the 10 Most Populous U.S. Metropolitan Areas and the United States



Notes: Data are not seasonally adjusted. Ranking based on latest monthly data.

Source: U.S. Department of Labor, Bureau of the Labor Statistics, www.bls.gov, accessed January 2023.

Bay Area Major Employer. Table 9 lists the top 20 private sector employers in the San Francisco Bay Area (based on the number of Bay Area employees). Over the past several months, major technology and biotechnology industry employers in the Bay Area have announced staff

*Federal Reserve Bank, The Beige Book, Summary of Commentary on Current Economic Conditions, November 30, 2022, www.federalreserve.gov.

layoffs to their global workforces in response to softening economic conditions around the world, including Meta Platforms and Oracle, which are among the largest employers in the Bay Area. The table indicates a diversity of 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 2021 revenues (the most recent available).

While not shown in Table 9, the Bay Area contains a substantial amount of public sector employment, including the City and County of San Francisco (approximately 31,000 employees), the University of California San Francisco and Berkeley campuses (approximately 27,700 and 25,500 employees, respectively), and the State of California (approximately 15,200 employees).

Table 9
Major Private Sector Employers in the San Francisco Bay Area

Company	Type of business	Employment
Kaiser Permanente	Health care	48,352
Alphabet (Google) *(a)*	Information technology	25,000
Apple Inc. *(a)*	Consumer electronics	36,603
Sutter Health	Health care	18,710
Meta (Facebook) *(a)*	Social media	15,407
Stanford University	Higher education	15,314
Stanford Healthcare	Health care	14,574
Safeway	Retail grocer	14,474
Tesla Motors Inc. *(a)*	Automotive, energy storage	12,000
Cisco Systems Inc. *(a)*	Information technology	15,407
Wells Fargo & Co. *(a)*	Financial services	12,740
Genentech Inc.	Biotechnology	12,035
Salesforce *(a)*	Information technology	9,450
Allied Universal	Security services	9,300
PG&E Corp. *(a)*	Utility	9,309
Oracle Corp. *(a)*	Information technology	7,143
United Airlines *(a)*	Airline	6,500
Intel Corp. *(a)*	Information technology	7,894
Nvidia	Semiconductors	7,143
Applied Materials *(a)*	Semiconductors	6,500

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 2022 Fortune 500 list of largest U.S. companies (based on 2021 revenue).

Source: San Francisco Business Times, 2022 Bay Area Book of Lists; and Silicon Valley Business Journal, 2021-2022 Book of Lists. Fortune Magazine, Fortune 500 Companies, 2022, 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.

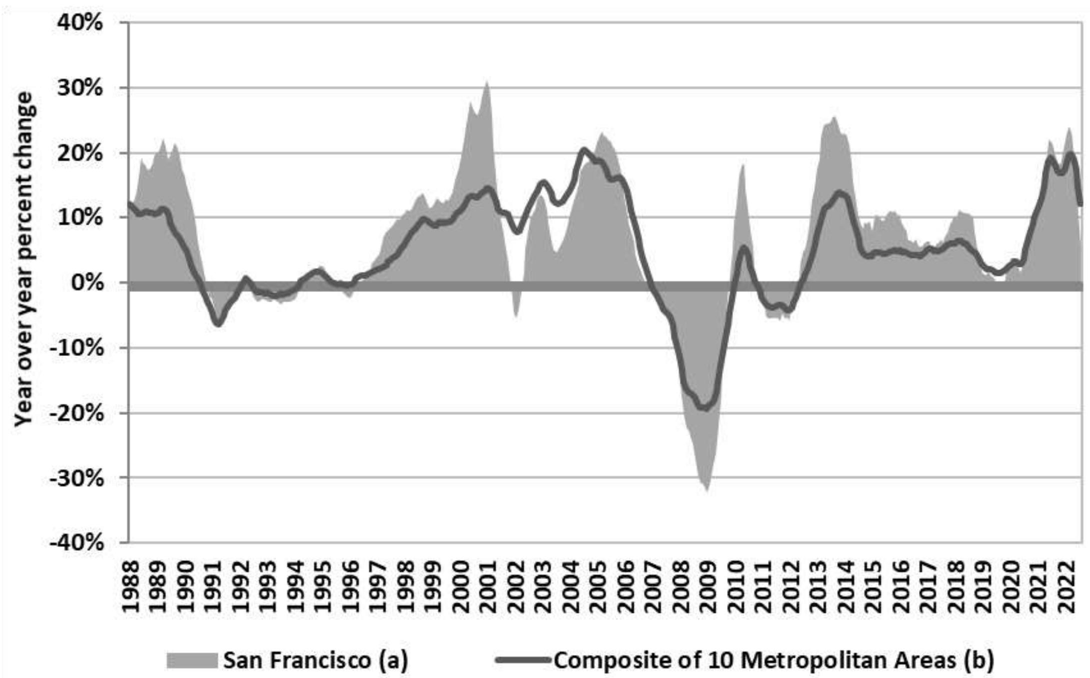
- **Professional Services.** The Bay Area is home to a myriad of companies falling under the umbrella of professional services: financial advisory, management consulting, legal services, and other specialized and high value-added businesses.

- **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.

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 10 presents the percent change in home prices for San Francisco and composites for 10 selected metropolitan areas from January 1988 through August 2022, based on the Standard & Poor's/Case-Shiller Home Price Index.*

Figure 10
Percent Change in Home Prices
San Francisco and Selected Metropolitan Areas



Note: Includes data through August 2022.

(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 2022.

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 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 2022 (the most recent data available), growth in Bay Area home prices averaged 18.0% compared with the previous year, compared with a 17.4% 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 residential real estate markets weakened moderately, while commercial real estate activity was unchanged overall. Lending activity declined moderately".

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. In 2021, an estimated 17.1 million people visited San Francisco, up 44% from 2022 and down 35% from 2019. The San Francisco Travel Association noted "while we saw some improvement in 2021 with domestic leisure travelers returning, overall arrivals were negatively impacted by global travel restrictions and the delta variant. Our recovery is slower because we have a disproportionately large reliance on meetings, business travel, and international travelers." The San Francisco Travel Association estimates that there will be 21.5 million visitors in 2022.*

In 2021, five conventions were held at the Moscone Center; the Center reopened in September 2021 after being closed in March 2020 due to the pandemic. In 2022, the San Francisco Travel Association has booked 33 events at the Moscone Center. Pre-pandemic, the Moscone Center typically hosted 90 to 100 events per year.

Remote Work and Business Travel

The emergence of remote work during the pandemic has continued even though most offices and businesses have fully reopened. According to Gallup, a global research and consulting firm, hybrid work (defined as 10% to 100% remote) increased in 2022, accounting for 49% of the U.S. labor force in June, up from 42% in February, and is expected to increase to 55% by the end of 2022.** The flexibility of hybrid or remote work has also contributed to changes in business travel, i.e., the emerging trend of combining business and leisure travel, referred to as blended or "bleisure" travel. In its October 2022 Business Travel Recovery Poll, the Global Business Travel Association (GBTA) reported that "72% of respondents do not expect flexibility to work from home will impact the number of business trips taken by their employees." In addition, "78% of travel managers expect the number of business trips taken by employees at their company will be higher or much higher in 2023 versus 2022."***

* The San Francisco Travel Association, San Francisco Travel Holds 112th Annual Meeting, December 9, 2022, www.sftravel.com.

** Gallup, Returning to the Office: The Current, Preferred, and Future State of Remote Work, August 31, 2022, www.gallup.com.

*** Global Business Travel Association, Business Travel Continues Bouncing Back with a Strong Outlook for 2023, According to New Industry Poll from GBTA, October 6, 2022, www.gbta.org.

ECONOMIC OUTLOOK

The economic outlook for the United States and the San Francisco CSA forms a basis for anticipated growth in airline traffic at the Airport. Economic activity in the San Francisco CSA is directly linked to the production of goods and services in the United States and the world. Both airline travel and the movement of cargo through the Airport depend on the economic linkages between and among the regional, national, and global economies. The economic and other assumptions underlying the forecasts of enplaned passengers are based on a review of global, national, and regional economic outlooks as well as an analysis of historical socioeconomic trends and airline traffic trends.

The COVID-19 pandemic that began in February 2020 disrupted historical trends in economic and passenger traffic growth. Economic growth, measured in terms of U.S. real GDP (adjusted for inflation), decreased 2.8% in 2020, compared with a 60.6% decrease in U.S. passenger traffic. In 2021, economic and U.S. passenger traffic growth rebounded with increases of 5.9% and 77.7%, respectively. During the first two quarters of 2022, U.S. real GDP decreased 1.6% and 0.6%, respectively, which typically defines an economic recession. However, other metrics are considered such as U.S. unemployment rates which remained at historical lows during the first two quarters of 2022, averaging 3.8%. At the same time, U.S. passenger traffic increased an estimated 53.6% during the first two quarters of 2022, despite the decreases in U.S. GDP, reflecting the pent-up demand for air travel delayed during the pandemic. In Q3 2022, U.S. real GDP increased 3.2%, U.S. unemployment averaged 3.8%, and U.S. passenger traffic increased an estimated 15.7% compared with Q3 2021.

Over the past several months, major technology and biotechnology industry employers in the Bay Area have announced staff layoffs to their global workforces in response to softening economic conditions around the world. These have totaled approximately 6,000 job losses in the Bay Area by the end of 2022, and encompass many firms including Meta Platforms, Twitter, Amazon, Lyft, Oracle and PayPal.

While these job losses are likely to have a dampening effect on aviation activity at the Airport in the near-term, they are likely to be offset, at least in part, by more robust conditions in the overall Bay Area job market (according to the California Employment Development Department, the Bay Area added a net total of 17,600 new jobs in October 2022), and also by the realization of pent up demand for air travel related to the recovery from the pandemic.

HISTORICAL AIRLINE TRAFFIC AND SERVICE

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 December 2022, 12 U.S. passenger airlines provided scheduled service at the Airport, including 5 network airlines, 2 regional airlines, and 5 low-cost carriers, as shown in Table 10. International passenger service was provided by 38 foreign-flag airlines, including airlines from Asia (14), Europe (11), Canada (5), the South Pacific (3), Latin America and the Caribbean (2), the Middle East (2), and Mexico (1). In addition, 6 airlines provided all-cargo service as discussed in the section “Cargo”.

Table 10

Passenger Airlines Providing Scheduled Service at San Francisco

As of December 2022

U.S. airlines

Network airlines	**Regional airlines** *(a)*	**Low-cost carriers** *(b)*
Alaska	Horizon (AS)	Breeze
American	SkyWest (AA, AS, DL, UA)	Frontier
Delta		jetBlue
Hawaiian		Southwest
United		Sun Country *(c)*

Foreign-flag airlines

Asia	**Europe**	**Latin America/Caribbean**
Air India	Aer Lingus	Avianca
All Nippon	Air France	Copa
Asiana	British Airways	
Cathay Pacific	Condor *(c)*	**Mexico**
China Airlines	French Bee	Aeromexico
EVA	Iberia *(c)*	
JAL	KLM	**Middle East**
Korean	Level *(c)(e)*	Emirates
Philippine	Lufthansa	Qatar
Singapore	SAS	
Vietnam	Swiss	**South Pacific**
	TAP Air Portugal	Air New Zealand
Canada	Turkish	Fiji Airways
Air Canada	Virgin Atlantic	French Bee
Air Transat		
Flair		
Jazz Aviation *(d)*		
WestJet		

Note: Airlines providing service as of July 2019 but not as of December 2022 include Air China, Air Italy, China Eastern, China Southern, El Al, Finnair, Hong Kong, 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) Operates seasonal service at SFO.
(d) Regional airline flights are operated by Jazz Aviation, one of Air Canada’s regional affiliates.
(e) Operated by Level for Iberia.

Source: OAG Worldwide Ltd, OAG Analyser database, accessed November 2022.

Table 11 presents a summary of the trends in average daily scheduled passenger airline departures at SFO before (July 2019) and after (July 2022) the start of the pandemic. July was used for comparison because is the peak travel month at the Airport. In addition, airline schedules for December 2022 provide current airline capacity, as compared to December 2019.

Due to the restrictions on international travel, many of which have since been relaxed or lifted completely, (in October 2022, Japan lifted travel restrictions and in January 2023, China reopened its borders and lifted travel restrictions) SFO has experienced changes in international service, particularly by foreign-flag airlines. Between July 2019 and December 2022, international service at SFO has been discontinued by 13 airlines, including 6 European, 4 Asian, 1 Southwest Pacific, 1 Middle Eastern, and 1 Central American. Five of the 13 airlines—Air Italy, Interjet, Norwegian Air,* 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 90 in July 2022, as shown in Table 11.

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 2022, total scheduled departing seats at SFO increased 81%, year-over-year, compared with a 48% increase at U.S. airports and a 40% increase worldwide.

Table 12 presents historical trends in enplaned passengers at the Airport from FY 2005 through the first five months of FY 2023. 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.

* Operated as Norwegian Air UK and Norwegian Long Haul (a division of Norwegian Air Shuttle) which provided long-haul service between Europe, Asia, and the United States with an all-Boeing 787 fleet.

Table 11
Trends in Average Daily Scheduled Passenger Airline Departures
San Francisco International Airport

Airline	July 2019	July 2022	December 2019	December 2022
Domestic				
Alaska	86	73	80	72
American	45	31	41	26
Breeze	--	1	--	3
Delta	50	37	41	34
Frontier	5	6	4	8
Hawaiian	2	3	3	2
JetBlue	15	15	14	14
Southwest	44	25	38	24
Sun Country	4	2	2	2
United	269	194	246	162
Domestic Total	519	386	468	346
International				
Asia				
Air China	1	--	1	--
Air India	1	1	1	2
All Nippon	1	2	1	2
Asiana	1	1	1	1
Cathay Pacific	3	*(a)*	3	1
China	1	1	1	1
China Eastern	1	--	1	--
China Southern	1	--	1	--
EVA Airways	2	1	3	1
Hong Kong	1	--	--	--
Japan	1	1	1	2
Korean Air	2	1	2	1
Philippine	2	1	2	1
Singapore	2	2	2	2
United	12	5	13	7
Vietnam	--	1	--	1
Subtotal--Asia	33	17	34	21
Europe				
Aer Lingus	1	1	1	1
Air France	2	2	1	1
Air Italy	1	--	--	--
British Airways	2	2	2	2
Condor	--	*(a)*	--	--
Finnair	1	--	*(a)*	--
French Bee	*(a)*	*(a)*	*(a)*	*(a)*
Iberia	1	1	*(a)*	--
Icelandair	1	--	*(a)*	--
KLM	2	2	1	1
Lufthansa	2	2	2	2
Norwegian Air	1	--	1	--
Norwegian Air Shuttle	--	--	1	--

Table 11 (page 2 of 2)

Trends in Average Daily Scheduled Passenger Airline Departures

San Francisco International Airport

Airline	July 2019	July 2022	December 2019	December 2022
Europe (continued)				
SAS	1	1	1	1
SWISS	1	1	1	1
TAP Air Portugal	1	1	1	*(a)*
Thomas Cook	*(a)*	--	--	--
Turkish	1	2	1	1
United	8	9	5	6
Virgin Atlantic	2	2	2	1
XL Airways France	*(a)*	--	--	--
Subtotal--Europe	27	26	20	17
Central America				
Aeromexico	4	4	4	4
Alaska	2	2	2	3
Avianca	2	2	2	2
Copa	2	1	2	1
Interjet	2	--	1	--
United	7	8	8	9
Subtotal--Central America	19	17	19	19
Middle East				
El Al	*(a)*	--	*(a)*	--
Emirates	1	1	1	1
Qatar	--	1	--	1
United	1	1	1	1
Subtotal--Middle East	2	3	2	3
Canada				
Air Canada	16	12	12	9
Air Transat	--	*(a)*	--	--
Flair	--	1	--	1
United	9	7	7	4
Westjet	4	3	--	*(a)*
Subtotal--Canada	29	23	20	14
Southwest Pacific				
Air New Zealand	1	*(a)*	1	1
Fiji Airways	*(a)*	0.6	*(a)*	1
French Bee	*(a)*	*(a)*	*(a)*	*(a)*
Qantas	2	--	1	--
United	2	2	3	4
Subtotal--Southwest Pacific	5	4	6	6
International Total	**115**	**90**	**102**	**81**
Airport Total	**633**	**476**	**569**	**427**

Note: Totals may not add due to rounding.

(a) Less than one daily departure.

Source OAG Worldwide Ltd, OAG Analyser database, accessed November 2022.

Table 12
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	16,220,090	3,994,815	80.2	19.8
2021	6,091,685	832,893	6,924,578	5,477,289	1,447,289	79.1	20.9
2022	14,290,034	3,106,215	17,396,249	14,385,786	3,010,463	82.7	17.3
Firsts 5 months (July-November)							
2022	5,724,568	882,596	6,607,164	n.a.	n.a.	n.a.	n.a.
2023	7,328,116	2,497,410	9,825,526	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)	(29.4)	(29.1)		
2020-2021	(59.5)	(83.9)	(65.7)	(66.2)	(63.8)		
2021-2022	134.6	272.9	151.2	162.6	108.0		
First 5 months (July-November)							
2022-2023	28.0	183.0	48.7	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 2022 (82.7%) includes revenue and non-revenue passengers and differs from the estimate in Figure 4 (81%) which is based on revenue enplaned passengers only.

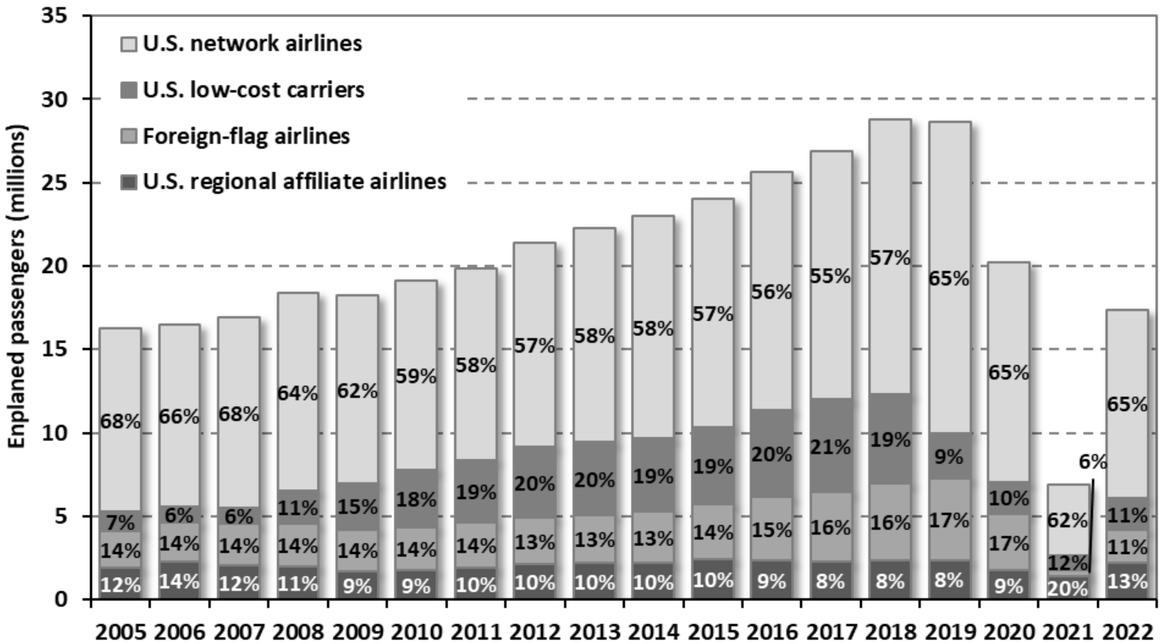
Sources: San Francisco Airport Commission records and U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100, accessed November 2022.

Passenger traffic decreased 29.4% in FY 2020 and 65.7% 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 2022, passenger traffic increased 151.2%, year-over-year, as restrictions lifted and travel resumed. Domestic traffic has recovered more quickly than international traffic due to international travel restrictions, including country border closures and COVID-19 testing requirements, many of which were lifted in fall 2021. O&D passengers are estimated to account for 82.7% of total (revenue and non-revenue) enplaned passengers at the Airport in FY 2022; connecting passengers accounted for the remaining 17.3%. During the first five months of FY 2023 (July-November), the number of enplaned passengers increased 48.7% compared to the same period of FY 2022.

The number of enplaned passengers increased 29.4%, year-over-year, in December 2022. Traffic growth in December was dampened by widespread flight cancellations due to a winter storm that affected much of the United States. Southwest Airlines, which also suffered from severe operational challenges, cancelled nearly two-thirds of its system-wide flights amidst late December holiday travel.

As shown on Figure 11, 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.

Figure 11
Historical Enplaned Passengers
San Francisco International Airport



Note: For Fiscal Years ended June 30.

From FY 2005 through FY 2022, U.S. LCCs include AirTran, Allegiant, ATA, Breeze, Frontier, Independence Air, jetBlue, Southwest, Sun Country, Spirit, 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.

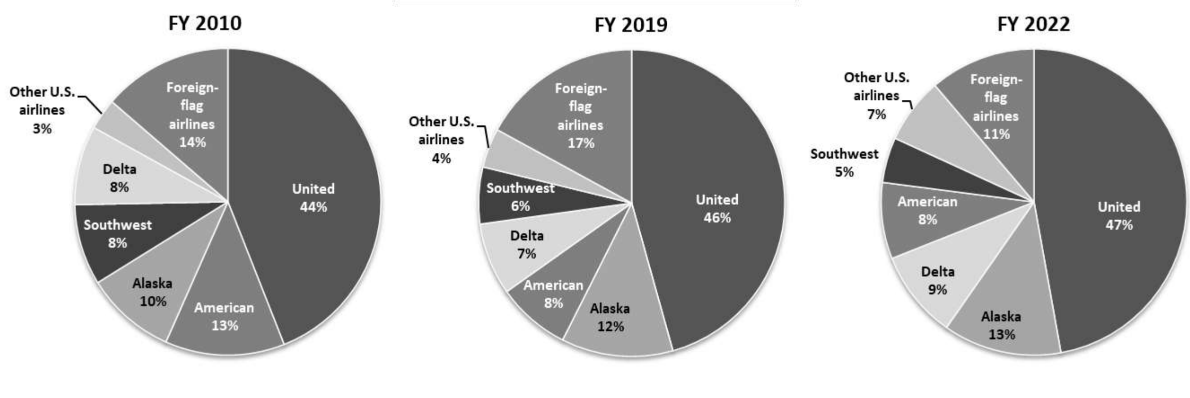
U.S. LCC's share of total enplaned passengers increased from 7% in FY 2005 to a high of 21% in FY 2017 with the development of LCC service and decreased to 9% in FY 2019 following the merger and rebranding of Virgin America as Alaska Airlines.* Over that same period, U.S. network airlines' passenger 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%. In FY 2022, shares for U.S. regional affiliate airlines decreased to 13% and foreign-flag airlines increased to 11%, while shares for U.S. LCC's and U.S. network airlines' were similar to pre-pandemic levels.

*Data for U.S. LCC passengers includes data for Virgin America through April 2018.

Enplaned Passenger Market Shares

Compared with other U.S. large-hub airports, the Airport has only a moderate degree of airline concentration. As shown on Figure 12 and in Table 13, United and United Express together accounted for the largest share of enplaned passengers at SFO in FY 2019, 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%).

Figure 12
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.

Table 13

Enplaned Passengers by Airline

San Francisco International Airport

Airline *(a)*	Enplaned passengers (thousands) 2010	2019	2022	Percent of total 2010	2019	2022
Domestic						
United *(b)*	6,931	10,746	7,203	47.9%	50.4%	50.4%
Alaska *(c)*						
Alaska	*479*	*3,261*	*2,057*	*2.9*	*15.3*	*14.4*
Virgin America	*1,266*	*--*	*--*	*10.5*	*--*	*--*
Subtotal--Alaska	1,744	3,261	2,057	13.4	15.3	14.4
Delta	1,518	2,219	1,615	9.8	10.4	11.3
American *(d)*	2,411	2,175	1,401	13.8	10.2	9.8
Southwest *(e)*	1,629	1,714	832	10.0	8.0	5.8
jetBlue	322	738	679	2.9	3.5	4.7
All others	305	447	503	2.2	2.1	3.5
Subtotal--domestic	14,860	21,301	14,290	100.0%	100.0%	100.0%
International						
United *(b)*	1,476	2,321	1,004	35.9%	31.7%	32.3%
Air Canada	277	568	291	6.2	7.8	9.4
Aeromexico	36	158	150	0.9	2.2	4.8
Alaska *(c)*	76	115	123	3.1	1.6	4.0
Lufthansa	205	244	121	5.2	3.3	3.9
British Airways	194	223	116	4.6	3.0	3.7
Turkish	--	115	114	--	1.6	3.7
Air France	123	175	107	3.3	2.4	3.4
Qatar	--	--	89	--	--	2.9
Emirates	96	151	89	2.4	2.1	2.8
Air India	--	90	80	--	1.2	2.6
Philippine	115	147	78	2.4	2.0	2.5
All others	1,642	3,016	745	35.8	41.2	24.0
Subtotal--international	4,241	7,321	3,106	100.0%	100.0%	100.0%
Total						
United	8,407	13,067	8,207	45.3%	45.7%	47.2%
Alaska *(c)*	1,820	3,376	2,181	11.2	11.8	12.5
Delta	1,592	2,219	1,615	8.0	7.8	9.3
American *(d)*	2,411	2,175	1,401	10.9	7.6	8.1
Southwest *(e)*	1,629	1,714	832	7.8	6.0	4.8
JetBlue	322	738	704	2.3	2.6	4.0
Air Canada	277	568	291	1.3	2.0	1.7
All others	2,643	4,764	2,165	13.2	16.6	12.4
Total passengers	19,100	28,622	17,396	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.

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). 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 2022, foreign-flag airlines' share of total enplaned passengers had decreased to 11.2% due to international travel restrictions (which were relaxed in many places in the fall of 2021). As a result, shares for United, Alaska, American, Delta, Southwest, and other U.S. airlines, taken together, increased.

In FY 2022 United and United Express together accounted for 50.4% of all domestic passengers at the Airport (the same as in FY 2019). Alaska and Delta ranked second and third, respectively, with 14.4% (15.3% in FY 2019) and 11.3% (10.4% in FY 2019). Southwest and jetBlue, both of whom initiated service at the Airport in 2007, accounted for a combined 10.6% of all domestic enplaned passengers at the Airport during FY 2022 (11.5% in FY 2019).

United also enplaned the most passengers on international flights at the Airport during FY 2022, with 32.3% of the total (compared to 31.7% in FY 2019). Air Canada ranked second in terms of international enplaned passengers in FY 2022, with 9.4% (up from 7.8% in FY 2019). Many airlines' market shares shifted between FY 2019 and FY 2022, due to international travel restrictions, which severely limited travel to many parts of the world.

Destinations Served at SFO

In December 2022, there were a total of 81 domestic destination airports served at SFO (compared to 84 in December 2019, pre-pandemic) and 47 international destination airports (compared to 49 in December 2019), as shown in Figure 13. In July 2022, a total of 122 destination airports were served from SFO, down from 136 in July 2019. Between July 2019 and December 2019, there was a slight drop in the number of destination airports served from SFO, reflecting seasonal changes, however between July 2022 and December 2022, there was an increase, indicating continued recovery in air service.

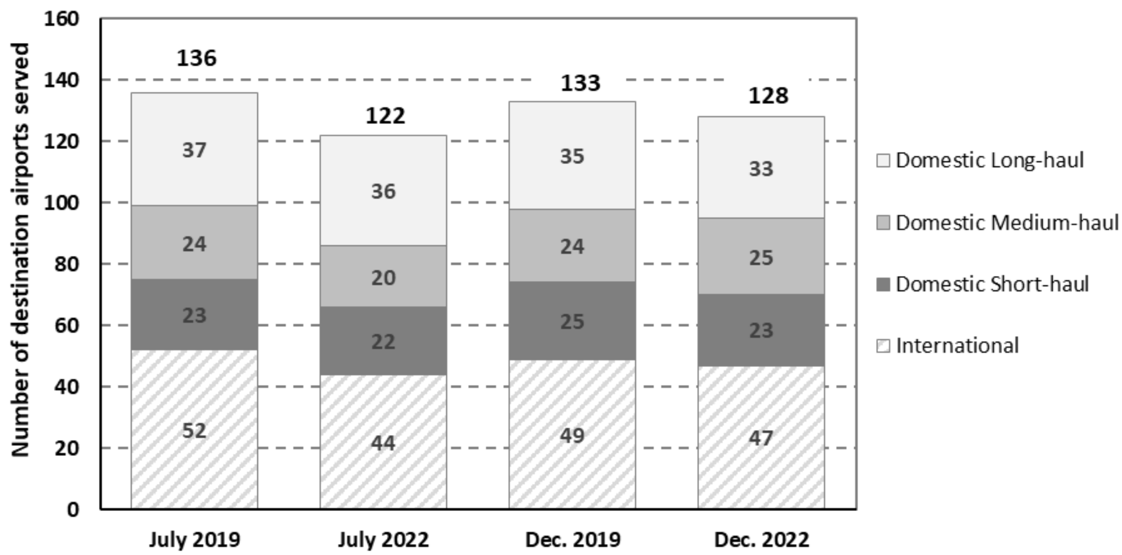
Domestic Origin-Destination Markets: In FY 2022, the top 20 domestic passenger markets accounted for 73.9% of domestic O&D passengers at the Airport, as shown in Table 14. New York and Los Angeles were the top two destination markets for O&D passengers at the Airport, accounting for 12.2% and 10.5%, respectively, of domestic O&D passengers at the Airport in FY 2022. Other major destinations included Chicago, Boston, and Las Vegas. In July 2022, each of the top 20 domestic destinations were served nonstop from the Airport by two or more airlines, with service provided by three or more airlines to 14 of the top 20 markets, as shown in Table 14. Having a large number of markets with service from multiple airlines helps keep airfares competitive.

International Origin-Destination Markets: In FY 2022, the top 20 international passenger markets at SFO in terms of international O&D passenger bookings* accounted for 52.4% of the total international O&D passenger bookings, as shown in Table 15. 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. London, England was the largest international O&D market with 6.2% of international O&D passenger bookings. The next four largest international O&D markets accounted for 15.8% of bookings (compared to 7.4% in FY 20219) and were all Mexican

*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.

destinations: Cancun (4.8%), San Jose del Cabo (4.0%), Puerto Vallarta (3.5%), and Mexico City (3.5%). The top destinations in FY 2022 were notably different from those prior to the pandemic due to travel restrictions imposed by the United States and foreign governments, many of which were lifted partway through FY 2022. 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%). All of the top 20 international destinations were served nonstop from the Airport in July 2022, with service provided by two or more airlines to 13 of the top 20 markets, as shown in Table 15.

Figure 13
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 November 2022.

Table 14

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	FY 2022	Average daily scheduled nonstop departures July 2022	Number of airlines
1	New York *(a)*	2,235	11.6%	12.2%	32	5
2	Los Angeles *(b)*	300	12.4	10.5	56	7
3	Chicago *(c)*	1,601	4.7	4.5	14	5
4	Boston	2,344	4.4	4.2	13	4
5	Las Vegas	359	4.3	4.1	15	6
6	Seattle	588	4.6	4.0	19	4
7	Washington DC *(d)*	2,111	4.1	3.9	10	2
8	San Diego	388	4.3	3.8	18	4
9	Honolulu	2,080	2.0	3.1	8	4
10	Denver	839	3.4	3.0	15	3
11	Phoenix	565	2.1	2.8	11	5
12	Miami *(e)*	2,241	2.4	2.6	5	2
13	Dallas/Fort Worth *(f)*	1,275	2.7	2.5	12	5
14	Portland	478	2.6	2.1	10	3
15	Atlanta	1,854	1.9	2.0	7	2
16	Minneapolis-St. Paul	1,377	1.8	1.8	7	2
17	Austin	1,304	1.7	1.8	6	3
18	Houston *(g)*	1,418	1.5	1.7	9	2
19	Kahului	2,028	1.3	1.7	7	4
20	Orlando	2,121	1.3	1.7	3	2
	Cities listed		75.1%	73.9%	279	
	Other cities		24.9	26.1	107	
	All cities		100.0%	100.0%	386	

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) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
(e) Miami and Fort Lauderdale 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 2022.
Departures: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed November 2022.

Table 15

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 2022	Average daily scheduled nonstop departures July 2022	Number of airlines
1	London *(a)*	4,651	5.5%	6.2%	7	3
2	Cancun	2,090	2.0	4.8	2	2
3	San Jose del Cabo	1,085	1.8	4.0	3	2
4	Puerto Vallarta	1,352	1.7	3.5	2	2
5	Mexico City *(b)*	1,635	2.0	3.5	5	2
6	Paris *(c)*	4,837	2.7	3.4	4	3
7	Vancouver	799	3.3	3.2	10	4
8	Toronto	1,959	3.1	3.1	4	2
9	Delhi	6,682	1.9	2.8	1	1
10	Seoul *(d)*	4,903	2.9	2.4	3	3
11	Manila	6,060	3.0	2.1	1	1
12	Guadalajara	1,428	1.4	1.7	1	1
13	Taipei *(e)*	5,608	3.3	1.7	3	3
14	San Salvador	2,294	0.7	1.6	2	1
15	Amsterdam	5,456	1.3	1.6	3	2
16	Frankfurt	4,938	1.2	1.5	3	3
17	Tokyo *(f)*	4,457	2.8	1.4	5	6
18	Tel Aviv	6,434	1.2	1.4	1	1
19	Dublin	5,082	1.2	1.3	1	1
20	Barcelona	5,954	0.7	1.2	1	1
	Cities listed		43.8%	52.4%	63	
	Other cities		56.2	47.6	27	
	All cities		100.0%	100.0%	90	

Notes: For the Fiscal Year ended June 30, unless otherwise noted.

(a) Heathrow, Gatwick, Stansted, and London City airports.
(b) Juarez and Toluca airports.
(c) Charles de Gaulle and Orly airports.
(d) Incheon and Gimpo airports
(e) Taoyuan and Sung Shan airports.
(f) Haneda and Narita airports.

Sources: OAG Aviation Worldwide Ltd, OAG Analyser database and OAG Traffic database, accessed November 2022.

Airline Airfares

Table 16 provides a comparison of average domestic one-way airfares paid at the Airport in FY 2022 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, all 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 2022, reflecting its role in providing service for longer domestic trips in the San Francisco CSA, as shown in Table 16. In comparison, SFO accounted for considerable but smaller shares of domestic O&D passengers in medium- and short-haul markets in FY 2022, with 43% to 58% of medium-haul domestic passengers (SFO accounted for 84.3% at Minneapolis-St. Paul Airport, an outlier as compared with the rest of the medium-haul airport group) and 38% to 45% of short-haul passengers.

As shown in Table 16, SFO accounted for 95.1% of first and business class domestic fare revenue at the three primary airports in the San Francisco CSA in FY 2022, an increase from 89.9% in FY 2019. OAK and SJC accounted for 1.4% and 3.5%, respectively, in FY 2022. SFO's share of first and business class domestic fare revenue increased in 19 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% of first and business class domestic fare revenue in seven of the busiest nine long-haul markets and more than 70% 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 third in FY 2022 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, as shown on Figure 14. In FY 2022, premium fare class revenue accounted for 31% of total domestic fare revenue at SFO, down from 35% in FY 2019. The share of premium class fare revenue at large-hub U.S. airports averaged 20% in FY 2022. In contrast, premium class revenue at OAK and SJC accounted for 3% and 6%, respectively, of total domestic fare revenue in FY 2022 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 16

Comparison of Airfares in SFO's Top Domestic Origin-Destination Markets in FY 2022

Bay Area Airports

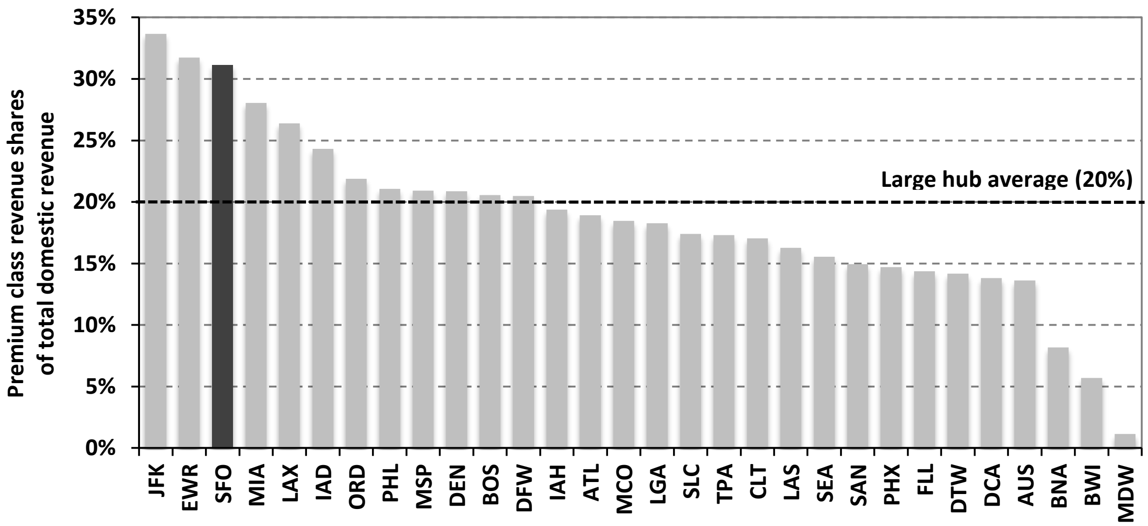
Rank	Market	Length of haul	SFO percent of domestic O&D passengers for three Bay Area airports	Average one-way domestic airfare paid			SFO percent of first/business class fare revenue for three Bay Area airports
				SFO	OAK	SJC	
1	*New York (a)*	Long	95.1%	$298	$200	$215	99.5%
2	*Los Angeles (b)*	Short	38.3	101	85	89	99.9
3	*Chicago (c)*	Long	76.3	250	171	215	97.4
4	*Boston*	Long	91.7	337	238	246	98.5
5	*Las Vegas*	Short	38.6	101	76	108	99.2
6	*Seattle*	Medium	45.5	130	108	120	72.5
7	*Washington DC (d)*	Long	82.9	323	224	248	98.7
8	*San Diego*	Short	39.1	114	105	91	100.0
9	*Honolulu*	Long	51.1	223	172	177	82.5
10	*Denver*	Medium	52.2	150	117	157	90.3
11	*Phoenix*	Medium	43.7	102	96	131	82.6
12	*Miami (e)*	Long	88.4	293	161	223	99.0
13	*Dallas/Fort Worth (f)*	Medium	58.3	202	147	205	84.8
14	*Portland*	Short	45.4	133	120	127	81.5
15	*Atlanta*	Long	71.5	315	177	291	93.1
16	*Minneapolis-St. Paul*	Medium	84.3	219	197	233	92.5
17	*Austin*	Medium	52.3	204	155	174	98.8
18	*Houston (g)*	Medium	57.4	245	156	205	94.3
19	*Kahului*	Long	46.5	236	187	178	72.8
20	*Orlando*	Long	78.9	262	197	237	93.1
	Cities listed		56.2%	$210	$110	$134	95.6%
	Other cities		61.0	262	155	208	92.7
	All cities		57.3%	$223	$121	$150	95.1%

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) Reagan Washington National, Baltimore/Washington International Thurgood Marshall, and Washington Dulles International airports.
(e) Miami and Fort Lauderdale 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 2022.

Figure 14
First and Business Class Shares of Total Domestic Revenue at Large-Hub U.S. Airports in FY 2022



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 2022.

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 2022, the seven airlines providing service in the Corridor* operated an average of 144 daily nonstop departures, the equivalent of approximately six departures per hour during a 24-hour period, including two flights per hour from SFO; in July 2019, an average of 187 nonstop departures were operating in the Corridor. Two of the seven 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 16, SFO accounted for 38.3% of the O&D passengers in the Corridor in FY 2022. In comparison, Oakland and SJC accounted for 33.2% and 28.5%, respectively, of O&D passengers in the Corridor in FY 2022. 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 2022, SFO provided a total of 476 scheduled daily nonstop departures, including 386 domestic departures and 90 international departures (compared to 519 domestic and 115 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.

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*Alaska, American, Delta, jetBlue, Southwest, Spirit, and United.

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 (prior to the pandemic) 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 50.7%, 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 2022, domestic seats increased 72.7%, year-over-year, while international seats increased 122.7%, and total seats increased 80.6%.

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, the national and global economic recessions, and the COVID-19 pandemic. 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 17, total air cargo tonnage at SFO increased an average of 2.0% per year between FY 2010 and FY 2022, with considerable year-to-year variation. Total air cargo tonnage at SFO decreased 13.2% in FY 2020 and 3.7% in FY 2021, due to a reduction in available belly cargo capacity as passenger airline service was discontinued during the COVID-19 pandemic and the large share of air cargo handled by passenger airlines (76.2% in FY 2019). In FY 2022, total air cargo tonnage at SFO increased 15.6% from FY 2021. By comparison, air cargo revenue ton-miles for the U.S. overall decreased 5.2%, year-over-year, in FY 2020, and increased 12.7% and 5.8% in FY 2021 and FY 2022, respectively. In FY 2022, tonnage carried on all-cargo aircraft at the Airport decreased 9.6% from FY 2021 volumes, while tonnage carried by passenger aircraft increased 32.9%. As a result, in FY 2022 passenger airlines accounted for 68.2% of total air cargo at the Airport (down from 76.2% in FY 2019) and cargo airlines accounted for the remaining 31.8% (up from 23.8% in FY 2019).

Table 17
Trends in Air Cargo
San Francisco International Airport

	Metric tons			CAGR FY 2010	Percent of total		
	FY 2010	FY 2019	FY 2022	FY 2022	FY 2010	FY 2019	FY 2022
By Airline Type							
Domestic							
Passenger airlines	87,342	111,779	99,944	1.1%	20.2%	19.8%	18.3%
Cargo airlines	75,843	89,918	119,403	3.9	17.6	15.9	21.9
Subtotal–domestic	163,185	201,697	219,347	2.5%	37.8%	35.7%	40.2%
International							
Passenger airlines	183,610	318,328	272,075	3.3%	42.5%	56.4%	49.9%
Cargo airlines	85,196	44,460	53,914	(3.7)	19.7	7.9	9.9
Subtotal–international	268,805	362,788	325,988	1.6%	62.2%	64.3%	59.8%
Total							
Passenger airlines	270,952	430,107	372,019	2.7%	62.7%	76.2%	68.2%
Cargo airlines	161,038	134,378	173,317	0.6	37.3%	23.8%	31.8%
Total air cargo	431,990	564,485	545,335	2.0%	100.0%	100.0%	100.0%
By World Area							
United States	163,185	201,697	219,347	2.5%	37.8%	35.7%	40.2%
Asia and South Pacific	213,258	265,347	224,190	0.4	49.4	47.0	41.1
Europe	49,922	84,069	88,138	4.9	11.6	14.9	16.2
Middle East	3,678	9,441	12,600	10.8	0.9	1.7	2.3
Mexico, Central & South America	896	660	553	(3.9)	0.2	0.1	0.1
Canada	1,052	3,271	507	(5.9)	0.2	0.6	0.1
Total air cargo	431,990	564,485	545,335	2.0%	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 2022 include ABX Air, Air Transport International, Atlas Air, FedEx, Kalitta Air, and Nippon Cargo. In addition, cargo service was provided by the subsidiaries of five passenger airlines (Asiana, China, EVA, Korean, and Sun Country) and one ground handling company (Swissport).

Source: San Francisco Airport Commission records.

Domestic air cargo accounted for 40.2% of total air cargo in FY 2022. Of this total, passenger airlines handled 46% of domestic cargo volumes and cargo airlines handled the remainder. International air cargo accounted for 59.8% of total air cargo in FY 2022. Passenger airlines carried 84% of international air cargo and cargo airlines handled the remainder. Two world regions—Asia and the South Pacific and Europe—accounted for 57% of total air cargo in FY 2022.

SFO accounted for 48.3% of air cargo tonnage at the three Bay Area airports in FY 2022. Oakland International Airport, a regional hub for Federal Express, handled 48.9%, while Mineta San Jose handled 2.9%.*

*Totals may not add to 100% due to rounding.

KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the demographics and economy of the San Francisco Bay Area, as discussed earlier, key factors that will affect future airline traffic at the Airport in the long term include:

- Public health concerns and the COVID-19 pandemic
- National economic conditions
- International economic and geopolitical conditions
- Financial health of the airline industry
- Airline consolidation and alliances
- Airline service and routes at the Airport and other regional airports
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Climate change concerns
- Capacity of the national air traffic control system, and
- Capacity of San Francisco International Airport

Public Health Concerns and the COVID-19 Pandemic

Public health concerns and associated restrictions on travel periodically reduce 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.

By comparison, the COVID-19 pandemic has had far more serious and widespread effects on airline travel worldwide. In late 2019, the highly contagious novel coronavirus that causes the COVID-19 respiratory illness emerged, soon spreading through most parts of the world. COVID-19 was declared a global pandemic by the World Health Organization in March 2020.

During the early 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 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 that extended through much of 2020.

In December 2020, the first COVID-19 vaccines were administered in the United States and, following a peak of new COVID-19 cases at the end of 2020, the number of new cases fell as more people were vaccinated. As of December 2022, 68% of the total U.S. population had been fully vaccinated. The success of COVID-19 vaccines in preventing the transmission of the virus and reducing its effects resulted in a steady recovery in domestic air travel through the summer of 2021, and the recovery trend has continued through calendar year 2022.

Notwithstanding the success of the vaccines, new variants of the COVID-19 virus emerged throughout the world, including the highly contagious Delta and then Omicron variants, which resulted in new waves of cases in the fall and winter of 2021. These new cases contributed to cancelled travel bookings and reduced airline schedules, as well as delays in office openings and continued travel restrictions, particularly for corporate and international travel. The Omicron variant also contributed to flight cancellations at the end of 2021 as airline crews tested positive for the virus. While the combination of these factors inhibited recovery in airline travel during the second half of 2021, airline travel has strengthened during 2022, and now aviation activity nationwide is similar to levels seen before the pandemic.

The availability and acceptance of vaccines and treatments have facilitated reductions in COVID-19 hospitalizations and deaths and provided the means to control the pandemic, particularly in the United States and other developed countries. Until governments and public health authorities throughout the world are able to contain the spread of the disease and its variants worldwide through widespread immunization, and to continue to relax quarantine, testing, and other travel restrictions such as those that occurred in late 2021, COVID 19 may continue to affect airline travel.

Questions also remain about how some determinants of travel demand may not return to those existing pre-pandemic. Some observers expect that there will be permanent reductions in some business travel for in-person meetings as a result of the widespread adoption of videoconferencing during the pandemic. Many companies have reduced travel by their employees and thereby achieved cost savings that may become a permanent feature of their financial operations. Offsetting that effect, there may be an increase in travel by workers who relocated during the pandemic and work remotely, but who will need regularly to visit a central office location.

National Economic Conditions

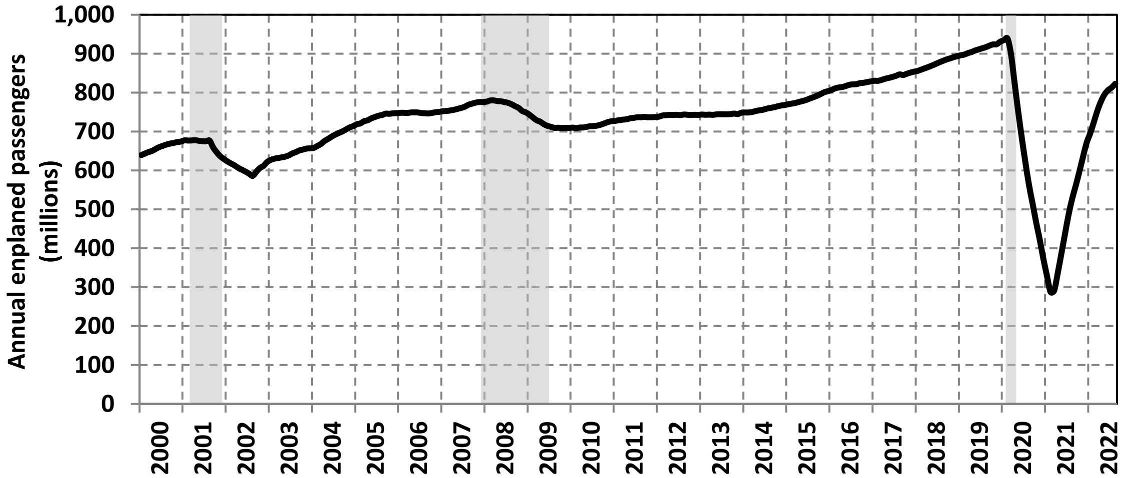
Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated in Figure 15, recessions in the U.S. economy in 2001, 2008-2009, and 2020, and associated high unemployment reduced discretionary income and 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, was short-lived but caused the largest ever decrease in real GDP (31.2% in the second quarter of 2020),with an associated sharp increase in unemployment. The second quarter decrease was followed by strong GDP growth in the third and fourth quarters, with GDP in the fourth quarter of 2020 at close to the pre-pandemic level. Economic growth continued in 2021 and GDP for the year increased 5.7% over 2020.

Future increases in domestic passenger traffic at the Airport will depend on resumed national economic growth.

Figure 15

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 November 2022; National Bureau of Economic Research, www.nber.org.

International Economic and Geopolitical Conditions

International passenger traffic at U.S. airports is influenced by the globalization of business, international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and geopolitical relationships. Concerns about hostilities, terrorist attacks, other perceived security risks, and associated travel restrictions, also affect travel demand to and from particular international destinations from time to time.

Future increases in international passenger traffic at the Airport will partly depend on global economic growth, a stable and secure international travel environment, and government policies that do not unreasonably restrict or deter travel.

Russia’s invasion of Ukraine in February 2022 has caused catastrophic destruction, loss of life, and a humanitarian and refugee crisis in eastern Europe. The invasion prompted the United States, the European Union, and other nations to impose far-reaching economic and financial sanctions that are having calamitous effects on the Russian economy and international trade. The war and sanctions are causing collateral economic disruption beyond Russia’s borders by sending energy and commodity prices soaring, worsening inflation, disrupting international commerce, and slowing economic growth.

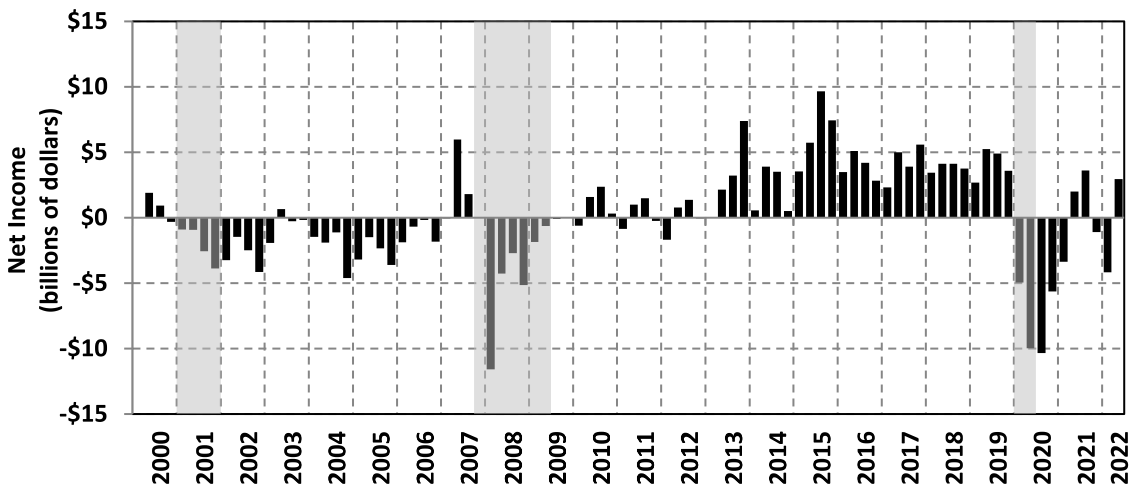
The war has caused the closure of airspace over much of eastern Europe and Russia and the suspension of airline service to Russia and other destinations in and near the war zone. The closure of Russian airspace requires some airline flights, particularly between Europe and Asia, to take circuitous flight paths and incur longer flight times and higher fuel costs.

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 16 shows historical net income for U.S. airlines.

Largely as a result of the 2001 economic recession and the disruption of the airline industry that followed the September 2001 attacks, the industry experienced large financial losses between 2001 and 2006. During this period, Delta, Northwest, United, and US Airways all filed for bankruptcy protection and restructured their operations.

Figure 16
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 November 2022.

In 2007, the U.S. passenger airline industry was profitable, but in 2008, as oil and aviation fuel prices increased to unprecedented levels and the U.S. economy contracted, the U.S. passenger industry experienced large net losses. The industry responded by grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares.

From 2010 to 2013, after recovery from the 2008-2009 recession, the U.S. passenger airline industry generally recorded positive net income, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, achieving high load factors, and increasing ancillary revenues. American filed for bankruptcy protection in 2011.

Beginning in 2020, reductions in air travel demand caused by the COVID-19 pandemic resulted in unprecedented airline industry losses. These losses were partially mitigated by federal aid provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act enacted in March 2020. The CARES Act provided the airlines with $25 billion in direct aid, loans, and loan guarantees and an additional $25 billion in payroll support funding. The payroll support funding, which was conditioned on its use for payroll and benefits, and prohibited the imposition of involuntary furloughs, was renewed in December 2020 with an additional $15 billion of funding.

In March 2021, the American Rescue Plan Act of 2021 (ARPA) was enacted, providing $1.9 trillion in funding to mount a national vaccination program and providing wide-ranging economic support to individuals, state and local governments, and businesses. ARPA provided $14 billion in payroll support aid for airlines, which was again conditioned on airlines not imposing involuntary furloughs.

In response to the pandemic-induced losses, airlines took various actions to reduce costs and maintain liquidity. Most airlines offered their employees voluntary separation programs whereby employees were provided with severance payments and kept health care and other benefits. Many airlines also accelerated the retirement of older aircraft and deferred the acquisition of new aircraft.

Recovering from the effects of the pandemic and regaining industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, stable fuel prices and labor costs, and sufficient numbers of qualified employees, particularly pilots, to provide airline service.

As shown above in Figure 16, the U.S. airline industry returned to profitability in the second quarter of calendar year 2022, resulting primarily from the strengthening recovery in aviation activity nationwide.

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 Consolidation and Alliances

Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), and the acquisition of Virgin America by Alaska (2016).

In October 2022, the shareholders of Spirit Airlines voted to merge with JetBlue. JetBlue shareholders had earlier approved the merger. The completion of the merger is subject to the receipt of required regulatory approvals. Both Spirit and JetBlue have indicated that they expect to conclude the regulatory process and close the transaction no later than the first half of 2024. During FY 2022, JetBlue accounted for 4.0% of passengers enplaned at the Airport. Spirit does not currently provide service at the Airport.

This airline industry consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 75% of domestic seat-mile capacity. Consolidation contributed to pre-pandemic airline industry profitability; however, any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines could drastically affect airline service at certain connecting hub airports 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.

As discussed in earlier sections, the Airport serves as a primary connecting hub and international gateway for United. As a result, much of the connecting passenger traffic at the Airport results from the route networks and flight schedules of United rather than the economy of the region. If United were to reduce connecting service at the Airport, such service would not necessarily be replaced by other airlines, although reductions in service by any airline would create business opportunities for others.

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 at the Airport. 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 2022, an estimated 82.7% of passengers at the Airport are originating their journeys, with the remaining 17.3% connecting between flights.

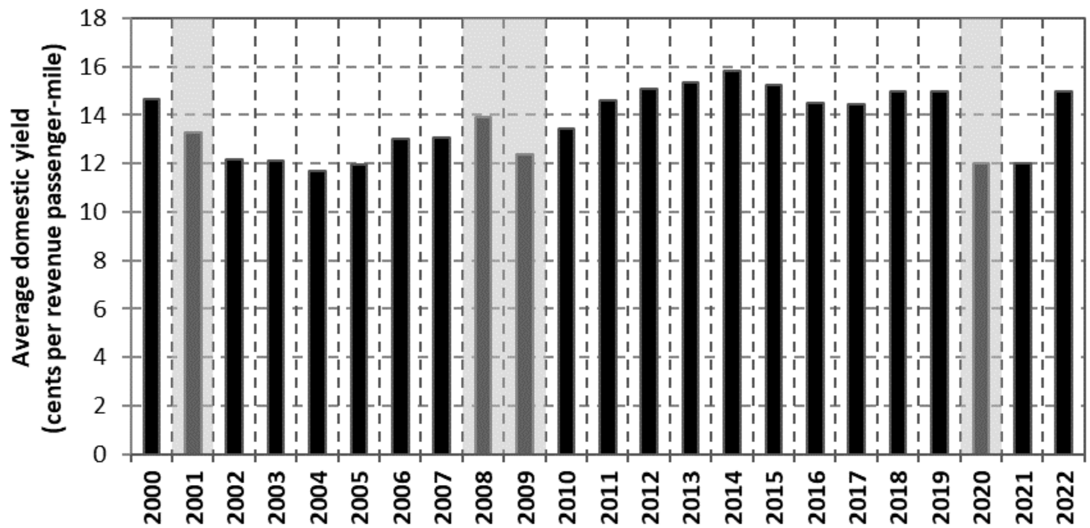
The large network airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules 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). As mentioned earlier, SFO serves as a hub for United Airlines.

Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for 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, both nationwide and at the Airport, will depend partly on the level of airfares.

Figure 17 shows the historical average domestic yield (airfare per passenger-mile) for U.S. airlines. After the 2008-2009 recession, the average yield increased through 2014 as airline travel demand strengthened, the airlines collectively reduced available seat capacity, and the airlines were able to sustain airfare increases. Between 2014 and 2016, the average yield was reduced as a result of airline competition, and, through 2019 was fairly stable. The average yield decreased in 2020 and 2021 as travel demand was depressed during the pandemic. In the first 6 months of 2022 (the most recent data available), average yield was the same as in 2019.

Figure 17
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 2022 are for the first 6 months (January through June), the most recent available.
Source: U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedule T100, accessed November 2022.

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 yield figures indicate.

Availability and Price of Aviation Fuel

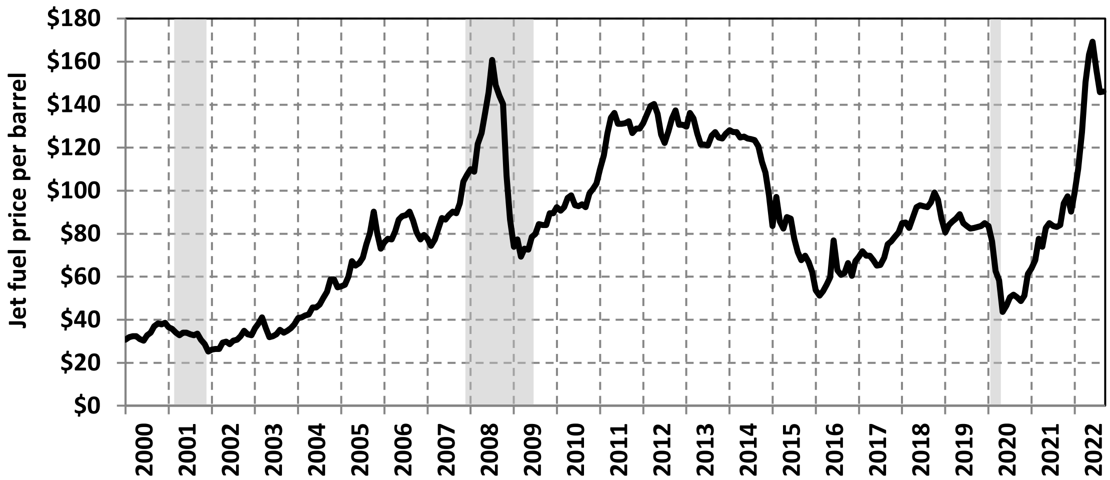
The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 18 shows the historical fluctuation in fuel prices caused by the many factors influencing the global demand for and supply of oil.

Between 2011 and 2014, aviation 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.

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 then increased, but the average price of aviation fuel at the end of 2019 was still approximately 30% below the price at mid-2014.

As the pandemic drastically reduced the demand for aviation fuel in early 2020, the price of aviation fuel fell sharply, before rebounding in 2021 as pandemic restrictions were eased, economies recovered, and demand exceeded supply. The economic disruption and sanctions resulting from the Russian invasion and war on Ukraine have exacerbated the worldwide imbalance of demand and supply and caused a spike in oil and aviation fuel prices. In 2022, the price of jet fuel per barrel reached a high of $169 in June 2022 followed by gradually decreasing prices. Higher fuel prices have a negative effect on airline profitability as well as far-reaching implications for the global economy.

Figure 18
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 November 2022.

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, COVID 19 testing, mask mandates, and vaccination requirements, lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips. Quarantine requirements and other restrictions create additional impediments for international travelers.

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. Measures have included strengthened aircraft cockpit doors, increased presence of armed federal air marshals, federalization of airport security functions under the TSA, and more intensive screening of passengers and baggage.

Following the fatal crashes of B-737 MAX aircraft caused by the malfunction of the aircraft's automated flight control system, all B-737 MAX aircraft were grounded 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, following the approval of modifications to the flight control system software and pilot training, the FAA rescinded its order grounding the aircraft, allowing it gradually to be reintroduced into service.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other aviation 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, factors.

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 slow down or lessen the effects of global warming and climate change.

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 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. 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; 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. 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.

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.

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 may inhibit airline travel demand.

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 Transportation 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 11% between 2007 and 2019), but, as airline travel increases in the future, flight delays and restrictions can 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 capacity of the Airport itself. 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 was assumed that the projected increases in enplaned passengers can be accommodated by existing terminal capacity in conjunction with the completion of the Ascent Program – Phase 1 planned through the end of the projection period.

AIRLINE TRAFFIC PROJECTIONS – BASE CASE

The projection of enplaned passengers at the Airport through FY 2029 was developed taking into account travel demand to and from the Bay Area, economic projections, trends in historical enplaned passengers, recovery from the COVID-19 pandemic, and other key factors likely to affect future passenger levels, all discussed in earlier sections.

Underlying Assumptions

In developing the passenger projections for this Report, it was assumed that, over the long term, airline traffic at the Airport will 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 projected increases in enplaned passengers could be accommodated by existing terminal capacity in conjunction with the completion of the Ascent Program – Phase 1 planned through the end of the projection period.

From FY 2023 through FY 2029, passenger numbers at the Airport are projected 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; however, slow to negative economic growth is expected in 2023 given recent employment layoffs, particularly in the technology sector, and uncertainty related to geopolitical events and global economic growth.

- The U.S. economy will experience sustained GDP growth averaging approximately 2.0% per year, although slow to negative economic growth is expected in 2023.

- Airline seating capacity is expected to be constrained in the short-term due to the shortage of airline staff, particularly pilots, the availability of pilot training facilities and the lead-time necessary for pilot certification, and delays in the delivery of new aircraft.

- Passenger traffic growth to the Asia-Pacific region is expected to lag overall international passenger traffic growth, reflecting the delayed reopening of country borders in Asia starting in late 2022, the gradual relaxation of China's "zero-COVID" policy, and the recurrence of COVID outbreaks in China.

- Aviation fuel prices will moderate in 2023, following recent crude oil price increases (a high of $115 per barrel in June 2022) but remain higher than pre-pandemic levels ($57 per barrel in 2019) amid uncertainty about the war in Ukraine and its impact on global oil prices.* From FY 2022 through FY 2029, aviation fuel prices will moderate from 2022 levels and remain below the record prices of approximately $134 per barrel reached in June 2008, reflecting reduced consumption levels, technological advances, and the availability of previously unexplored resources.

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*In its November 17, 2022, *Short-Term Energy Outlook*, the U.S. Energy Information Administration projected crude oil prices, in terms of West Texas Intermediate oil, to average $96 per barrel in 2022 and $89 in 2023, up from $68 per barrel in 2021 and $39 per barrel in 2020.

- Inflation, as measured by changes in the Consumer Price Index, is expected to moderate in 2023, following a high of 7.6% in Q2 2022, and average 3.0% to 4.0% in 2023. From FY 2024 through FY 2029, inflation will return to pre-pandemic levels, averaging 2.3% to 2.4% 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, fully merged with Virgin America, is expected to gradually increase the number of destinations served and the frequency of flights from SFO.

- Any airline consolidation that may occur during the projection 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.

- 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.

Enplaned Passengers

Between FY 2021 and FY 2022, the numbers of passengers enplaned at the Airport more than doubled to 17.4 million (from 6.9 million in FY 2021), reflecting continuing recovery from the impact of the pandemic. Above-trend growth is expected to continue in FY 2023 through FY 2026, before falling to longer-term trend growth during the remaining years of the projection period. Growth is expected to average 9.4% per year between FY 2022 and FY 2029, as shown on Figure 19 and in Table 18. Total enplaned passengers are projected to increase to 32.7 million in FY 2029. In its most recent *Terminal Area Forecast* for the Airport (published online in March 2022), the FAA forecasts SFO's enplaned passengers to increase an average of 13.6% per year between FY 2022 and FY 2029.

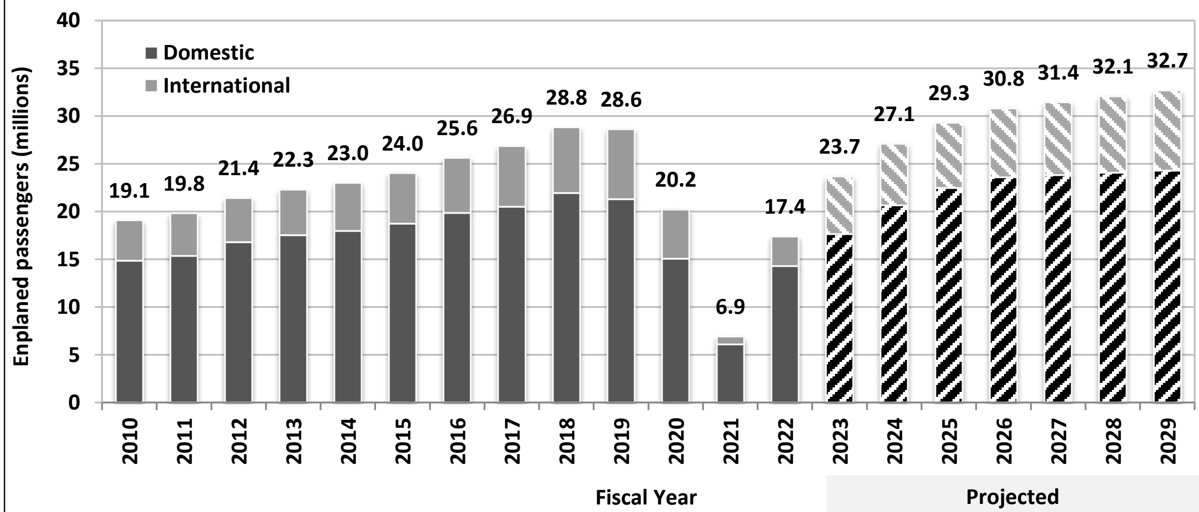
Between FY 2022 and FY 2029, domestic passengers are projected to increase an average of 7.9% per year, compared with an average increase of 15.2% per year in international passengers. The projections of domestic passengers reflect the socioeconomic forecasts for the Bay Area and airline plans for domestic service at the Airport presented earlier. The international passenger projections

*S&P Global model (formerly IHS Markit) of the U.S. economy as reported in U.S. Energy Information Administration, Short-Term Energy Outlook, November 17, 2022 and Congressional Budget Office, Budget and Economic Outlook, May 2022.

at SFO are driven by the continued development of airline service to markets in Asia (including reopening of air travel to China and Japan), Australia/Oceania, Europe, and the Middle East.

As shown in Table 18, O&D passengers at SFO are projected to increase an average of 9.4% per year between FY 2022 and FY 2029. The base of connecting passengers reflects the ongoing role of the Airport as a primary connecting hub and international gateway in United’s system. As shown in Table 18, the percent of connecting passengers at the Airport is projected to average approximately 17% per year through FY 2029.

Figure 19
Historical and Projected Enplaned Passengers
San Francisco International Airport



Notes: For Fiscal Years ending June 30.
This projection was prepared based on the information and assumptions given in the text. The achievement of any projection is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the projection and the variance could be material.

Sources: Historical—San Francisco Airport Commission records.
Projection—LeighFisher, November 2022.

Landed Weight and Landings

From FY 2022 through FY 2029, aircraft landed weight at the Airport is projected to increase an average of 8.4% per year to 46.5 million 1,000-pound units in FY 2029, as shown in Table 18. The projected rate of growth in landed weight is lower than that for enplaned passengers, reflecting an assumed gradual increase in the enplaned passenger load factors and the average aircraft size, in terms of seats, at the Airport.

In recent years, the aircraft fleet mix at the Airport has changed, reflecting the cessation of United’s service with 30-seat turbo prop aircraft and replacement with larger capacity regional jets, thereby increasing the overall aircraft size and reducing the number of landings and the potential for Airport congestion. Total airline landings at the Airport are projected to increase at a slower rate of growth than landed weight—an average of 7.0% per year between FY 2022 and FY 2029, from 146,500 to 232,800.

SENSITIVITY ANALYSIS PROJECTION

The recovery from pandemic has been prolonged and uncertainties remain about the number of passengers that will enplane at the Airport in the future. To test the sensitivity of the financial forecasts to hypothetical levels of passenger activity, a sensitivity analysis projection was developed in addition to the base case projection. The sensitivity analysis projection is presented in Table 19 and should not be considered as a forecast of expected future results. For the purposes of this hypothetical scenario, it was assumed that the recovery of passenger traffic from SFO to airports in Asia, particularly China, is slower than expected in 2023 and a mild economic recession occurs in 2023 which contributes to overall slower growth in enplaned passengers at the Airport.

Table 18

Airline Traffic Projections – Base Case

San Francisco International Airport

	Historical					Projection							CAGR
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2022 FY 2029
Enplaned passengers by sector (thousands)													
Domestic	21,955	21,301	15,055	6,092	14,290	17,642	20,659	22,466	23,590	23,826	24,064	24,305	7.9%
Percent increase (decrease)	7.0%	(3.0%)	(29.3%)	(59.5%)	134.6%	23.5%	17.1%	8.7%	5.0%	1.0%	1.0%	1.0%	
International													
Asia	2,687	2,856	1,913	287	623	1,733	1,976	2,232	2,500	2,775	3,053	3,328	27.0%
Europe	1,863	2,071	1,482	161	1,055	2,009	2,046	2,078	2,107	2,133	2,154	2,171	10.9%
Canada	870	917	677	36	408	817	846	871	893	911	925	934	12.5%
All other regions	1,439	1,476	1,088	349	1,020	1,485	1,565	1,644	1,722	1,799	1,873	1,943	9.6%
International total	6,859	7,321	5,160	833	3,106	6,045	6,432	6,826	7,223	7,618	8,004	8,376	15.2%
Percent increase (decrease)	7.9%	6.7%	(29.5%)	(83.9%)	272.9%	94.6%	6.4%	6.1%	5.8%	5.5%	5.1%	4.6%	
Airport total	**28,814**	**28,622**	**20,215**	**6,925**	**17,396**	**23,686**	**27,091**	**29,293**	**30,813**	**31,444**	**32,068**	**32,681**	**9.4%**
Percent increase (decrease)	***7.2%***	***(0.7%)***	***(29.4%)***	***(65.7%)***	***151.2%***	***36.2%***	***14.4%***	***8.1%***	***5.2%***	***2.0%***	***2.0%***	***1.9%***	
Percent of total													
Domestic	76.2%	74.4%	74.5%	88.0%	82.1%	74.5%	76.3%	76.7%	76.6%	75.8%	75.0%	74.4%	
International	23.8%	25.6%	25.5%	12.0%	17.9%	25.5%	23.7%	23.3%	23.4%	24.2%	25.0%	25.6%	
O&D and connecting enplaned passengers (thousands)													
O&D	22,630	22,987	16,220	5,477	14,386	19,601	22,415	24,235	25,494	26,017	26,536	27,044	9.4%
Connecting	6,184	5,634	3,995	1,447	3,010	4,085	4,676	5,057	5,319	5,426	5,532	5,637	9.4%
Airport total	28,814	28,622	20,215	6,925	17,396	23,686	27,091	29,293	30,813	31,444	32,068	32,681	9.4%
Percent of total													
O&D	78.5%	80.3%	80.2%	79.1%	82.7%	82.8%	82.7%	82.7%	82.7%	82.7%	82.7%	82.8%	
Connecting	21.5%	19.7%	19.8%	20.9%	17.3%	17.2%	17.3%	17.3%	17.3%	17.3%	17.3%	17.2%	
Commercial airline landed weight (millions of pounds)													
Passenger airlines													
Domestic	25,834	24,917	19,382	10,145	17,557	20,798	24,519	26,843	28,377	28,861	29,364	29,755	7.8%
International	12,516	13,423	10,352	4,157	7,680	10,776	11,522	12,278	13,032	13,712	14,445	15,150	10.2%
Passenger airlines total	38,350	38,340	29,734	14,303	25,238	31,574	36,042	39,121	41,409	42,573	43,809	44,905	8.6%
Cargo airlines	1,184	1,024	1,065	1,384	1,259	1,305	1,351	1,398	1,445	1,493	1,540	1,589	3.4%
Airport total	**39,534**	**39,364**	**30,799**	**15,687**	**26,497**	**32,879**	**37,393**	**40,519**	**42,854**	**44,065**	**45,349**	**46,494**	**8.4%**
Percent increase (decrease)	*5.2%*	*(0.4%)*	*(21.8%)*	*(49.1%)*	*68.9%*	*24.1%*	*13.7%*	*8.4%*	*5.8%*	*2.8%*	*2.9%*	*2.5%*	

Note: For Fiscal Years ending June 30; CAGR = Compound annual growth rate.
The projections presented in this table were prepared using the information and assumptions given in the accompanying text. 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: Historical: San Francisco Airport Commission records. Projection: LeighFisher, November 2022.

Table 19

Airline Traffic Projections – Sensitivity Analysis

San Francisco International Airport

	Historical					Projection							CAGR
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2022 FY 2029
Enplaned passengers by sector (thousands)													
Domestic	21,955	21,301	15,055	6,092	14,290	16,713	19,572	21,284	22,348	22,572	22,797	23,025	7.1%
International	6,859	7,321	5,160	833	3,106	5,599	5,798	6,142	6,488	6,831	7,166	7,488	13.4%
Airport total	**28,814**	**28,622**	**20,215**	**6,925**	**17,396**	**22,313**	**25,370**	**27,426**	**28,836**	**29,403**	**29,964**	**30,514**	**8.4%**
Percent increase (decrease)	*7.2%*	*(0.7%)*	*(29.4%)*	*(65.7%)*	*151.2%*	28.3%	13.7%	8.1%	5.1%	2.0%	1.9%	1.8%	
Sensitivity analysis projection as a percent of base forecast						**94%**	**94%**	**94%**	**94%**	**94%**	**93%**	**93%**	
Commercial airline landed weight (millions of pounds)													
Passenger airlines													
Domestic	25,834	24,917	19,382	10,145	17,557	19,703	23,229	25,430	26,883	27,342	27,818	28,189	7.0%
International	12,516	13,423	10,352	4,157	7,680	9,982	10,307	10,965	11,622	12,209	12,840	13,447	8.3%
Passenger airlines total	38,350	38,340	29,734	14,303	25,238	29,685	33,536	36,395	38,505	39,551	40,658	41,635	7.4%
Cargo airlines	1,184	1,024	1,065	1,384	1,259	1,292	1,325	1,358	1,390	1,422	1,453	1,484	2.4%
Airport total	**39,534**	**39,364**	**30,799**	**15,687**	**26,497**	**30,977**	**34,861**	**37,753**	**39,895**	**40,972**	**42,112**	**43,120**	**7.2%**
Percent increase (decrease)	*5.2%*	*(0.4%)*	*(21.8%)*	*(49.1%)*	*68.9%*	16.9%	12.5%	8.3%	5.7%	2.7%	2.8%	2.4%	
Sensitivity analysis projection as a percent of base forecast						**94%**	**93%**	**93%**	**93%**	**93%**	**93%**	**93%**	

Note: For Fiscal Years ending June 30; CAGR = Compound annual growth rate.

The projections presented in this table were prepared using the information and assumptions given in the accompanying text. 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: Historical: San Francisco Airport Commission records. Projection: LeighFisher, November 2022.

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 Commission 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 April 19, 2022, the Airport Commission approved an amended capital improvement plan totaling $7.8 billion (of which $5.5 billion had been funded prior to that date), which reflected the combination of two distinct categories of projects:

- The "Ascent Program – Phase 1", which represents $7.3 billion of capital spending (including approximately $5.3 billion previously funded since program inception in 2016). 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.

- The "Rolling Capital Improvement Plan" (Rolling CIP), which as of April 19, 2022, represented $492 million of spending on support systems, miscellaneous airfield improvements, energy and efficiency improvements, and equipment projects which are in addition to the Ascent Program. The Rolling CIP had previously been referred to as the "Infrastructure Projects Plan".

On January 17, 2023, the Airport Commission approved a mid-year update to the Rolling CIP portion of the capital improvement plan to add new projects, and amend elements of the Rolling CIP that had already been approved. Specifically, the following projects were added to the Rolling CIP: Cargo and Hangar Improvements, Parking and Garage Improvements, and International Terminal and Miscellaneous Improvements; totaling $1.1 billion in all in estimated additional spending, and bringing the new approved budget for the Rolling CIP to $1.6 billion.

While certain Ascent Program – Phase 1 projects were temporarily suspended as a result of the COVID-19 pandemic, as reflected in the April 2022 Commission approval, it is assumed that those temporarily deferred projects would be completed over the next five years through FY 2027.

In addition to Ascent Program – Phase 1 and Rolling CIP, Commission management has identified the Terminal 3 Enhancements project (referred to herein as a "Planned Additional Project") that is likely to be completed and funded during the projection period described in this Report, at a cost of approximately $1 billion of capital spending beyond what was approved in the capital improvement program to complete the enhanced scope for Terminal 3 enhancements.

Table 20 reflects Commission management's current expectation regarding the capital improvement plan (defined herein as the "CIP"), including the acceleration of the remainder of Ascent Program –

Phase 1 project spending into the next five years, the updated Rolling CIP, and the addition of the Planned Additional Project. The Planned Additional Project has not been presented to or approved by the Commission. Commission management expects to obtain approval from the Airport Commission for this element of the CIP later in calendar year 2023.

Airport Commission management continues to undertake the process of reevaluating and revising the capital improvement plan. 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. Actual projects approved by the Commission may be different, and the schedule and cost of projects may change from what is assumed in this Report.

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

Proceeds of the 2023 New Money Bonds are assumed to 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 CIP would be obtained by the Commission in accordance with the project implementation schedules reflected in Exhibit A-1.

The projection period extends through FY 2029, which reflects the full impact on revenues and expenses of CIP spending through FY 2027.

Table 20

Summary of Capital Improvement Plan Spending

San Francisco International Airport

($ in millions)	Prior funding	2023 New Money Bonds	Future funding for FY 2023 to FY 2027	Total through FY 2027
	[A]	[B]	[C]	[D=A+B+C]
Ascent Program - Phase 1				
Project costs	$ 5,289	$ 243	$ 1,431	$ 6,963
Ascent Program reserve	-	-	307	307
Subtotal - Ascent Phase 1	$ 5,289	$ 243	$ 1,738	$ 7,270
Rolling CIP				
Cargo & Hangar improvements	$ -	$ -	$ 503	$ 503
Parking & Garage improvements	-	-	243	243
International Terminal & miscellaneous	-	-	400	400
Other miscellaneous projects	217	48	203	468
Rolling CIP Reserve	-	-	23	23
Subtotal - Rolling CIP	$ 217	$ 48	$ 1,372	$ 1,638
Subtotal - Ascent plus Rolling CIP	**$ 5,507**	**$ 291**	**$ 3,110**	**$ 8,907**
Planned Additional Project				
Terminal 3 enhancements	-	-	1,000	1,000
CIP total	**$ 5,507**	**$ 291**	**$ 4,110**	**$ 9,907**

Note: Reflects Airport Commission management's current expectation regarding the CIP, and funding status as of January 17, 2023. Prior funding amounts include approximately $291 million of Commercial Paper issued through December 2022, which is assumed to be refunded with 2023 New Money Bond proceeds. The planned additional projects are subject to refinement in terms of scope and timing, but for purposes of this Report it was assumed that the associated bond issuance would be incurred through the end of FY 2027, and the financial projections shown herein reflect this assumption.

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 two years, 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 CIP, nor is it reflected in the financial projections included in this Report.

PROJECTS IN THE CAPITAL IMPROVEMENT PLAN

Ascent Program – Phase 1

The major projects in the Ascent Program – Phase 1 portion of the CIP 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: $2.58 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. While certain elements of this project are in service, it is expected that this project would be fully completed in 2025. (Estimated total cost: $1.08 billion.)

- ***International Terminal refresh projects:*** Upgrades and improvements to parts of the International Terminal to increase operational efficiency. (Estimated total cost: $256 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: $123 million.)

- ***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: $79 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: $103 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: $98 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 CIP 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. For purposes of this Report it was assumed that the reserve balances would be fully drawn down and applied to Ascent Program – Phase 1 projects through FY 2027.

Rolling CIP

The Rolling CIP component of the Capital Improvement Plan includes $1.6 billion of total spending (including a Rolling CIP Reserve of $23 million) Projects in this category include:

- ***Cargo and Hangar Improvements:*** The proposed projects will include construction of new cargo facilities on West Field Road including Cargo Building 626 Phase I, Cargo Building 720, and a new Ground Support Equipment (GSE) Facility.

- ***International Terminal and miscellaneous:*** The proposed projects will address critical infrastructure in the International Terminal building including upgrades to the Heating Ventilation and Air Conditioning (HVAC) system, replacement of the roof membrane with added photovoltaic (PV) panels, waterproofing and access system replacement, and removal of corrosion at exterior exposed steel. Other project scope consists of a new Advanced Water Treatment Plant (AWTP) and associated Recycled Water Distribution system, replacing SFO's outdated, limited-capacity facility and would increase the Airport's ability to remove harmful particulates before discharging to the San Francisco Bay or reusing on campus. The remaining scope for this group of projects include the demolition of West Field area buildings such as the old Post Office along with construction of new hardstand aircraft parking positions.

- ***Parking and Garage Improvements:*** The proposed project will involve construction of an additional 1,100 space parking garage with an upgrade to the West Field Road AirTrain Station and pedestrian walkway from the AirTrain Station to the administration campus.

- ***Other Miscellaneous Projects.*** Those projects are primarily relates to support systems, miscellaneous airfield improvements, energy and efficiency improvements, and equipment.

Planned Additional Project – Terminal 3 Enhancements

With the onset of the COVID-19 pandemic, the Terminal 3 redevelopment project (among others) was suspended. As passenger traffic returns, the Commission has reactivated the project effective January 1, 2023. However, the Airport's priorities and operational practices have evolved over the suspension period, resulting in a refinement of project scope and the addition of four (4) key scope components: 1) Pre-Security Renovation to accommodate a modern 2-Step check-in process and self bag drop; 2) F Plaza Reconfiguration to enhance wayfinding, circulation, and security; 3) East Annex Addition to provide for additional revenue-generating concessions and airline tenant lease spaces; and 4) Pre-Security Façade Replacement to improve wayfinding, building energy efficiency and to help meet sustainability goals. Commission staff anticipates to incur an additional $1.0 billion of capital spending beyond what was approved in the January 17, 2023, Commission approval to complete the enhanced scope for Terminal 3, for a total project budget of $1.82 billion.

SUMMARY OF CAPITAL IMPROVEMENT PLAN FUNDING

Several funding sources are expected to be available to finance the improvements in the CIP, 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 $345 million in grants to partially fund projects in the Capital Improvement Plan (of which $191.7 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 2022 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 ("Bipartisan Infrastructure Law", or BIL), the Commission was allocated $49.4 and $49.1 million in federal grants for Airport capital purposes during federal fiscal years 2022 and 2023, respectively, and expects to receive additional grants in the following three federal fiscal years. Grant funds expected to be received under competitive elements of the BIL – where the Airport will be competing with other airports nationwide for available grant funding – are not reflected in the financial projections described in this Report.

Bonds

This Report assumes remaining Bond funding of $5.1 million for Capital Improvement Plan project costs expected to be incurred through FY 2027, including $344 million which is assumed to be provided by the 2023 New Money Bonds issued later in calendar year 2023 to refund currently outstanding Commercial Paper balances. The Commission would use the 2023 New Money Bond proceeds to repay approximately $291 million of outstanding commercial paper previously issued to finance a portion of the costs of the Capital Improvement Plan. This Report assumes that the full outstanding Commercial Paper balance (and associated capitalized interest, Contingency Account deposits, and reserve funding requirements) is refunded with 2023 New Money Bond proceeds.

The Airport Commission has not yet approved the issuance of the 2023 New Money Bonds or the Future Bonds, but would obtain such approvals required before the issuance of those Bonds during the projection period. Proceeds of the Future Bonds are expected to be used to fund a number of projects in the Capital Improvement Plan, or to repay future commercial paper issued to pay these costs*.

*A portion of the Future Bond proceeds are also expected to be used to fund deposits to the Commission's Contingency Account.

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 2022, PFC revenues on a cash basis totaled $72.9 million, including restricted interest income.

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 and FY 2022, no PFCs were applied as Revenues. The Commission does not currently anticipate applying PFCs to projects on a pay-as-you-go basis.

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, 2022, a total of $1.64 billion in PFC revenues (including restricted interest income) had been collected, including $512.8 million of PFC revenues collected but not yet expended.

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 $75.8 million in FY 2022 to $126.3 million in FY 2029 (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 $101 million and $225 million annually between FY 2023 and FY 2029. From FY 2023 through FY 2029, the Airport Commission plans to include a total of $1.1 billion of PFC revenues as Revenues. The full PFC collection authorization is projected to be collected before the end of the projection period (i.e., FY 2029), assuming the base case passenger 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 current 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 2023 New Money Bonds, and Future Bonds. The projection period for this Report extends to FY 2029.

The financial data for FY 2019 through FY 2022 reflects the actual operating results; data for FY 2023 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 2024 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 2025 through FY 2029 were projected by taking into consideration historical operating results, the Commission's approved FY 2023 budget and preliminary FY 2024 budget, and the aviation activity projections under the base case described earlier, among other factors. A summary of the key assumptions used in preparing the financial projections under the base case, along with exhibits showing the projections (Exhibits A through I), is included at the back in this Report.

FRAMEWORK FOR FINANCIAL OPERATIONS

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 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

*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.

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 20.

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.

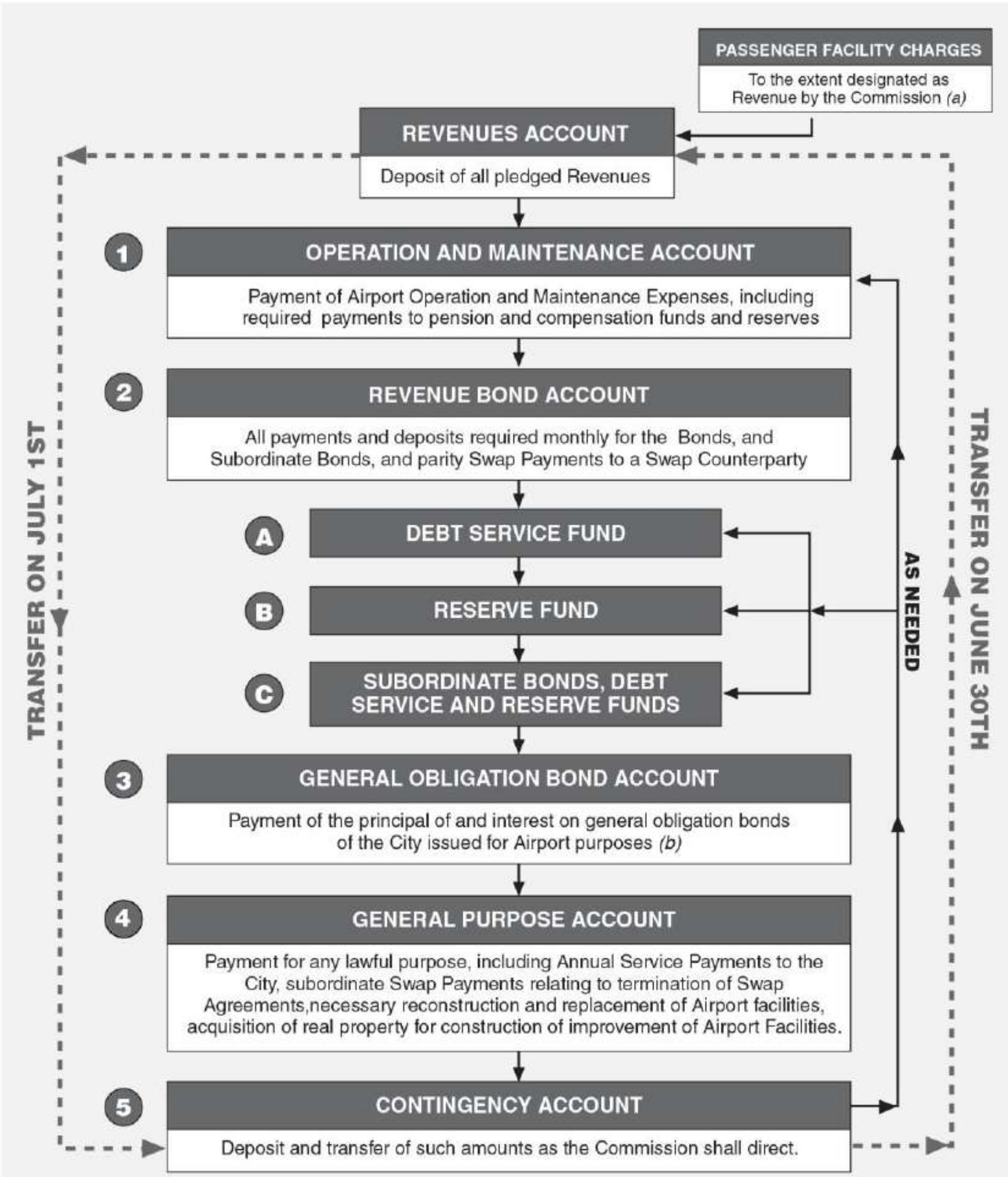
The Commission intends to meet the requirements of Section 2.12 and Section 2.11, as applicable, prior to issuing the Series 2023 Refunding Bonds and the Series 2023 New Money Bonds (as well as the Future Bonds).

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.

Figure 20
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).

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 April 2023 and April 2027. 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, 2022, the Commission had approximately $291 million of Commercial Paper Notes outstanding. The Commission is assumed repay its outstanding Commercial Paper Notes with the proceeds of the 2023 New Money Bonds.

Outstanding Bonds

The Commission had approximately $8.1 billion of Second Series Revenue Bonds outstanding as of January 1, 2023. Of this amount, $396.1 million bears interest at variable rates pursuant to the Bond Resolution. The last maturity date on the Outstanding Bonds is in FY 2052, 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 2059.

Proposed and Future Bonds

The Airport Commission is assumed to issue approximately $344 million in principal amount of 2023 New Money Bonds later in calendar year 2023, which would provide approximately $291 million of net proceeds for the repayment of outstanding Commercial Paper Notes (with the balance to provide for reserve funding, capitalized interest, Contingency Account deposits, refunding of certain outstanding Bonds, a swap termination payment, and issuance costs).

As described earlier, the Commission further expects to issue Future Bonds to fund the remaining Capital Improvement Plan costs expected to be expended through FY 2027. The financial analysis presented in this Report reflects the projected effect on the Commission's finances of the proposed 2023 New Money Bonds (including principal amounts issued for full pay down of Commercial Paper balances as of the dates of the issuance of the 2023 New Money 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) 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, and were subsequently extended 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, whereby 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.

Airport Commission staff has concluded negotiations and reached an agreement on a successor lease and use agreement with the airlines, and the airlines are in the process of executing the agreements and returning the agreements for all required City approvals, including the approval of the Airport Commission and the San Francisco Board of Supervisors. The new agreement with the airlines retains a residual ratemaking approach similar to that currently in place, and incorporates the build-up of a discretionary cash fund for use by the Commission, funded through the airline rate base, which would enhance available liquidity and potentially provide an additional funding source for capital projects not yet included in the CIP. Commission management expects to execute all new residual agreements before the expiration of the current agreement (as amended) on June 30, 2023. No assurance can be given that the new agreements will be executed, or that the agreements will receive the required Board of Supervisors and Airport Commission approvals, prior to expiration of the existing lease and use agreements. For purposes of this Report it was assumed that all provisions of the existing agreements would remain in effect through FY 2029.

Upon the expiration of the existing agreements, should there be no new long-term agreements in place with airlines, the Commission will have various options, including: (a) continuing the term of the existing agreements on a month to month holdover basis under the holdover provisions of the existing agreements, or (b) not entering into new agreements and setting airline rates and charges by resolution. In any event, including if the Commission and the airlines are unable to finalize and execute new agreements by the time the existing agreements expire, and the Commission elects not to extend the term of the existing agreements on a month to month holdover basis, the Commission intends to set cost-recovery based rates and charges by resolution that are consistent with the requirements of the Bond Resolution and any applicable parameters established by the FAA and the U.S. DOT, and that will allow the continued safe and efficient operation of the Airport and additional capital investment. The Commission cannot impose a residual rate-setting system without the agreement of the airlines.

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's 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.

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 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, 2023, $96.7 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 2023 New Money Bonds as prepared by PFM Financial Advisors LLC (PFM), the Airport Commission's co-municipal adviser, based on certain data and information provided by the Commission.

For purposes of this Report, it was assumed that approximately $344 million of principal amount of 2023 New Money Bonds are to be issued as fixed-rate securities with an estimated all-in true interest cost of 5.09% and a term to final maturity of 30 years.

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 this issue 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 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 6.11%.

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, the proposed 2023 New Money Bonds, and the 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 2023 New Money Bonds and the Future Bonds to increase the balance of the Contingency Account by approximately $95.5 million through FY 2027. A summary of the 2023 New Money Bonds and the Future Bond issues assumed for purposes of this Report is shown in Table 21.

Table 21

Summary of 2023 New Money 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
2023 Bonds (new money)	$344	$291	2053	5.09%	FY 2024
Future Bonds					
2024 Bonds	2,133	1,767	2054	6.11%	FY 2026
2025 Bonds	1,361	1,073	2055	6.11%	FY 2026
2026 Bonds	1,311	1,073	2056	6.11%	FY 2028
Subtotal - Future Bonds	$4,804	$3,913			
Total: 2023 Bonds & Future Bonds	$5,147	$4,204			

Source: PFM Financial Advisors LLC, December 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 2023 New Money Bonds. The estimated reduction in debt service associated with certain currently outstanding Bonds expected to be refunded with 2023 Refunding Bond proceeds are not reflected in the projections shown in Exhibit D. Annual debt service on a cash basis is projected to increase from $288.6 million in FY 2022 to $865.1 million in FY 2029. (The figure for FY 2022 reflects the impact of previous debt service restructurings as part of the Series 2020, Series 2021, and Series 2022 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 CIP phasing (to the extent possible), overall debt levels, and airline payments per enplaned passenger levels to ensure that needed 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 CIP, 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.

*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.

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 2023 through FY 2029 are based on the Commission's FY 2022 financial results, estimated data for FY 2023 based on three months of actual data and the FY 2023 expense budget, and its plan for operating Airport facilities through the projection period. O&M Expenses for FY 2024 through FY 2029 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 $555.2 million in FY 2022 to $866.3 million in FY 2029, representing an average increase of 6.6% per year.

For the purposes of this Report, the following assumptions were used to project O&M Expenses:

- Approximately $175 million of COVID relief grants were used to offset O&M Expenses in FY 2022; no COVID relief grants are assumed for FY 2023 and thereafter.

- The cost of labor (salaries) and benefits for the Commission will increase on average 5.0% per year from FY 2022 to FY 2029, which reflects assumed inflation and a real (net of inflation) increase.

- Contractual services will increase on average 11.6% per year, reflecting the Commission's FY 2023 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 4.6% per year, reflecting the Commission's FY 2023 budget, followed by inflationary increases in the following years.

- Incremental operating expenses are expected to be cumulatively up to $27.7 million on an annualized basis by FY 2029 associated with completion of additional facilities in the CIP.

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.

Table 22

Operation and Maintenance Expense Summary

For Fiscal Years Ending June 30; dollars in thousands

Categories	Historical FY 2022 Amount	Historical FY 2022 % of total	Projected FY 2029 Amount	Projected FY 2029 % of total
Salaries and benefits	341,738	61.5%	481,476	55.6%
Contractual services	81,499	14.7%	176,158	20.3%
Services provided by other City departments	27,827	5.0%	43,908	5.1%
Repairs and maintenance	58,020	10.4%	65,433	7.6%
Utilities	28,452	5.1%	29,345	3.4%
Materials and supplies	12,970	2.3%	38,806	4.5%
General administration	4,716	0.8%	3,454	0.4%
Incremental expenses for new facilities	0	0.0%	27,690	3.2%
O&M Expenses before adjustments (a)	555,223	100.0%	866,271	100.0%

(a) The adjustments to O&M Expenses include the application of federal COVID-19 relief grants.

Note: Numbers may not add to totals due to rounding.

Sources: Historical - Airport Commission; Projected - LeighFisher.

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 2022 (actual), FY 2023 (estimated based on three months of data), and FY 2024 through FY 2029 (projected).

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.

Table 23
Operating Revenue Summary
For Fiscal Years Ending June 30; dollars in thousands

Categories	Historical FY 2022 Amount	Historical FY 2022 % of total	Projected FY 2029 Amount	Projected FY 2029 % of total
Aviation Revenues				
Landing Fee Revenues	$ 175,762	22.2%	$ 488,337	29.4%
Terminal Rentals	191,916	24.2%	544,790	32.7%
Airline Revenue	$ 367,679	46.4%	$ 1,033,126	62.1%
Other Aviation Revenues				
Other Rental Revenue	53,969	6.8%	68,313	4.1%
Other Aviation Revenue	47,193	6.0%	49,961	3.0%
	101,162	12.8%	118,273	7.1%
Total Aviation Revenues	$ 468,840	59.2%	$ 1,151,399	69.2%
Concession Revenues				
Parking	94,111	11.9%	136,140	8.2%
On-airport Rental Car	40,668	5.1%	58,313	3.5%
Duty Free	14,312	1.8%	42,197	2.5%
Retail	8,483	1.1%	24,293	1.5%
Food & Beverage	16,453	2.1%	38,844	2.3%
Other Services	23,695	3.0%	32,065	1.9%
TNC and Ground Transportation (a)	34,889	4.4%	65,933	4.0%
Other Concession Revenue (a)	12,903	1.6%	18,721	1.1%
	245,514	31.0%	416,506	25.0%
Net Sales and Services				
Utilities (Net of Costs)	12,035	1.5%	18,421	1.1%
BART Payments	3,326	0.4%	3,569	0.2%
Rental Car Facility Fees	15,395	1.9%	20,133	1.2%
Rental Car Transportation Fees	15,589	2.0%	27,476	1.7%
Other Sales and Services	31,303	4.0%	25,984	1.6%
	77,648	9.8%	95,582	5.7%
Total Nonairline Revenues	323,162	40.8%	512,089	30.8%
Total operating revenues	$ 792,002	100.0%	$ 1,663,488	100.0%

(a) Revenues from taxi cabs are included in the "Other Concession Revenue" category in this table.
Notes: FY 2022 figures exclude revenues from the SFO Hotel. Adding $29,251 of SFO Hotel revenues would bring the total to $821,253. Numbers may not add to totals due to rounding.
Sources: Historical - Airport Commission; Estimated and Projected - LeighFisher.

As of June 30, 2022, the Airport Commission had recorded unearned aviation revenues of $417.1 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 increase from $4.77 per 1,000 pounds of landed weight charged in FY 2023 to $10.50 per 1,000 pounds of landed weight in FY 2029. Landing fee revenues are projected to increase from $162.5 million to $488.3 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 $166.93 per square foot charged in FY 2023 to $308.64 per square foot in FY 2029. Airline terminal rental revenues are projected to increase from $331.3 million to $544.8 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 $31.10 in FY 2029.

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 CIP, 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 $54.0 million in FY 2022 and is projected to increase to $68.3 million in FY 2029.

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 $47.2 million in FY 2022 and is projected to increase to $50.0 million in FY 2029.

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 and are being reinstated in conjunction with passenger traffic recovery during FY 2022 and FY

2023. 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 be fully reinstituted by 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 $25 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, before recovering to $94.1 million in FY 2022.

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 2029 is $136.1 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). 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, recovered to $40.7 million in FY 2022, and are projected to increase to $58.3 million in FY 2029, 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 Airport Commission implemented a rental car customer facility charge (CFC) in early 2022, at a rate of $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 not classified as Revenues of the Commission under the Bond Resolution in accordance with a recently approved Bond Resolution amendment.

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, which subsequently fell to $10.0 million in FY 2021, before increasing to $34.9 million in FY 2022. Revenues in this category are projected to increase to $65.9 million in FY 2029, 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

*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.

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 were $35.1 million in FY 2019 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 recovered to $14.3 million during FY 2022. Duty free revenue are projected to further increase to $20.0 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 $42.2 million by FY 2029.

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 provisions, which were temporarily suspended but are currently being reinstated. For the purposes of this Report, the retail revenues are projected to change based on activity levels and average passenger spending, without specific adjustments to reflect the MAG. The Commission continues to review and improve its retail concession activities as opportunities arise. The domestic terminals currently have 39 retail outlets and the International Terminal has 25 retail outlets (including 15 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 FY 2021, and increased to $8.4 million in FY 2022. They are projected to increase to $24.3 million in FY 2029, 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 were temporarily suspended due to the pandemic but are currently being reinstated. For the purposes of this Report, the food and beverage revenues are projected to change based on activity levels and average passenger spending, without specific adjustments to reflect the MAG. The domestic terminals currently have 50 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, and recovering to $16.5 million in FY 2022. Revenues in this category are projected to increase to $38.8 million in FY 2029, 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 $20.5 million in FY 2022 and are projected to increase to $32.1 million in FY 2029.

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 $12.9 million for FY 2022 and are projected to increase to $18.7 million in FY 2029.

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, and fell to $64.3 million in FY 2021 before rising to $77.6 million in FY 2022. Such revenues are projected to increase to $95.6 million in FY 2029. 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 $3.3 million in FY 2022.

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 2029.

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.

With 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 will 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 2022, the SFO Hotel had operating revenues of $29.3 million, and earnings before interest, taxes, depreciation, and amortization (EBITDA) of $4.3 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.

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 $17.4 million in FY 2022, and are projected to increase to $37.4 million in FY 2029, assuming interest earning rates of 2.0% 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.

*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.

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 designated 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 apply a portion of its PFC fund balance annually as Revenues during the projection period, in amounts ranging between $101 million in FY 2024 to $225 million in FY 2028. While the amount of PFCs designated as Revenues exceeds the annual PFC collections in most years of the projection period, the PFC fund balance at the end of FY 2029 is projected to be $220.5 million.

APPLICATION OF REVENUES

Exhibit G presents the projected application of Airport Commission Revenues for FY 2022 through FY 2029 in accordance with the provisions of the Bond Resolution, as well as historical data for FY 2020 and FY 2021.

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 2023 New Money Bonds, and anticipated debt service on the 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 $3 million to $6 million annually, and deposit a total of $95.5 million of 2023 New Money 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 2029 the projected balance in the Contingency Account is $295.1 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 2023 New Money Bonds and the anticipated 2025 Bonds to be issued during the projection period. Debt service coverage is projected to range from 135% to 147% in each year between FY 2023 and FY 2029.

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 BASE 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 base case aviation activity projection of enplaned passengers and aircraft landed weight presented earlier in the Report.

SENSITIVITY CASE

Exhibit J is an identical presentation of financial projections for a hypothetical sensitivity scenario. The hypothetical sensitivity scenario is based on the same assumptions described in the sections above, except:

- it was assumed that the recovery of passenger traffic from SFO to airports in Asia, particularly China, is slower than expected in 2023 and a mild economic recession occurs in 2023 which contributes to overall slower growth in enplaned passengers at the Airport.
- Projections of those categories of nonairline and commercial revenues that are variable based on passenger activity were decreased proportionately.
- The debt service profile reflects the base case – the annual debt service profile for the 2023 New Money Bonds shown in Exhibit D, and approximately level annual debt service for the Future Bonds.
- The amount of PFCs classified as Revenues is less than that shown in the base case, reflecting lower PFC collections.

Airline payments were calculated under the residual cost rate-setting methodology of the current Airline Lease and Use Agreements. Under this hypothetical scenario, the Commission would generate sufficient Net Revenues to meet the requirements of the Rate Covenant, and debt service coverage would be approximately the same as under the base case projections, given the residual airline ratemaking system. Passenger airline payments per enplaned passenger would increase to $34.17 in FY 2029, compared to $31.10 in FY 2029 under the base case.

In the event that enplaned passenger levels are less than those reflected in the base case, the Airport Commission would have a range of options at its disposal to mitigate the impact of such an eventuality. Among them would be the ability to reduce Operation and Maintenance Expenses, or undertake a mid-year airline rate adjustment in the event that there is a significant drop in aviation activity at the Airport during the course of a fiscal year.

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	2023 New Money Bonds	Remaining 2023	2024	2025	2026	2027	Total Through 2027
ASCENT PROGRAM - PHASE 1								
Terminal Area								
Terminal 1 Redevelopment Program								
Boarding Area B Redevelopment	$ 889	$ -	$ -	$ -	$ -	$ -	$ -	$ 889
Central Area	1,145	157	0	-	185	-	-	1,487
Other Terminal 1 Projects	203	1	2	2	0	-	-	207
Subtotal	$ 2,236	$ 158	$ 2	$ 2	$ 185	$ -	$ -	$ 2,583
Terminal 3 Improvements	374	32	-	-	676	-	-	1,082
International Terminal Refresh Program	150	11	12	-	84	-	-	256
Miscellaneous Terminal Projects	732	10	6	6	17	-	-	771
	$ 3,492	$ 210	$ 20	$ 8	$ 963	$ -	$ -	$ 4,692
Airfield Area	$ 181	$ 9	$ 15	$ 26	$ 130	$ -	$ -	$ 361
Airport Support Area								
Superbay Renovation Program	$ 98	$ -	$ -	$ -	$ -	$ -	$ -	$ 98
Technology Improvement Projects	39	0	8	6	26	-	-	79
Miscellaneous Support Projects	438	10	10	0	9	-	-	466
	$ 575	$ 10	$ 17	$ 7	$ 34	$ -	$ -	$ 644
Groundside Area	$ 785	$ 3	$ 3	$ 2	$ 64	$ -	$ -	$ 857
Utilities								
Net Zero Energy Program	$ 98	$ 8	$ 10	$ 6	$ 0	$ -	$ -	$ 123
Waste Water System Improvements	91	-	7	6	-	-	-	104
Miscellaneous Other Projects	67	3	9	2	101	-	-	181
	$ 256	$ 11	$ 26	$ 14	$ 101	$ -	$ -	$ 409
Reserves	$ -	$ -	$ -	$ -	$ 307	$ -	$ -	$ 307
SUBTOTAL - ASCENT PROGRAM - PHASE 1	**$ 5,289**	**$ 243**	**$ 82**	**$ 58**	**$ 1,598**	**$ -**	**$ -**	**$ 7,270**
ROLLING CIP								
Cargo & Hangar Improvements	$ -	$ -	$ -	$ -	$ -	$ -	$ 503	$ 503
Int'l Terminal & Miscellaneous	-	-	-	-	-	-	400	400
Parking & Garage Improvements	-	-	-	-	-	-	243	243
Other miscellaneous Rolling CIP Projects (a)	217	48	98	79	49	-	-	492
Subtotal - Rolling CIP	**$ 217**	**$ 48**	**$ 98**	**$ 79**	**$ 49**	**$ -**	**$ 1,146**	**$ 1,638**
PLANNED ADDITIONAL PROJECT								
Terminal 3 Enhancements	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 1,000**	**$ -**	**$ 1,000**
Total CIP	**$ 5,507**	**$ 291**	**$ 180**	**$ 137**	**$ 1,647**	**$ 1,000**	**$ 1,146**	**$ 9,907**

(a) Including a Rolling CIP Reserve of $23 million.
Note: Figures may not sum to totals due to rounding.
Source: Airport Commission, January 2023.

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 2023-27				
	Prior	Other	Revenue Bonds			
	Funding	Funding	2023 New Money Bonds	Future	Subtotal	Total Through 2027
ASCENT PROGRAM - PHASE 1						
Terminal Area						
Terminal 1 Redevelopment Program						
Boarding Area B Redevelopment	$ 889	$ -	$ -	$ -	$ -	$ 889
Central Area	1,145	0	157	185	342	1,487
Other Terminal 1 Projects	203	-	1	4	4	207
Subtotal	$ 2,236	$ 0	$ 158	$ 189	$ 346	$ 2,583
Terminal 3 Improvements	374	-	32	676	708	1,082
International Terminal Refresh Program	150	-	11	95	106	256
Miscellaneous Terminal Projects	732	-	10	30	40	771
	$ 3,492	$ 0	$ 210	$ 990	$ 1,201	$ 4,692
Airfield Area	$ 181	$ 136	$ 9	$ 36	$ 44	$ 361
Airport Support Area						
Superbay Renovation Program	$ 98	$ -	$ -	$ -	$ -	$ 98
Technology Improvement Projects	39	-	0	40	40	79
Miscellaneous Support Projects	438	-	10	18	28	466
	$ 575	$ -	$ 10	$ 58	$ 68	$ 644
Groundside Area	$ 785	$ -	$ 3	$ 69	$ 73	$ 857
Utilities						
Net Zero Energy Program	$ 98	$ -	$ 8	$ 17	$ 25	$ 123
Waste Water System Improvements	91	-	-	14	14	104
Miscellaneous Other Projects	67	-	3	112	114	181
	$ 256	$ -	$ 11	$ 142	$ 153	$ 409
Reserves	$ -	$ -	$ -	$ 307	$ 307	307
SUBTOTAL - ASCENT PROGRAM - PHASE 1	**$ 5,289**	**$ 136**	**$ 243**	**$ 1,602**	**$ 1,845**	**$ 7,270**
ROLLING CIP						
Cargo & Hangar Improvements	-	-	-	503	503	503
Int'l Terminal & Miscellaneous	-		-	400	400	400
Parking & Garage Improvements	-	-	-	243	243	243
Other miscellaneous Rolling CIP Projects	217	61	48	165	214	492
Subtotal - Rolling CIP	**$ 217**	**$ 61**	**$ 48**	**$ 1,311**	**$ 1,360**	**$ 1,638**
PLANNED ADDITIONAL PROJECT						
Terminal 3 Enhancements	**$ -**	**$ -**	**$ -**	**$ 1,000**	**$ 1,000**	**$ 1,000**
Total CIP	**$ 5,507**	**$ 197**	**$ 291**	**$ 3,913**	**$ 4,204**	**$ 9,907**

Note: Figures may not sum to totals due to rounding.
Source: Airport Commission, January 2023.

Exhibit B

PFC REVENUES AND APPLICATION OF PFC REVENUES
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**	**2029**
PFC Collections											
Enplaned Passengers	28,622	20,215	6,925	17,396	23,686	27,091	29,293	30,813	31,444	32,068	32,681
Percent of PFC Eligible Passengers Paying	88.4%	101.8%	69.0%	95.5%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
PFC Eligible Enplaned Passengers	25,312	20,581	4,778	16,607	20,133	23,028	24,899	26,191	26,727	27,258	27,778
PFC Level	$ 4.50	$ 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)	(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	$ 4.39
PFC Collections (not including interest income)	$ 111,121	$ 90,352	$ 20,977	$ 72,906	$ 88,386	$ 101,091	$ 109,306	$ 114,979	$ 117,331	$ 119,662	$ 121,947
Cumulative PFC Collections with Interest (a)	$ 1,415,401	$ 1,515,078	$ 1,538,213	$ 1,613,992	$ 1,711,401	$ 1,820,906	$ 1,937,886	$ 2,059,436	$ 2,183,043	$ 2,307,976	$ 2,434,246
PFC Cash Flow											
PFC Fund - Beginning Balance	$ 386,061	$ 443,971	$ 391,838	$ 414,972	$ 490,751	$ 420,656	$ 429,069	$ 346,050	$ 317,599	$ 316,206	$ 216,139
Deposits:											
PFC Collections	$ 111,121	$ 90,352	$ 20,977	$ 72,906	$ 88,386	$ 101,091	$ 109,306	$ 114,979	$ 117,331	$ 119,662	$ 121,947
Interest Earnings	10,049	9,324	2,157	2,873	9,024	8,413	7,674	6,571	6,275	5,271	4,323
Total Annual PFC Revenues	$ 121,170	$ 99,677	$ 23,134	$ 75,779	$ 97,410	$ 109,504	$ 116,980	$ 121,550	$ 123,607	$ 124,933	$ 126,270
Annual Use of PFC Revenues											
Planned Pay-as-you-go	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Applied to Debt Service	(63,260)	(151,810)	-	-	(167,505)	(101,091)	(200,000)	(150,000)	(125,000)	(225,000)	(121,947)
Total Annual Use of PFC Revenues	$ (63,260)	$ (151,810)	$ -	$ -	$ (167,505)	$ (101,091)	$ (200,000)	$ (150,000)	$ (125,000)	$ (225,000)	$ (121,947)
PFC Fund - Ending Balance	$ 443,971	$ 391,838	$ 414,972	$ 490,751	$ 420,656	$ 429,069	$ 346,050	$ 317,599	$ 316,206	$ 216,139	$ 220,462

(a) The Airport Commission has received PFC collection authority for a total of $2.320 billion as of November 2022.
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)

	2023 New Money Bonds	Future Bonds	Other Funding Sources	Grand Total
Sources of Funds				
Bond Proceeds	$ 343,545	$ 4,803,930	$ -	$ 5,147,475
Premium / (Discount)	345	-	-	345
Prior Funding	-	-	5,506,660	5,506,660
Grants and Other Funding	-	-	196,564	196,564
Total	$ 343,890	$ 4,803,930	$ 5,703,224	$ 10,851,043
Uses of Funds				
Capital Costs	$ 291,225	$ 3,913,050	$ 5,703,224	$ 9,907,499
Deposit to Contingency Account	5,867	89,586	-	95,453
Capitalized Interest	19,424	404,817	-	424,241
Bond Reserve Account	23,467	358,345	-	381,811
Cost of Issuance	3,908	38,131	-	42,039
Total	$ 343,890	$ 4,803,930	$ 5,703,224	$ 10,851,043

Note: Figures may not sum to totals due to rounding.
Sources: Airport Commission; PFM Financial Advisors LLC, December 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**	**2029**
DEBT SERVICE - CASH BASIS (a)											
Outstanding Bonds											
Fixed Rate Bonds	$ 414,640	$ 465,450	$ 281,194	$ 277,657	$ 364,264	$ 473,347	$ 517,634	$ 550,070	$ 539,730	$ 541,770	$ 444,393
Variable Rate Bonds	21,819	13,717	9,068	10,952	27,178	30,847	30,679	30,586	36,966	40,064	38,928
Subtotal	$ 436,459	$ 479,168	$ 290,261	$ 288,609	$ 391,441	$ 504,194	$ 548,313	$ 580,657	$ 576,696	$ 581,834	$ 483,321
2023 New Money Bonds	-	-	-	-	493	4,526	14,840	15,631	23,460	23,464	23,464
Planned Future Bonds	-	-	-	-	-	-	62,940	78,378	110,097	291,847	358,338
Total Debt Service - Cash Basis	$ 436,459	$ 479,168	$ 290,261	$ 288,609	$ 391,935	$ 508,720	$ 626,093	$ 674,666	$ 710,253	$ 897,144	$ 865,123
DEBT SERVICE - DEPOSIT BASIS (a)											
Outstanding Bonds											
Fixed Rate Bonds	$ 420,561	$ 473,684	$ 268,316	$ 325,386	$ 383,062	$ 480,567	$ 523,283	$ 548,347	$ 540,070	$ 525,540	$ 443,697
Variable Rate Bonds	21,880	13,694	9,111	11,212	27,572	30,886	30,722	31,712	37,579	40,008	38,996
Subtotal	$ 442,442	$ 487,379	$ 277,427	$ 336,597	$ 410,634	$ 511,452	$ 554,005	$ 580,059	$ 577,648	$ 565,548	$ 482,693
2023 New Money Bonds	-	-	-	-	1,065	6,409	14,923	17,003	23,461	23,464	23,464
Planned Future Bonds	-	-	-	-	-	8,316	67,611	83,740	132,494	310,823	358,338
Total Debt Service - Deposit Basis	$ 442,442	$ 487,379	$ 277,427	$ 336,597	$ 411,699	$ 526,177	$ 636,539	$ 680,802	$ 733,603	$ 899,835	$ 864,495
DEBT SERVICE BY COST CENTER - DEPOSIT BASIS											
Airfield Area					$ 37,181	$ 52,798	$ 70,234	$ 74,979	$ 80,268	$ 96,870	$ 92,393
Airport Support Area					45,936	51,407	67,413	73,383	83,949	117,678	119,293
Terminal Area					226,333	276,309	338,666	363,135	394,794	494,796	479,835
Groundside Area					81,011	115,032	121,243	127,285	128,080	129,718	113,009
Utility					21,239	30,631	38,984	42,020	46,512	60,773	59,965
Total Debt Service by Cost Center					$ 411,699	$ 526,177	$ 636,539	$ 680,802	$ 733,603	$ 899,835	$ 864,495

(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, December 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.

				Historical	Projected						
	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Operation and Maintenance Expenses											
Salaries & Benefits											
Commission Staff	$ 219,244	$ 255,045	$ 268,196	$ 244,842	$ 288,396	$ 290,004	$ 301,170	$ 312,782	$ 324,859	$ 337,420	$ 350,482
Police	72,397	63,834	65,276	66,820	72,856	73,838	76,791	79,863	83,058	86,380	89,835
Fire	28,117	26,452	26,957	30,077	32,957	33,830	35,183	36,590	38,054	39,576	41,159
Total Salaries and Benefits	$ 319,758	$ 345,331	$ 360,429	$ 341,738	$ 394,208	$ 397,671	$ 413,144	$ 429,235	$ 445,971	$ 463,375	$ 481,476
Contractual Services											
Parking Garage Management Services	$ 24,715	$ 26,486	$ 20,890	$ 25,281	$ 29,332	$ 29,774	$ 30,965	$ 32,204	$ 33,492	$ 34,832	$ 36,225
Other Contractual Services	64,800	77,465	54,380	56,218	112,596	115,014	119,615	124,400	129,376	134,551	139,933
Total Contractual Services	$ 89,514	$ 103,951	$ 75,270	$ 81,499	$ 141,928	$ 144,789	$ 150,580	$ 156,604	$ 162,868	$ 169,383	$ 176,158
Services Provided by Other City Departments	$ 30,938	$ 30,647	$ 30,311	$ 27,827	$ 36,034	$ 36,090	$ 37,533	$ 39,034	$ 40,596	$ 42,220	$ 43,908
Repairs and Maintenance	40,318	51,741	53,245	58,020	48,827	51,269	53,832	56,524	59,350	62,317	65,433
Utilities	26,111	26,625	25,647	28,452	24,481	25,243	26,023	26,823	27,644	28,484	29,345
Materials and Supplies	15,597	15,829	10,297	12,970	33,516	31,896	33,172	34,499	35,879	37,314	38,806
General and Administration	2,985	19,883	5,961	4,716	2,578	2,706	2,842	2,984	3,133	3,290	3,454
Environmental	0	(0)	-	-	-	-	-	-	-	-	-
BASE EXPENSES	$ 525,222	$ 594,007	$ 561,160	$ 555,223	$ 681,573	$ 689,663	$ 717,126	$ 745,703	$ 775,439	$ 806,382	$ 838,581
Federal Grant-in-aid	-	-	(295,415)	(175,086)	-	-	-	-	-	-	-
Reimbursement of Capitalized Interest (a)	-	-	(57,507)	-	-	-	-	-	-	-	-
Incremental Expenses for Future Facilities	-	-	-	-	-	-	7,673	16,892	25,601	26,625	27,690
OPERATION AND MAINTENANCE EXPENSES	$ 525,222	$ 594,007	$ 208,239	$ 380,137	$ 681,573	$ 689,663	$ 724,799	$ 762,595	$ 801,040	$ 833,007	$ 866,271
Percent Change in Base Expenses	-10.2%	13.1%	-5.5%	-1.1%	22.8%	1.2%	5.1%	5.2%	5.0%	4.0%	4.0%
O&M Expenses by Cost Center											
Airfield Area					$ 57,742	$ 58,532	$ 60,603	$ 62,583	$ 64,690	$ 67,289	$ 70,106
Airport Support Area					65,397	66,276	68,834	71,410	74,159	77,101	80,330
Terminal Area					330,067	334,169	356,651	381,727	406,449	422,916	440,575
Groundside Area					155,173	158,282	164,464	170,801	177,686	184,889	192,630
Utility Area					64,685	64,201	65,821	67,447	69,224	71,769	73,371
Total O&M Expenses by Cost Center					$ 673,064	$ 681,460	$ 716,373	$ 753,969	$ 792,208	$ 823,964	$ 857,012
Adjustment (b)					8,509	8,203	8,426	8,626	8,832	9,043	9,259
OPERATION AND MAINTENANCE EXPENSES					$ 681,573	$ 689,663	$ 724,799	$ 762,595	$ 801,040	$ 833,007	$ 866,271

(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
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**	**2029**
Aviation Revenues											
Landing Fees	$ 201,058	$ 188,906	$ 66,055	$ 175,762	$ 162,528	$ 248,199	$ 295,007	$ 346,896	$ 397,670	$ 448,626	$ 488,337
Terminal Rentals	270,027	330,201	187,544	191,916	331,307	385,521	355,947	412,228	462,707	496,181	544,790
Aviation Revenue - Airlines	$ 471,085	$ 519,108	$ 253,600	$ 367,679	$ 493,835	$ 633,719	$ 650,954	$ 759,124	$ 860,378	$ 944,807	$ 1,033,126
Other Rental Revenues	57,033	55,856	48,516	53,969	55,480	58,824	61,325	63,415	64,993	66,625	68,313
Other Aviation Revenues	37,517	38,509	35,100	47,193	41,241	42,072	43,608	45,228	46,883	48,396	49,961
	$ 565,635	$ 613,473	$ 337,215	$ 468,840	$ 590,556	$ 734,616	$ 755,887	$ 867,766	$ 972,254	$ 1,059,828	$ 1,151,399
Concession Revenues											
Parking	$ 96,882	$ 65,328	$ 34,237	$ 94,111	$ 115,406	$ 118,777	$ 122,002	$ 128,336	$ 130,971	$ 133,581	$ 136,140
On-airport Rental Car	44,393	33,221	14,748	40,668	48,560	50,676	52,258	54,970	56,099	57,217	58,313
Duty Free	35,149	21,301	3,355	14,312	20,025	42,000	42,000	42,000	42,000	42,000	42,197
Retail	18,059	14,556	3,369	8,483	12,841	16,944	20,159	21,609	22,483	23,379	24,293
Food & Beverage	26,752	21,503	4,626	16,453	22,144	29,270	32,234	34,552	35,950	37,383	38,844
Other Services	26,671	28,234	20,489	23,695	22,106	24,579	28,927	29,956	30,651	31,354	32,065
TNC and Ground Transportation	63,026	43,886	9,951	34,889	43,762	52,241	59,098	62,165	63,437	64,697	65,933
Other Concession Revenues	16,479	13,828	10,572	12,903	16,369	16,702	17,048	17,592	17,964	18,341	18,721
	$ 327,412	$ 241,857	$ 101,347	$ 245,514	$ 301,213	$ 351,188	$ 373,726	$ 391,180	$ 399,554	$ 407,952	$ 416,506
Net Sales and Services											
Utilities (net of costs)	$ 12,061	$ 10,777	$ 8,830	$ 12,035	$ 13,806	$ 14,485	$ 15,198	$ 15,946	$ 16,731	$ 17,555	$ 18,421
BART Payments	3,599	3,111	3,430	3,326	3,406	3,431	3,458	3,484	3,512	3,540	3,569
Rental Car Facility Fees	16,587	17,202	16,530	15,395	17,361	17,795	18,240	18,696	19,163	19,642	20,133
Rental Car Transportation Fees	31,431	19,332	7,057	15,589	19,914	22,773	24,622	25,901	26,432	26,959	27,476
Other Sales and Services	23,719	24,646	28,439	31,303	24,589	24,807	25,031	25,261	25,496	25,737	25,984
	$ 87,397	$ 75,068	$ 64,287	$ 77,648	$ 79,076	$ 83,292	$ 86,549	$ 89,288	$ 91,335	$ 93,434	$ 95,582
TOTAL OPERATING REVENUES	$ 980,444	$ 930,398	$ 502,848	$ 792,002	$ 970,844	$ 1,169,096	$ 1,216,162	$ 1,348,234	$ 1,463,143	$ 1,561,214	$ 1,663,488
PFCs Classified as Revenues (a)	63,260	151,810	-	-	167,505	101,091	200,000	150,000	125,000	225,000	121,947
Interest Income (b)	21,430	49,441	16,623	17,415	22,850	24,362	28,633	32,105	35,296	37,274	37,373
TOTAL REVENUES	$ 1,065,134	$ 1,131,649	$ 519,472	$ 809,417	$ 1,161,199	$ 1,294,549	$ 1,444,794	$ 1,530,339	$ 1,623,439	$ 1,823,488	$ 1,822,808

(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
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						
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**
Airfield Area							
Operation and Maintenance Expenses	$ 57,742	$ 58,532	$ 60,603	$ 62,583	$ 64,690	$ 67,289	$ 70,106
Existing Debt Service	37,074	51,316	61,924	64,836	64,567	63,214	53,953
Future Debt Service	107	1,482	8,309	10,143	15,701	33,656	38,440
Subordinate Lien Debt	1,941	2,254	2,384	2,384	2,384	2,384	2,384
Small Capital Outlays	2,007	2,067	2,119	2,161	2,204	2,248	2,293
Equipment	700	458	623	642	661	681	701
Airfield Area Expenses	$ 99,571	$ 116,109	$ 135,962	$ 142,749	$ 150,208	$ 169,472	$ 167,877
Allocated Expenses from Utility Area	5,614	6,274	6,995	7,289	7,706	8,962	8,946
PFCs Classified as Revenues	(44,240)	-	-	-	-	-	-
Airfield Nonairline Revenues	(3,115)	(3,465)	(4,148)	(4,491)	(4,824)	(5,008)	(5,069)
Deficit/(Surplus) from Prior Fiscal Years	(5,581)	(17,621)	-	-	-	-	-
Adjusted Airfield Area Expenses	$ 52,249	$ 101,298	$ 138,810	$ 145,547	$ 153,089	$ 173,426	$ 171,755
Deficit/(Surplus) from Airport Support Area	21,138	24,703	39,806	44,788	55,017	89,397	90,975
Gross Landing Fee Payable by Airlines	$ 73,387	$ 126,001	$ 178,616	$ 190,335	$ 208,107	$ 262,823	$ 262,730
Landed Weight of Scheduled Airlines	32,879	37,393	40,519	42,854	44,065	45,349	46,494
Basic Landing Fee Rate (per 1,000 lbs)	$ 2.23	$ 3.37	$ 4.41	$ 4.44	$ 4.72	$ 5.80	$ 5.65
Total Terminal and Groundside Area Surcharge	$ 202,872	$ 209,154	$ 232,782	$ 313,648	$ 379,127	$ 371,606	$ 466,568
Airfield Portion (50%)	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Terminal Area Rental Surcharge	$ 101,436	$ 104,577	$ 116,391	$ 156,824	$ 189,563	$ 185,803	$ 233,284
Surplus of Groundside Area	(17,876)	-	-	(263)	-	-	(7,677)
Subtotal	$ 83,560	$ 104,577	$ 116,391	$ 156,561	$ 189,563	$ 185,803	$ 225,607
Landed Weight of Scheduled Airlines	32,879	37,393	40,519	42,854	44,065	45,349	46,494
Landing Fee Surcharge Rate (per 1,000 lbs)	$ 2.54	$ 2.80	$ 2.87	$ 3.65	$ 4.30	$ 4.10	$ 4.85
Basic Landing Fee Rate	$ 2.23	$ 3.37	$ 4.41	$ 4.44	$ 4.72	$ 5.80	$ 5.65
Landing Fee Surcharge Rate	2.54	2.80	2.87	3.65	4.30	4.10	4.85
Effective Landing Fee Rate (per 1,000 lbs)	$ 4.77	$ 6.17	$ 7.28	$ 8.09	$ 9.02	$ 9.89	$ 10.50
Total Landing Fee Revenues	$ 156,947	$ 230,578	$ 295,007	$ 346,896	$ 397,670	$ 448,626	$ 488,337
Adjustment for Deferred Aviation Revenues	5,581	17,621	-	-	-	-	-
Landing Fee Revenues Recognized	$ 162,528	$ 248,199	$ 295,007	$ 346,896	$ 397,670	$ 448,626	$ 488,337

Note: Figures may not sum to totals due to rounding. The landing fee and associated landing fee revenues for FY 2023 shown in this exhibit reflect updated estimates, and differ from the budgeted amounts (landing fee rate of $7.73 and revenues of $212.7 million).
Source: LeighFisher.

Exhibit F-2

TERMINAL AREA RENTALS
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 2023	2024	2025	2026	2027	2028	2029
Terminal Area							
Operation and Maintenance Expenses	$ 330,067	$ 334,169	$ 356,651	$ 381,727	$ 406,449	$ 422,916	$ 440,575
Existing Debt Service	225,698	267,530	289,458	303,070	301,811	295,489	252,199
Future Debt Service	635	8,779	49,208	60,065	92,983	199,308	227,637
Subordinate Lien Debt	11,496	13,345	14,118	14,118	14,118	14,118	14,118
Small Capital Outlays	502	517	530	540	551	562	573
Equipment	1,222	1,195	1,087	1,120	1,154	1,188	1,224
Terminal Area Expenses	$ 569,620	$ 625,535	$ 711,052	$ 760,640	$ 817,066	$ 933,581	$ 936,325
Allocable Expenses from Utility Area	48,418	54,113	60,334	62,868	66,462	77,297	77,163
Annual Service Payments	45,182	52,678	56,059	58,677	59,933	61,193	62,476
Total Terminal Area Expenses	$ 663,221	$ 732,326	$ 827,444	$ 882,185	$ 943,461	$ 1,072,071	$ 1,075,964
Deficit/(Surplus) from Prior Fiscal Years	(44,419)	(92,568)	-	-	-	-	-
Adjusted Terminal Area Expenses	$ 618,802	$ 639,758	$ 827,444	$ 882,185	$ 943,461	$ 1,072,071	$ 1,075,964
Divided by Gross Building Area (square feet)	5,735	5,916	6,097	6,097	6,097	6,097	6,097
Annual Cost per Square Foot ("Basic Rate")	$ 107.91	$ 108.15	$ 135.72	$ 144.70	$ 154.75	$ 175.84	$ 176.48
Airline Leased Space (square feet)	1,719	1,742	1,765	1,765	1,765	1,765	1,765
Airline Rental Payable	$ 185,451	$ 188,375	$ 239,556	$ 255,404	$ 273,144	$ 310,378	$ 311,505
Annual Cost per Square Foot ("Basic Rate")	$ 107.91	$ 108.15	$ 135.72	$ 144.70	$ 154.75	$ 175.84	$ 176.48
Public Space (square feet)	4,016	4,174	4,332	4,332	4,332	4,332	4,332
Cost of Public Space	$ 433,350	$ 451,383	$ 587,889	$ 626,781	$ 670,317	$ 761,693	$ 764,459
PFCs Classified as Revenues	(123,265)	(101,091)	(200,000)	(150,000)	(125,000)	(225,000)	(121,947)
Terminal Nonairline Revenues	(107,213)	(143,463)	(156,621)	(163,133)	(167,902)	(172,256)	(175,943)
Deficit of Groundside Area	-	2,326	1,514	-	1,712	7,170	-
Total Terminal and Groundside Area Surcharge	$ 202,872	$ 209,154	$ 232,782	$ 313,648	$ 379,127	$ 371,606	$ 466,568
Terminal Portion (50%)	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Terminal Area Rental Surcharge	$ 101,436	$ 104,577	$ 116,391	$ 156,824	$ 189,563	$ 185,803	$ 233,284
Airline Leased Space	1,719	1,742	1,765	1,765	1,765	1,765	1,765
Rental Surcharge Rate	$ 59.02	$ 60.04	$ 65.94	$ 88.85	$ 107.40	$ 105.26	$ 132.16
Basic Rate (per square foot)	$ 107.91	$ 108.15	$ 135.72	$ 144.70	$ 154.75	$ 175.84	$ 176.48
Rental Surcharge Rate	59.02	60.04	65.94	88.85	107.40	105.26	132.16
Effective Average Rental Rate (per square foot)	$ 166.93	$ 168.18	$ 201.66	$ 233.54	$ 262.14	$ 281.11	$ 308.64
Total Airline Terminal Rentals	$ 286,887	$ 292,952	$ 355,947	$ 412,228	$ 462,707	$ 496,181	$ 544,790
Adjustment for Deferred Aviation Revenues	44,419	92,568	-	-	-	-	-
Terminal Revenues Recognized	$ 331,307	$ 385,521	$ 355,947	$ 412,228	$ 462,707	$ 496,181	$ 544,790

Note: Figures may not sum to totals due to rounding. The terminal rental rate and associated rental revenues for FY 2023 shown in this exhibit reflect updated estimates, and differ from the budgeted amounts (rental rate of $187.47 per sq. ft. and $322.2 million of rental revenues.)
Source: LeighFisher.

Exhibit F-3

AIRLINE PAYMENTS PER ENPLANED PASSENGER
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**	**2029**
Aviation Revenue - Airlines											
Landing Fees	$ 201,058	$ 188,906	$ 66,055	$ 175,762	$ 162,528	$ 248,199	$ 295,007	$ 346,896	$ 397,670	$ 448,626	$ 488,337
Terminal Area Rentals	270,027	330,201	187,544	191,916	331,307	385,521	355,947	412,228	462,707	496,181	544,790
Aviation Revenue - Airlines	$ 471,085	$ 519,108	$ 253,600	$ 367,679	$ 493,835	$ 633,719	$ 650,954	$ 759,124	$ 860,378	$ 944,807	$ 1,033,126
Adjustment for Deferred Aviation Revenues (a)	41,152	(27,183)	183,980	256,863	(50,000)	(110,189)	-	-	-	-	-
Subtotal	$ 512,237	$ 491,925	$ 437,580	$ 624,542	$ 443,835	$ 523,530	$ 650,954	$ 759,124	$ 860,378	$ 944,807	$ 1,033,126
Estimated Cargo Carrier Landing Fees	(5,504)	(6,533)	(5,829)	(8,352)	(6,450)	(8,968)	(10,178)	(11,697)	(13,470)	(15,240)	(16,685)
Passenger Airline Payments	$ 506,733	$ 485,392	$ 431,751	$ 616,190	$ 437,384	$ 514,562	$ 640,776	$ 747,426	$ 846,908	$ 929,568	$ 1,016,441
Enplaned Passengers	28,622	20,215	6,925	17,396	23,686	27,091	29,293	30,813	31,444	32,068	32,681
Airline Cost per Enplaned Passenger	$ 17.70	$ 24.01	$ 62.35	$ 35.42	$ 18.47	$ 18.99	$ 21.87	$ 24.26	$ 26.93	$ 28.99	$ 31.10

(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
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**	**2029**
REVENUES											
Operating Revenues											
Aviation	$ 565,635	$ 613,473	$ 337,215	$ 468,840	$ 590,556	$ 734,616	$ 755,887	$ 867,766	$ 972,254	$ 1,059,828	$ 1,151,399
Concession	327,412	241,857	101,347	245,514	301,213	351,188	373,726	391,180	399,554	407,952	416,506
Net Sales and Service	87,397	75,068	64,287	77,648	79,076	83,292	86,549	89,288	91,335	93,434	95,582
	$ 980,444	$ 930,398	$ 502,848	$ 792,002	$ 970,844	$ 1,169,096	$ 1,216,162	$ 1,348,234	$ 1,463,143	$ 1,561,214	$ 1,663,488
PFCs Classified as Revenues	63,260	151,810	-	-	167,505	101,091	200,000	150,000	125,000	225,000	121,947
Interest Income	21,430	49,441	16,623	17,415	22,850	24,362	28,633	32,105	35,296	37,274	37,373
Total Revenues	$ 1,065,134	$ 1,131,649	$ 519,472	$ 809,417	$ 1,161,199	$ 1,294,549	$ 1,444,794	$ 1,530,339	$ 1,623,439	$ 1,823,488	$ 1,822,808
APPLICATION OF REVENUES											
Operation and Maintenance Expenses	$ 525,222	$ 594,007	$ 208,239	$ 380,137	$ 681,573	$ 689,663	$ 724,799	$ 762,595	$ 801,040	$ 833,007	$ 866,271
Debt Service on Bonds - Deposit Basis	442,442	487,379	277,427	336,597	411,699	526,177	636,539	680,802	733,603	899,835	864,495
Reserve Fund Deposits	-	-	-	-	-	-	-	-	-	-	-
Subordinate Debt Service	8,424	4,946	5,496	6,039	19,282	22,383	23,679	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	37,907	45,182	52,678	56,059	58,677	59,933	61,193	62,476
Other Deposits to the General Purpose Account	38,910	9,594	13,491	47,900	100	100	100	100	100	100	100
Deposits to the Contingency Account (a)	1,024	1,981	82	836	3,363	3,547	3,618	4,486	5,083	5,674	5,787
Total Application of Revenues	$ 1,065,134	$ 1,131,649	$ 519,472	$ 809,417	$ 1,161,199	$ 1,294,549	$ 1,444,794	$ 1,530,339	$ 1,623,439	$ 1,823,488	$ 1,822,808

(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

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**	**2029**
RATE COVENANT CALCULATIONS											
Requirement 6.04(a)(i)											
Revenues (a)	$ 1,065,134	$ 1,131,649	$ 519,472	$ 809,417	$ 1,161,199	$ 1,294,549	$ 1,444,794	$ 1,530,339	$ 1,623,439	$ 1,823,488	$ 1,822,808
Less: Operation and Maintenance Expenses	(525,222)	(594,007)	(208,239)	(380,137)	(681,573)	(689,663)	(724,799)	(762,595)	(801,040)	(833,007)	(866,271)
Net Revenues	$ 539,913	$ 537,642	$ 311,233	$ 429,280	$ 479,626	$ 604,886	$ 719,995	$ 767,744	$ 822,398	$ 990,481	$ 956,537
Debt Service on Bonds - Deposit Basis	(442,442)	(487,379)	(277,427)	(336,597)	(411,699)	(526,177)	(636,539)	(680,802)	(733,603)	(899,835)	(864,495)
Deposit to Debt Service Reserve Fund	-	-	-	-	-	-	-	-	-	-	-
Subordinate Debt Service	(8,424)	(4,946)	(5,496)	(6,039)	(19,282)	(22,383)	(23,679)	(23,679)	(23,679)	(23,679)	(23,679)
Annual Service Payment to City	(49,112)	(33,743)	(14,736)	(37,907)	(45,182)	(52,678)	(56,059)	(58,677)	(59,933)	(61,193)	(62,476)
Equals: Remaining Amounts (must not be < zero)	$ 39,935	$ 11,575	$ 13,573	$ 48,737	$ 3,463	$ 3,647	$ 3,718	$ 4,586	$ 5,183	$ 5,774	$ 5,887
Requirement 6.04(a)(ii)											
Contingency Account Balance	$ 155,164	$ 166,213	$ 167,295	$ 168,193	$ 177,361	$ 180,908	$ 224,297	$ 254,155	$ 283,682	$ 289,355	$ 295,143
Net Revenues	$ 539,913	$ 537,642	$ 311,233	$ 429,280	$ 479,626	$ 604,886	$ 719,995	$ 767,744	$ 822,398	$ 990,481	$ 956,537
Transfer (b)	155,164	166,213	167,295	168,193	97,984	127,180	156,523	168,666	177,563	224,286	216,281
Total Amount Available	$ 695,076	$ 703,855	$ 478,528	$ 597,474	$ 577,610	$ 732,066	$ 876,518	$ 936,411	$ 999,962	$ 1,214,767	$ 1,172,818
Debt Service on Bonds - Cash Basis (c)	$ 436,459	$ 479,168	$ 290,261	$ 288,609	$ 391,935	$ 508,720	$ 626,093	$ 674,666	$ 710,253	$ 897,144	$ 865,123
Coverage (must not be < 125%)	159%	147%	165%	207%	147%	144%	140%	139%	141%	135%	136%

(a) Revenue totals include PFCs classified as Revenues.
(b) Transfer amounts for FY 2023 to FY 2029 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 - BASE CASE
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**	**2029**
ENPLANED PASSENGERS	28,622	20,215	6,925	17,396	23,686	27,091	29,293	30,813	31,444	32,068	32,681
Percentage Change	-0.7%	-29.4%	-65.7%	151.2%	36.2%	14.4%	8.1%	5.2%	2.0%	2.0%	1.9%
DEBT SERVICE COVERAGE											
Revenues (a)	$1,065,134	$1,131,649	$ 519,472	$ 809,417	$1,161,199	$1,294,549	$1,444,794	$1,530,339	$1,623,439	$1,823,488	$1,822,808
Operation and Maintenance Expenses	(525,222)	(594,007)	(208,239)	(380,137)	(681,573)	(689,663)	(724,799)	(762,595)	(801,040)	(833,007)	(866,271)
Net Revenues	$ 539,913	$ 537,642	$ 311,233	$ 429,280	$ 479,626	$ 604,886	$ 719,995	$ 767,744	$ 822,398	$ 990,481	$ 956,537
Debt Service on Bonds - Cash Basis	436,459	479,168	290,261	288,609	391,935	508,720	626,093	674,666	710,253	897,144	865,123
Debt Service Coverage (without Transfer)	124%	112%	107%	149%	122%	119%	115%	114%	116%	110%	111%
Transfer Amount (b)	$ 155,164	$ 166,213	$ 167,295	$ 168,193	$ 97,984	$ 127,180	$ 156,523	$ 168,666	$ 177,563	$ 224,286	$ 216,281
Debt Service Coverage (with Transfer)	159%	147%	165%	207%	147%	144%	140%	139%	141%	135%	136%
PFCs Classified as Revenues	$ 63,260	$ 151,810	$ -	$ -	$ 167,505	$ 101,091	$ 200,000	$ 150,000	$ 125,000	$ 225,000	$ 121,947
AIRLINE FEES AND CHARGES											
Landing Fee Rate	$ 5.54	$ 5.80	$ 7.29	$ 11.40	$ 7.73	$ 6.17	$ 7.28	$ 8.09	$ 9.02	$ 9.89	$ 10.50
Average Terminal Rate	179.21	191.50	196.45	196.45	187.47	168.18	201.66	233.54	262.14	281.11	308.64
Airline Payments per Enplaned Passenger	17.70	24.01	62.35	35.42	18.47	18.99	21.87	24.26	26.93	28.99	31.10

(a) Revenue totals include PFCs classified as Revenues.
(b) Transfer amounts for FY 2023 to FY 2029 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.

Exhibit J

SUMMARY OF FINANCIAL PROJECTIONS - SENSITIVITY CASE
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**	**2029**
ENPLANED PASSENGERS	28,622	20,215	6,925	17,396	22,313	25,370	27,426	28,836	29,403	29,964	30,514
Percentage Change	-0.7%	-29.4%	-65.7%	151.2%	28.3%	13.7%	8.1%	5.1%	2.0%	1.9%	1.8%
DEBT SERVICE COVERAGE											
Revenues (a)	$1,065,134	$1,131,649	$ 519,472	$ 809,417	$1,159,027	$1,291,972	$1,442,058	$1,527,432	$1,620,427	$1,820,370	$1,819,556
Operation and Maintenance Expenses	(525,222)	(594,007)	(208,239)	(380,137)	(681,573)	(689,663)	(724,799)	(762,595)	(801,040)	(833,007)	(866,271)
Net Revenues	$ 539,913	$ 537,642	$ 311,233	$ 429,280	$ 477,454	$ 602,309	$ 717,259	$ 764,837	$ 819,386	$ 987,363	$ 953,285
Debt Service on Bonds - Cash Basis	436,459	479,168	290,261	288,609	391,935	508,720	626,093	674,666	710,253	897,144	865,123
Debt Service Coverage (without Transfer)	124%	112%	107%	149%	122%	118%	115%	113%	115%	110%	110%
Transfer Amount (b)	$ 155,164	$ 166,213	$ 167,295	$ 168,193	$ 97,984	$ 127,180	$ 156,523	$ 168,666	$ 177,563	$ 224,286	$ 216,281
Debt Service Coverage (with Transfer)	159%	147%	165%	207%	147%	143%	140%	138%	140%	135%	135%
PFCs Classified as Revenues	$ 63,260	$ 151,810	$ -	$ -	$ 167,505	$ 94,666	$ 200,000	$ 150,000	$ 125,000	$ 225,000	$ 113,862
AIRLINE FEES AND CHARGES											
Landing Fee Rate	$ 5.54	$ 5.80	$ 7.29	$ 11.40	$ 7.73	$ 6.95	$ 8.05	$ 8.94	$ 9.95	$ 10.89	$ 11.75
Average Terminal Rate	179.21	191.50	196.45	196.45	187.47	174.42	206.27	238.37	267.22	286.36	314.23
Airline Payments per Enplaned Passenger	17.70	24.01	62.35	35.42	20.16	21.13	23.95	26.51	29.40	31.62	34.17

(a) Revenue totals include PFCs classified as Revenues.
(b) Transfer amounts for FY 2023 to FY 2029 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, 2022 (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, 2022

(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:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Airport Commission, City and County of San Francisco, San Francisco International Airport (the Airport), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport, as of June 30, 2022, and the changes in its financial position and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the Airport are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and each major fund of the City and County of San Francisco, California 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 and County of San Francisco, California, as of June 30, 2022, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 audit 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 Information

Our audit was 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 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 25, 2023

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 year ended June 30, 2022.

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

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

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

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

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

Highlights of Airline Operations at the Airport

Fiscal year 2022 passenger traffic at SFO concluded with approximately 34.9 million passengers, an increase of 155.1% compared to the prior fiscal year (FY). Domestic enplaned passengers increased 134.6%, and international enplaned passengers increased 272.9%. The year-over year recovery was predominately due to increased travel demand. Total cargo and U.S. mail tonnage increased by 15.6%.

Published scheduled departing seats for SFO, Oakland (OAK) and Mineta San Jose International (SJC) were 80.6%, 43.4%, and 64.5% higher, respectively, for fiscal year 2022 compared to prior fiscal year. Total scheduled departing seats for the Bay Area were 69.2% higher than the prior fiscal year.

Passenger and Other Traffic Activity

The number of flight operations (takeoffs and landings) increased by 57.2% fiscal year over year. Aircraft revenue landed weight, which affects revenue generated by landing fees, increased by 68.9% 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 close to 34.9 million, which was 155.1% above last fiscal year. Overall enplaned passengers increased by 151.2% over the prior fiscal year to 17.4 million. Domestic enplanements increased by 134.6% to 14.3 million, and international enplanements increased by 272.9% to 3.1 million passengers. Total cargo and U.S. mail tonnage increased by 15.6%, mainly due to freight increases of 17.6%, which was partially offset by an 8.5% decline in mail tonnage over the 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, 2022 and 2021:

	FY 2022	FY 2021	Percentage change FY 2022
Flight operations	328,183	208,764	57.2 %
Landed weight (in 000 lbs.)	26,496,685	15,686,706	68.9
Total Airport passengers	34,890,102	13,676,314	155.1
Enplaned passengers	17,396,249	6,924,578	151.2
Domestic enplaned passengers	14,290,034	6,091,685	134.6
International enplaned passengers	3,106,215	832,893	272.9
Cargo and U.S. mail tonnage (in metric tons)	545,335	471,793	15.6

Passenger Traffic

Passenger enplanements in fiscal year 2022 increased 151.2% from 6.9 million to 17.4 million. Domestic passenger enplanements increased by 134.6%, and international enplanements increased by 272.9%. Overall enplanements increased by 10.5 million passengers, comprised of 8.2 million in domestic and 2.3 million in international enplanements. The development and distribution of vaccines helped increase the demand for air travel. With the rise in the number of people vaccinated, passenger traffic recovery gained momentum. While there were two periods of slowdown due to COVID-19 Delta and Omicron variants, passenger traffic recovered swiftly and continued to grow. Passenger enplanements in the month of June surpassed two million for the first time since the pandemic started.

International sector passenger traffic recovery also gained momentum with relaxation of COVID-19 restrictions to Europe, Canada, and Middle East, while Asia and Australia/Oceania which still have more COVID-19 related restrictions saw slower recovery. For fiscal year 2022, enplanements to Asia increased by 117.0%, Europe increased by 555.3%, Latin America increased by 151.0%, Canada increased by 1,041.2%, Middle East increased by 366.6%, and Australia/Oceania increased by 296.5%.

On a quarterly basis, enplanements increased by 200.0%, 171.1%, 179.3%, and 103.8% respectively, relative to the same quarter in fiscal year 2021.

[1] Sources: Airport's Analysis of Airline Traffic, Fiscal Years 2021 and 2022.

Overall airline seat capacity increased by 80.6% during fiscal year 2022 as compared to fiscal year 2021, with a domestic increase of 71.7% and an international increase of 122.4%. The overall load factor (the percentage of seats filled on flights) increased by 22.2 percentage points to 79.1%. The domestic load factor increased by 22.2 percentage points to 82.7%, while the international load factor increased by 26.6 percentage points to 65.8%.

Flight Operations

During fiscal year 2022, the number of aircraft operations (takeoffs and landings) increased by 119,419 flights (57.2%) as compared to fiscal year 2021. Scheduled passenger aircraft arrivals and departures increased by 115,728 flights (57.7%). Civil and military traffic increased by 3,691 flights (45.4%). Total number of scheduled airline passenger and cargo landings increased by 58.7%, with an increase in revenue landed weight of 68.9%. Domestic passenger landings increased by 55.9%, while domestic landed weight increased by 73.1%. International passenger landings increased by 96.1%, while international landed weight increased by 84.8%. Average passenger aircraft size increased from approximately 139 to 153 seats per flight. Domestic scheduled seats per flight increased from 129 to 141, while international scheduled seats per flight increased from 226 to 227. The overall balance between mainline passenger aircraft (wide body and narrow body) and commuter aircraft (regional jets and turbo props) shifted 8.1% towards mainline aircraft, which increased to 71.4% for domestic and international operations combined. Mainline landings increased by 46,083, and commuter landings increased by 8,297.

Cargo Tonnage

Fiscal year 2022 cargo and mail tonnage increased by 73,542 metric tons (15.6%). Domestic cargo and mail increased by 6,672 metric tons (3.1%), while international cargo and mail increased by 66,870 metric tons (25.8%). Tonnage shares of Cargo-only carriers decreased by 8.4% to 22.8%. Tonnage on cargo-only carriers decreased by 15.5%, while tonnage on passenger carriers increased by 29.7%, due to an increase in passenger aircraft flight activities.

Financial Highlights

- Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources at the close of the fiscal year by $660.2 million.
- Total revenue bonds payable by the Airport increased by $240.7 million.
- Operating revenues were $821.3 million.
- Operating expenses were $809.8 million.
- Nonoperating expenses, net of revenues from nonoperating sources (including revenues of $72.8 million from Passenger Facility Charges (PFC) and revenues of $175.1 million from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act, the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan Act (ARPA)) were $180.0 million. Total Federal awards received by the Airport were $175.8 million. The Airport has $23.8 million in ARPA funds remaining available for use in FY 2023.

(Continued)

- Capital contributions consist of grants from the Federal Aviation Administration's (FAA) Airport Improvement Program (AIP) and Bay Area Air Quality Management District (BAAQMD) of $17.0 million and asset contributions from SFO Fuel of $24.0 million.
- Transfers to the City and County of San Francisco as annual service payment were $37.9 million.
- Net position decreased by $165.4 million primarily attributable to lower nonoperating revenue as a result of the CARES Act grant fund being fully expended in fiscal year 2021.

Overview of the Airport’s Financial Statements

Net Position Summary

A condensed summary of the Airport’s net position for the fiscal years 2022 and 2021 is shown below (in thousands):

	FY 2022	FY 2021	Percentage increase (decrease) FY 2022
Assets:			
Unrestricted current assets	$ 1,104,277	719,602	53.5 %
Restricted current assets	591,895	625,641	(5.4)
Unrestricted noncurrent assets	241,871	—	100.0
Restricted noncurrent assets	930,708	1,147,970	(18.9)
Net pension asset	153,872	—	100.0
Capital assets, net	6,977,073	7,070,878	(1.3)
Total assets	9,999,696	9,564,091	4.6
Deferred outflows of resources:			
Unamortized loss on refunding of debt	36,158	52,746	(31.4)
Deferred outflows on derivative instruments	10,192	21,374	(52.3)
Deferred outflows related to OPEB	35,683	39,632	(10.0)
Deferred outflows related to pensions	82,086	94,882	(13.5)
Total deferred outflows of resources	164,119	208,634	(21.3)
Liabilities:			
Current liabilities	527,812	268,178	96.8
Current liabilities payable from restricted assets	215,088	459,508	(53.2)
Noncurrent liabilities	9,102,113	8,860,986	2.7
Net OPEB liability	251,367	258,525	(2.8)
Net pension liability	—	340,330	(100.0)
Derivative instruments	10,192	21,374	(52.3)
Total liabilities	10,106,572	10,208,901	(1.0)
Deferred inflows of resources:			
Deferred inflows related to OPEB	50,638	43,768	15.7
Deferred inflows related to pensions	380,803	14,859	2,462.8
Deferred inflows related to leases	286,045	—	100.0
Total deferred inflows of resources	717,486	58,627	1,123.8
Net position:			
Net investment in capital assets	(1,327,327)	(1,030,427)	(28.8)
Restricted for debt service	61,899	117,856	(47.5)
Restricted for capital projects	492,914	436,516	12.9
Restricted for other purpose	1,978	—	100.0
Unrestricted	110,293	(18,748)	688.3
Total net position	$ (660,243)	(494,803)	(33.4)%

FY 2021 has not been restated for the effects of GASB 87

(Continued)

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 $660.2 million and $494.8 million as of June 30, 2022 and 2021, respectively, representing a decrease of $165.4 million (33.4%).

Unrestricted current assets consist primarily of cash and investments available to meet the Airport's current obligations. Unrestricted current assets increased by $384.7 million (53.5%), primarily due to higher operating revenues as the Airport begins its recovery from the pandemic. As of June 30, 2022, the Airport has set aside $149.6 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 decreased by $33.7 million (5.4%). The decrease was primarily due to the decrease in grants receivable as the CARES Act grant was fully expended in fiscal year 2021.

Unrestricted noncurrent assets increased by $241.9 million (100.0%) due to the adoption of GASB 87 in fiscal year 2022. Fiscal year 2021 has not been restated to reflect the adoption of GASB 87.

Restricted noncurrent assets decreased by $217.3 million (18.9%). The decrease was primarily due to the capital project spending which lowered the cash and investments held in the City Treasury.

Net pension asset increased by $153.9 million (100.0%). The increase was primarily due to investment gains that resulted in a net pension asset compared to a net pension liability in fiscal year 2021. See additional information in note 10a.

Capital assets consist of land, buildings, structures, improvements, equipment, and intangible assets. Capital assets, net of depreciation, decreased by $93.8 million (1.3%), primarily due to the disposal of assets.

Unamortized loss on refunding of debt decreased by $16.6 million (31.4%). The decrease was primarily due to the amortization of the bond refunding gain/loss.

Deferred outflows on derivative instruments decreased by $11.2 million (52.3%), 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 decreased $3.9 million (10.0%) primarily due to experience gains. See additional information in note 10b.

Deferred outflows related to pensions decreased by $12.8 million (13.5%) primarily due to investment gains. See additional information in note 10a.

Current liabilities payable from unrestricted assets increased by $259.6 million (96.8%), primarily due to an increase in unearned aviation revenue.

Current liabilities payable from restricted assets decreased by $244.4 million (53.2%), primarily due to the take-outs of commercial paper notes with the 2022ABC bond proceeds.

Noncurrent liabilities before net OPEB liability, net pension liability, and derivative instruments increased by $241.1 million (2.7%), primarily due to the issuance of the Airport’s Second Series Revenue Bonds 2022ABC.

Net OPEB liability decreased by $7.2 million (2.8%) primarily due to experience gains and offset by contributions and net investment income being less than interest and administrative expenses. See additional information in note 10b.

Net pension liability (NPL) decreased by $340.3 million (100.0%) primarily due to investment gains resulting in a net pension asset in fiscal year 2022. See additional information in note 10a.

Derivative instruments liabilities decreased by $11.2 million (52.3%), 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 $6.9 million (15.7%) primarily due to the amortization of deferrals. See additional information in note 10b.

Deferred inflows related to pensions decreased by $365.9 million (2,462.8%) primarily due to the impact of recognizing prior periods investment earnings and amortization of other deferrals. See additional information in note 10a.

Deferred inflows related to leases increased by $286.0 million (100.0%) due to the adoption of GASB 87 in fiscal year 2022.

The Airport’s net investment in capital assets decreased by $296.9 million (28.8%), 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 $56.0 million (47.5%), primarily due to less cash and investments held outside City Treasury for debt services.

Net position restricted for capital projects increased by $56.4 million (12.9%), primarily due to higher PFC revenue generated from the air traffic growth.

Net position restricted for other purposes was $2.0 million. In fiscal year 2021, this amount was negative and reclassed to Unrestricted net position.

Unrestricted net position increased by $129.0 million (688.3%), primarily due to more revenue generated as passenger traffic started to rebound.

Highlights of Changes in Net Position

The following table shows a condensed summary of changes in net position for fiscal years 2022 and 2021 (in thousands):

	FY 2022	FY 2021	FY 2022 percentage increase (decrease)
Operating revenues	$ 821,253	515,416	59.3 %
Operating expenses	(809,830)	(914,385)	(11.4)
Operating income (loss)	11,423	(398,969)	102.9
Nonoperating expenses, net	(179,955)	(53,093)	238.9
Loss before capital contributions and transfers	(168,532)	(452,062)	62.7
Capital contributions	40,998	64,735	(36.7)
Transfers to City and County of San Francisco	(37,906)	(14,736)	157.2
Changes in net position (deficit)	(165,440)	(402,063)	58.9
Total net position (deficit) – beginning of year	(494,803)	(92,740)	(433.5)
Total net position (deficit) – end of year	$ (660,243)	(494,803)	(33.4)%

Operating Revenues

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

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 demised premise rental rates using certain cost centers. Using this methodology, Rates and Charges (that includes landing fees, demised premise rental rates, and other fees) are established each fiscal year to

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[2] In fiscal year 2010, the Airport and airlines reached agreement on a new, ten-year 2011 Lease and Use Agreement that became effective on July 1, 2011, that originally expired June 30, 2021, and that was mutually extended to June 30, 2023. The 2011 Lease and Use Agreement and the 2-Year Extension of said agreement are referred to generally as the "Lease and Use Agreement," and the airlines that are parties to those agreements are referred to as "Signatory Airlines".

produce projected revenues from the airlines equal to the difference between the Airport's estimated nonairline revenues and the Airport's budgeted total costs, including operating expenses, debt service expenses and the Annual Service Payment (ASP) to the City 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 demised premise rental rates 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.

The overcharge balance of $160.2 million as of June 30, 2021, increased to $417.1 million as of June 30, 2022, and was recorded as unearned aviation revenue in the statements of net position. See note 2i.

The following table shows the air carriers that served the Airport in fiscal year 2022:

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

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

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

Cargo-only carriers
ABX Air
Air Transport International
Atlas Air
Federal Express
Kalitta Air
Nippon Cargo Airlines

The following table shows a comparison of terminal rental rates and airline landing fees for fiscal years 2022 and 2021:

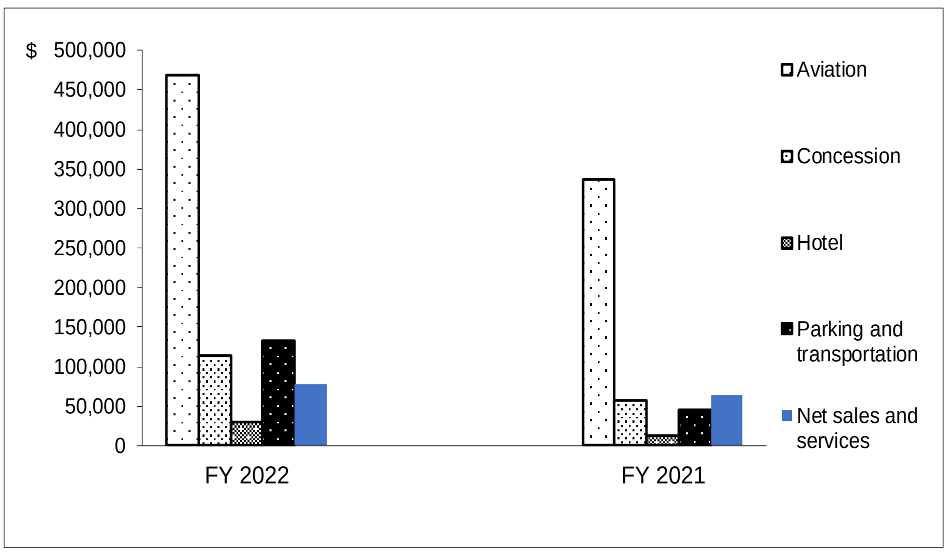
		FY 2022	FY 2021
Effective average terminal rental rate (per sq. ft.)	$	196.45	196.45
Signatory Airline – landing fee rate (per 1,000 lbs.)		11.40	7.29
Non-Signatory Airline – landing fee rate (per 1,000 lbs.)		14.25	9.11
General aviation and itinerant aircraft – landing fee rate (per 1,000 lbs.)		14.25	9.11

During fiscal years ended June 30, 2022 and 2021, revenues realized from the following source equaled or exceeded 5% of the Airport's total operating revenues:

	FY 2022	FY 2021
United Airlines	28.4 %	32.0 %
American Airlines	4.4 %	5.5 %

The following shows a comparative summary of operating revenues for fiscal years 2022 and 2021 (in thousands):

		FY 2022	FY 2021	FY 2022 percentage increase (decrease)
Aviation	$	468,840	337,215	39.0 %
Concession		113,261	56,528	100.4
Hotel		29,251	12,567	132.8
Parking and transportation		132,253	44,819	195.1
Net sales and services		77,648	64,287	20.8
Total operating revenues	$	821,253	515,416	59.3 %



Operating revenues increased by 59.3%, from $515.4 million in fiscal year 2021 to $821.3 million primarily due to increased passenger traffic.

Aviation revenues increased from $337.2 million in fiscal year 2021 to $468.8 million primarily due to passenger traffic beginning to rebound.

As determined by the calculation method in the Agreement, scheduled airline landing fees per thousand pounds increased from $7.29 in fiscal year 2021 to $11.40 in fiscal year 2022. From fiscal year 2021 to fiscal year 2022, the airline average annual terminal rent per square foot remained unchanged at $196.45 as both residual airline terminal rental revenue requirement and airline leased space remained relatively stable.

Before the unearned aviation revenue adjustment of $256.9 million, revenues from landing fees increased by $184.5 million (161.9%) due to higher flight activity and higher landing fees. Terminal rentals increased slightly by $2.4 million (0.7%), as a result of minor changes in airline leased space. In aggregate, all other aviation revenues increased by $17.6 million (21.1%), from $83.6 million in fiscal year 2021 to $101.2 million in fiscal year 2022, with net aviation rental revenue and activity-based fees including aircraft parking, parking-employees, common use gate fees and fixed base operations (FBO) all showing increases.

Concession revenues, consisting of rentals and fees derived from food and beverage concessions, duty free, retail merchandise (gifts, candy, tobacco, and news), rental car concessions, and other concession revenue increased by 100.4%, from $56.5 million in fiscal year 2021 to $113.3 million. The higher revenues resulted mainly from a 202.1% increase in airport food & beverage and retail sales. Food and beverage revenues increased by $11.8 million (255.7%) due to higher passenger volumes and average spend rate per passenger. The passenger food and beverage spend rate increased by 25.6% from $8.29 to $10.40. Retail merchandise revenues excluding duty free revenues increased by $5.1 million (151.8%) for the same reasons. The Airport-wide per passenger spend rate for such merchandise increased by 8.9% from $3.69 in fiscal year 2021 to $4.02 in fiscal year 2022. As of June 2022, 12 out of 15 DFS locations have reopened, including the newly renovated DFS Duty Free Galleria in boarding Areas A and G, and this, combined with the recovery of international passenger volumes, resulted in an $11.0 million (326.6%) increase in revenues from duty free merchandise sales. On- and off-Airport rental car revenues increased by $26.8 million (170.1%) as a result of increased passenger volumes. Other concession revenues increased by $4.5 million (15.3%); this was mainly driven by the sales growth from Alclear. As of June 30, 2022, MAG rent, which previously had been suspended as a result of reduced enplanement levels, has been reinstated for approximately 40% of all concession leases.

The on-Airport hotel operating revenues increased by 132.8% from $12.6 million in fiscal year 2021 to $29.3 million primarily due to the increase in high-end leisure travelers, individual business travelers, and the return of group meetings.

Public parking and transportation revenues, consisting of rentals and fees derived from parking facilities and ground transportation operations, increased by 195.1%, from $44.8 million in fiscal year 2021 to $132.3 million. The combined net effect of a 20.7% increase in the average revenue per ticket, from $31.04 in fiscal year 2021 to $37.48, and a 127.7% increase in parking transactions resulted in a parking revenue increase of $59.9 million (174.9%). Ground transportation revenues, including taxi trip fee revenue, increased by $27.5 million (262.1%) primarily due to increased passenger levels. Transportation network company (TNC) operations at the Airport (including Uber Technologies Inc., Lyft, Inc., and Tickengo, Inc., d/b/a/ Wingz) increased by 196.8%. TNC Airport pick-ups/drop-offs totaled nearly 5.4 million resulting in $30.0 million in trip fee revenue. Other modes of transportation also experienced increased activity levels compared to fiscal year 2021, including hotel shuttles (up 99.5%), shared ride vans (up 104.6%), door to door pre-arranged vans (up 174.6%), limousines (up 271.1%), taxis (up 372.0%), scheduled buses (up 119.3 %), charter buses (up 262.1%) and off-airport parking vans (up 66.1%). The Airport continues to see a shift in passenger behavior where parking is preferred over single or high occupancy mode transportation (such as taxis, TNCs, and buses), 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 increased by 20.8%, from $64.3 million to $77.6 million. Revenue from the sale of water sewage disposal increased by $1.3 million (33.0%). Telecommunication fees were higher by $0.2 million (4.3%) because of increased demand for telecommunication access services. Licenses and permit fees increased $0.9 million (91.1%) as a result of higher badging activity by tenant employees and contractors. The transportation and facility fee (AirTrain fee charged on rental car contracts) increased by $8.5 million (120.9%) due to a 121.5% increase in the number of rental car contracts. Fees collected for the cost of the Rental Car Center decreased by $1.1 million (6.9%) primarily due to the CRRSAA grant adjustment, which reclassed the related revenue to non-operating revenue. Revenue from penalties from the enforcement of airfield safety rules and regulations increased by $1.3 million (156.6%) due to higher level of activity and increased passenger levels. Miscellaneous terminal fees decreased by $0.7 million (6.9%), due to the prior year adjustment for the Terminal 1 baggage handling system, passenger boarding bridges and equipment maintenance contract costs. Governmental agency rent revenue increased by $0.3 million (5.0%) reflecting current lease terms. Miscellaneous Airport Revenues increased $0.2 million (112.7%) this increase was mainly driven by the lease to Worksite Labs Inc. as a COVID testing site. 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 $4.0 million (28.4%).

Operating Expenses

The following table shows a comparative summary of operating expenses for fiscal years 2022 and 2021 (in thousands):

	FY 2022	FY 2021	Percentage increase (decrease) FY 2022
Personnel	$ 216,842	363,451	(40.3)%
Depreciation	356,649	331,135	7.7
Contractual services	81,424	77,077	5.6
Hotel	24,969	14,396	73.4
Light, heat and power	27,554	24,809	11.1
Services provided by other City departments	26,949	29,320	(8.1)
Repairs and maintenance	56,189	51,507	9.1
Materials and supplies	12,560	11,488	9.3
General and administrative	4,567	5,766	(20.8)
Environmental remediation	2,127	5,436	(60.9)
Total operating expenses	$ 809,830	914,385	(11.4)%

Operating expenses decreased from $914.4 million to $809.8 million due to decreases in expenses for personnel, services provided by other city departments, general and administrative, and environmental remediation. In fiscal year 2022, the Airport capitalized $14.0 million of indirect costs related to construction of capital projects as overhead, compared to $19.2 million in fiscal year 2021. The variances in the different categories are discussed below.

Personnel expenses decreased $146.7 million (40.3%), from $363.5 million to $216.8 million. The decrease was primarily due to a decrease in pension expenses as a result of investment gains.

Depreciation increased $25.5 million (7.7%), from $331.1 million to $356.6 million. The increase was primarily due to the additions of capital assets related to Airtrain System, Terminals, and Runway improvement projects.

Contractual services increased $4.3 million (5.6%), from $77.1 million to $81.4 million. The increase was primarily due to increased expenses for various professional services contracts, such as parking and shuttle buses as a result of increased passenger traffic.

The on-Airport hotel operating expenses increased $10.6 million (73.4%), from $14.4 million to $25.0. The increase was primarily due to the significant rise in labor costs and hotel supplies.

Light, heat and power expenses increased $2.8 million (11.1%), from $24.8 million to $27.6 million. The increase was primarily due to an increase in consumption and rates.

Expenses of services provided by other City departments decreased $2.4 million (8.1%), from $29.3 million to $26.9 million. The decrease was primarily due to lower Police academy training costs.

Repairs and maintenance expenses increased $4.7 million (9.1%), from $51.5 million to $56.2 million. The increase was primarily due to the return of pre-pandemic service levels in maintenance contracts for elevator, escalator, and moving walkways.

Materials and supplies expenses increased $1.1 million (9.3%), from $11.5 million to $12.6 million. The increase was a result of inflation as well as increased spending on cleaning and electrical supplies due to higher passenger traffic and outages that occurred during fiscal year 2022.

General and administrative expenses decreased $1.2 million (20.8%), from $5.8 million to $4.6 million. The decrease was primarily due to a decrease in estimated bad debts expense related to the Airport COVID-19 Emergency Rent Relief Program for concession tenants.

Environmental remediation expenses decreased $3.3 million (60.9%), from $5.4 million to $2.1 million. The decrease was primarily due to fewer capital project activities.

Nonoperating Revenues and Expenses

The following summary shows a comparison of nonoperating revenues and expenses in fiscal years 2022 and 2021 (in thousands):

		FY 2022	FY 2021	FY 2022 percentage increase (decrease)
Nonoperating revenues:				
Passenger facility charges (PFC)	$	72,804	29,473	147.0 %
Investment income		(64,113)	(2,542)	(2,422.1)
Other		176,955	299,655	(40.9)
Total nonoperating revenues		185,646	326,586	(43.2)
Nonoperating expenses:				
Interest expense		321,132	270,299	18.8
Write-offs and gain on disposal		11,672	41,976	(72.2)
Other		32,797	67,404	(51.3)
Total nonoperating expenses		365,601	379,679	(3.7)
Total nonoperating expenses, net		(179,955)	(53,093)	238.9
Capital contributions		40,998	64,735	(36.7)
Transfers to City and County of San Francisco		(37,906)	(14,736)	157.2
Total	$	(176,863)	(3,094)	5,616.3 %

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 $72.8 million during fiscal year 2022, an increase of 147.0% compared to the $29.5 million received in fiscal year 2021. The increase in PFC revenues was primarily due to an increase in passenger traffic due to the easing of the COVID-19 restriction.

Investment income decreased $61.6 million (2,422.1%), from $(2.5) million to $(64.1) million primarily due to the investment fair value adjustments. Excluding the fair value adjustments, the actual investment income decreased $2.2 million, from $24.9 million to $22.7 million.

Other nonoperating revenues decreased $122.7 million (40.9%), from $299.7 million to $177.0 million primarily due to the CARES Act grant award of $254.8 million being fully expended in fiscal year 2021.

Interest expense increased $50.8 million (18.8%), from $270.3 million to $321.1 million primarily due to the adoption of GASB Statement No. 89 that no longer allows construction period interest capitalization.

Write-offs and loss on disposal decreased $30.3 million (72.2%), from $42.0 million to $11.7 primarily due to the sale of equipment.

Other nonoperating expenses decreased $34.6 million (51.3%), from $67.4 million to $32.8 million primarily due to fewer capital improvement projects costs that did not meet the capitalization requirement.

Capital contributions received from federal grants and other sources decreased $23.7 million (36.7%), from $64.7 million to $41.0 million. The decrease in capital contribution was primarily due to the decrease in the Airport Improvement Program grant funded expenditures and Checked Baggage Inspection System (CBIS) expenditures attributed to the completion of Terminal 1 and International Terminal CBIS TSA project prior to June 2021. The decrease in other capital contributions was due to the transfers of ownership of a fuel pump pad for $23.98 million from SFO Fuel to the Airport in January 2022 compared to the transfer of two fuel tanks for $36.32 million in November 2020.

The annual service payments transferred to the City increased $23.2 million (157.2%), from $14.7 million in to $37.9 million. The increase was due to higher concession, hotel, and parking and transportation revenues attributable to an increase in passenger traffic.

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 Passenger Facility Charges (PFCs). The Agreement also provides for airline review of capital projects that exceed the dollar thresholds established within 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.

Expenses incurred during fiscal year 2022 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	$	94,702
Runway Improvements		57,854
Courtyard 3 Connector		53,180
International Terminal Refresh Program		27,558
Taxiway Improvements		9,726
Capital Equipment		6,996
Waste Water System Improvements		6,682
Noise Insulation Program		6,497
Wayfinding		6,102
Capital Improvement Plan Support		4,353
Miscellaneous Airfield Improvements		3,429
Net Zero Energy Program		2,838
Security Improvements		2,760
Technology Improvement		2,759
Shoreline Protection		2,250
COVID		2,043
Terminal 3 Renovation		1,714
Support Facility Improvements		1,283
All Other Projects		4,557
Total	$	297,283

Due to the COVID-19 pandemic and the reduction in travel demand, the Airport has reprioritized its Capital Improvement Plan to focus on projects that are essential to Airport operations and resiliency priorities given the present-day recovery landscape. Construction activity continues on major projects such as the Terminal 1 (T1) Redevelopment Program, the Courtyard 3 Connector project, and the International Terminal Phase 2 project, which will make improvements to the building and expand both departures level security checkpoints.

The T1 Redevelopment Program completed the Harvey Milk Boarding Area B, for a total of 25 operational gates, in May 2021. Construction activity continues in the Terminal 1 North area, and this work is forecasted to complete in fiscal year 2024.

Notable projects that completed in fiscal year 2022 include a post-security passenger connector between Terminal 2 and Terminal 3, portions of the Noise Insulation Program, and the rehabilitation of Runway 10L-28R which improved 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.

Debt Administration

Refunding Bonds: On February 8, 2022, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2022A (AMT), Second Series Revenue Bonds, Series 2022B (Non-AMT/Governmental Purpose), and Second Series Revenue Bonds, Series 2022C (Federally Taxable) (collectively, the "2022A/B/C Bonds"), in aggregate principal amount of $732.8 million to refund a combined $474.2 million of its Series 2012A Bonds, Series 2012B Bonds, Series 2013A Bonds, Series 2016A Bonds, Series 2016D Bonds, Series 2017D Bonds, Series 2018A Bonds, Series 2019C Bonds, Series 2019D Bonds, Series 2019G Bonds, and Series 2019H Bonds, to repay the Airport's outstanding Commercial Paper Notes, to finance capitalized interest, and to pay costs of issuance.

Cash Defeasance: On June 28, 2022, the Airport legally defeased $30.6 million of its Series 2019H Bonds, using moneys previously deposited by the Commission in the Debt Service Fund.

Subordinate Commercial Paper Notes: During fiscal year 2022, the Airport issued $168.0 million in commercial paper notes to fund capital improvement projects and to reimburse the Airport for capitalized interest on revenue bonds then used proceeds of the Series 2022A Bonds, Series 2022B Bonds, and Series 2022C Bonds to retire $361.3 million in commercial paper notes. As of June 30, 2022, the Airport had $86.0 million in outstanding commercial paper notes.

Interest Rate Swaps: The Airport ended fiscal year 2022 with one interest rate swap outstanding with a total notional amount of $119.7 million and related deferred outflows on derivative instruments of $10.2 million recorded as a long-term obligation as of June 30, 2022. 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, 2022, 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 2022, the Airport's operating revenues, together with the permitted transfers from the Airport's Contingency Account, were sufficient to meet the rate covenant requirements under the Airport's 1991 Master Bond Resolution. See "Debt Service Reserve and Covenants; Contingency Account" in note 7.

Credit Ratings and Bond Insurance

Credit Ratings: During fiscal year 2022, Moody's Investors Service Inc. (Moody's), S&P Global Ratings (S&P), and Fitch Ratings Inc. (Fitch) affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1," "A," and "A+", respectively.

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

On January 13, 2022, Moody's affirmed the "A1" rating with a stable outlook and Fitch affirmed the "A+" rating with stable outlook for the outstanding fixed rate bonds and assigned these ratings to the Series 2022A/B/C Bonds, which were issued on February 8, 2022. S&P did not provide a rating for the Series 2022A/B/C Bonds.

Bond Insurance: There were no insured Airport bonds outstanding at the end of fiscal year 2022.

Fiscal Year 2023 Airline Rates and Charges

Terminal rental rates and airline landing fees for fiscal year 2023 have been developed as part of the annual budget process that started in October 2021. 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 2023, which became effective on July 1, 2022, are as follows:

Effective average terminal rental rate (per sq. ft)	$	187.47
Signatory Airline – landing fee rate (per 1,000 lbs.)		7.73
Non-Signatory Airline – landing fee rate (per 1,000 lbs.)		9.66
General aviation – landing fee rate (per 1,000 lbs.)		9.66

The effective average terminal rental rate decreased from $196.45 per sq. ft. in fiscal year 2022 to $187.47 per sq. ft. in fiscal year 2023. The fiscal year 2023 landing fee rate for Signatory Airlines decreased by 32.2%, from $11.40 per 1,000 pounds in fiscal year 2022 to $7.73 per 1,000 pounds in fiscal year 2023, while the Non-Signatory Airline landing fee rate decreased by 32.2%, from $14.25 per 1,000 pounds in fiscal year 2022 to $9.66 per 1,000 pounds in fiscal year 2023. The fiscal year 2023 landing fee rate for general aviation aircraft decreased by 32.2%, from $14.25 per 1,000 pounds in fiscal year 2022 to $9.66 per 1,000 pounds in fiscal year 2023.

Requests for Information

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

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

Statement of Net Position

June 30, 2022

(In thousands)

Assets		
Current assets:		
Cash and investments held in City Treasury	$	950,880
Cash and investments outside City Treasury		18,235
Cash – Revolving Fund		47
Accounts receivable (net of allowance for doubtful accounts of $2,949)		77,457
Lease and related interest receivable		47,891
Accrued interest – City Treasury		852
Accrued interest – outside City Treasury		1,228
Inventories		3,323
Other current assets		4,364
Restricted assets:		
Cash and investments held in City Treasury		477,480
Cash and investments outside City Treasury		88,443
Accounts receivable		1,850
Accrued interest – City Treasury		426
Accrued interest – Other		44
Grants receivable		14,728
Passenger facility charges receivable		8,394
Other current assets		530
Total current assets		1,696,172
Noncurrent assets:		
Lease receivable		241,871
Restricted assets:		
Cash and investments held in City Treasury		360,229
Cash and investments outside City Treasury		570,169
Accrued interest – City Treasury		310
Net pension asset		153,872
Capital assets, net		6,977,073
Total noncurrent assets		8,303,524
Total assets		9,999,696
Deferred outflows of resources:		
Unamortized loss on refunding of debt		36,158
Deferred outflows on derivative instruments		10,192
Deferred outflows related to OPEB		35,683
Deferred outflows related to pensions		82,086
Total deferred outflows of resources	$	164,119

(Continued)

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

Statement of Net Position

June 30, 2022

(In thousands)

Liabilities		
Current liabilities:		
Accounts payable	$	72,736
Accrued payroll		17,139
Compensated absences		11,886
Accrued workers' compensation		2,536
Estimated claims payable		220
Unearned aviation revenue		417,053
Current maturities of long-term debt		6,242
Payable from restricted assets:		
Accounts payable		65,116
Accrued payroll		485
Accrued bond interest payable		62,264
Commercial paper		85,975
Current maturities of long-term debt		1,248
Total current liabilities		742,900
Noncurrent liabilities:		
Compensated absences, net of current portion		12,298
Accrued workers' compensation, net of current portion		9,557
Estimated claims payable, net of current portion		1,938
Other liabilities		196
Long-term debt, net of current maturities		9,078,124
Net OPEB liability		251,367
Derivative instruments		10,192
Total noncurrent liabilities		9,363,672
Total liabilities		10,106,572
Deferred inflows of resources:		
Deferred inflows related to OPEB		50,638
Deferred inflows related to pensions		380,803
Deferred inflows related to leases		286,045
Total deferred inflows of resources		717,486
Net position:		
Net investment in capital assets		(1,327,327)
Restricted for debt service		61,899
Restricted for capital projects		492,914
Restricted for other purposes		1,978
Unrestricted		110,293
Total net position	$	(660,243)

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2022

(In thousands)

		Amount
Operating revenues:		
Aviation	$	468,840
Concession		113,261
Hotel		29,251
Parking and transportation		132,253
Net sales and services		77,648
Total operating revenues		821,253
Operating expenses:		
Personnel		216,842
Depreciation		356,649
Contractual services		81,424
Hotel		24,969
Light, heat and power		27,554
Services provided by other City departments		26,949
Repairs and maintenance		56,189
Materials and supplies		12,560
General and administrative		4,567
Environmental remediation		2,127
Total operating expenses		809,830
Operating income		11,423
Nonoperating revenues (expenses):		
Investment income		(64,113)
Interest expense		(321,132)
Passenger facility charges		72,804
Write-offs and loss on disposal		(11,672)
Other nonoperating revenues		176,955
Other nonoperating expenses		(32,797)
Total nonoperating expenses, net		(179,955)
Loss before contributions and transer		(168,532)
Capital contributions:		
Grants		17,014
Other		23,984
Transfers to City and County of San Francisco		(37,906)
Changes in net position (deficit)		(165,440)
Total net position (deficit) – beginning of year		(494,803)
Total net position (deficit) – end of year	$	(660,243)

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2022

(In thousands)

		Amount
Cash flows from operating activities:		
Cash received from airline carriers, concessionaires, and others	$	1,067,453
Cash paid for employees' services		(328,780)
Cash paid to suppliers of goods and services		(260,774)
Net cash provided by operating activities		477,899
Cash flows from noncapital financing activities:		
Transfers to City and County of San Francisco		(37,906)
Other noncapital financing revenues		169,498
Other noncapital financing expenses		(32,797)
Net cash provided by noncapital financing activities		98,795
Cash flows from capital and related financing activities:		
Principal paid on revenue bonds and commercial paper notes		(36,445)
Interest paid on revenue bonds and commercial paper notes		(372,005)
Acquisition and construction of capital assets		(302,295)
Revenues from passenger facility charges		72,038
Proceeds from sale of revenue bonds		1,090
Proceeds from commercial paper notes		167,960
Lease payable		409
Capital contributed by federal agencies and others		91,633
Net cash used in capital and related financing activities		(377,615)
Cash flows from investing activities:		
Sales of investments with Trustee		435,215
Purchases of investments with Trustee		(414,043)
Interest received on investments		22,159
Net cash provided by investing activities		43,331
Net increase in cash and cash equivalents		242,410
Cash and cash equivalents, beginning of year		1,620,655
Cash and cash equivalents, end of year	$	1,863,065
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash and investments held in City Treasury – unrestricted	$	950,880
Cash and nvestments held in City Treasury – restricted		837,709
Cash and investments outside City Treasury – unrestricted		18,235
Cash and investments outside City Treasury – restricted		3,612
Cash - Revolving Fund		47
Cash, cash equivalents, and investments		1,810,483
Unrealized gain on investments		52,582
Cash and cash equivalents, June 30	$	1,863,065

See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended June 30, 2022

(In thousands)

		Amount
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$	11,423
Adjustments for noncash and other activities:		
Depreciation		356,649
Allowance for doubtful accounts		(19,765)
Cost of issuance paid from bond proceeds		1,228
Hotel expense		55
Changes in assets and liabilities:		
Accounts receivable		(17,891)
Leases		(3,717)
Inventories		1,138
Other current assets		(370)
OPEB		3,662
Pension		(115,462)
Accounts payable and other liabilities		4,224
Accrued payroll		391
Compensated absences		(2,295)
Accrued workers' compensation		1,765
Unearned aviation revenue		256,864
Net cash provided by operating activities	$	477,899
Noncash transactions:		
Accrued capital asset costs	$	57,316
Bond refunding through fiscal agent		371,352
SFO Fuel capital asset contribution		23,984

See accompanying notes to financial statements.

(1) Definition of Reporting Entity

The accompanying financial statements reflect the net position and changes in net position of the Airport Commission, 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 Statement 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

(Continued)

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. 87

In 2022, the Airport adopted GASB Statement No. 87, Leases (GASB 87). GASB 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessor is required to recognize, for each lease, a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the term of the lease. The deferred inflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relates to future periods. Interest revenue is recognized on the lease receivable and inflow of resources (revenue) is recognized from the deferred inflows of resources in a systematic and rational manner over the term of the lease. Lessors do not derecognize the asset underlying the lease. For the transition, leases should be converted ("recognized and measured") using the facts and circumstances that exist at the beginning of the period of implementation, or the beginning of the earliest period restated. The implementation of GASB 87 resulted in an opening balance sheet adjustment, as of July 1, 2020, to recognize $94.2 million in lease receivables and deferred inflow of resources.

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 adopted the provisions of this Statement, which resulted in higher interest expenses.

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 adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

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 adopted the provisions of this Statement, which did not have a significant impact on its financial statements.

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. 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. 99

In April 2022, the GASB issued Statement No. 99 – *Omnibus 2022*. GASB Statement No. 99 addresses practice issues that have been identified during implementation and application of certain GASB Statements. The new standard is effective in stages starting with periods beginning after June 15, 2022. The Airport will implement the provisions of Statement No. 99 in stages beginning in fiscal year 2023.

Governmental Accounting Standards Board (GASB) Statement No. 100

In June 2022, the GASB issued Statement No. 100 – *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. GASB Statement No. 100 improves the clarity of the accounting and financial reporting requirements for accounting changes and error corrections. The new standard is effect for periods beginning after June 15, 2023. The Airport will implement the provisions of Statement No. 100 in fiscal year 2024.

Governmental Accounting Standards Board (GASB) Statement No. 101

In June 2022, the GASB issued Statement No. 101 – *Compensated Absences*. GASB Statement No. 101 updates the recognition and measurement guidance for compensated absences. The new standard is effective for periods beginning after December 15, 2023. The Airport will implement the provisions of Statement No. 101 in fiscal year 2025.

(Continued)

(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) 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.

(f) 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.

(g) Compensated Absences

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

(h) 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).

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

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

(i) 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 and airlines reached agreement on a new, ten-year 2011 Lease and Use Agreement that became effective on July 1, 2011, that was originally set to expire on June 30, 2021, and that was mutually extended to June 30, 2023. Airlines that are not signatories to this agreement operate under month-to-month permits. As of June 30, 2022, 34 passenger airlines representing over 97% of enplaned passengers in fiscal year 2022 and 6 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, 2022 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 $417.1 million as of June 30, 2022.

(j) 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.

(k) Hotel Revenues

Hotel revenues consist of rooms, food and beverage, garage, meeting and special event, and parking services.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

(p) 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.

(q) 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, 2022 (in thousands):

		Amount
Pooled cash and investments:		
Cash and investments held in City Treasury – unrestricted	$	950,880
Cash and investments held in City Treasury – restricted current		477,480
Cash and investments held in City Treasury – restricted noncurrent		360,229
Total cash and investments held in City Treasury	$	1,788,589

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

Investment maturities (in months)			
Under 1	**1 – less than 6**	**6 – less than 12**	**12 – 60**
20.2%	14.0%	14.9%	50.9%

(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.

(Continued)

As of June 30, 2022, the Senior Trustee held investments for the benefit of the Airport with maturities as follows (in thousands):

Investments	Credit ratings June 30, 2022 (S&P/Moody's / Fitch)	June 30, 2022 Maturities	June 30, 2022 Fair value
Federal Home Loan Bank Notes	AA+/Aaa/NR	June 9, 2023	$ 2,777
Federal Home Loan Bank Notes	AA+/Aaa/NR	December 8, 2023	8,473
Federal Home Loan Bank Notes	AA+/Aaa/NR	September 4, 2025	1,227
Federal National Mortgage Association Notes	AA+/Aaa/AAA	May 22, 2023	10,589
Federal National Mortgage Association Notes	AA+/Aaa/AAA	July 10, 2023	9,945
Federal National Mortgage Association Notes	AA+/Aaa/AAA	January 7, 2025	18,037
Federal National Mortgage Association Notes	AA+/Aaa/AAA	June 17, 2025	11,133
Federal National Mortgage Association Notes	AA+/Aaa/AAA	August 25, 2025	7,888
Federal National Mortgage Association Notes	AA+/Aaa/AAA	November 7, 2025	9,811
US Treasury Notes	AA+/Aaa/AAA	September 30, 2022	325
US Treasury Notes	AA+/Aaa/AAA	October 31, 2022	66,883
US Treasury Notes	AA+/Aaa/AAA	November 30, 2022	324
US Treasury Notes	AA+/Aaa/AAA	December 31, 2022	324
US Treasury Notes	AA+/Aaa/AAA	January 31, 2023	325
US Treasury Notes	AA+/Aaa/AAA	February 28, 2023	325
US Treasury Notes	AA+/Aaa/AAA	March 31, 2023	319
US Treasury Notes	AA+/Aaa/AAA	April 30, 2023	320
US Treasury Notes	AA+/Aaa/AAA	May 31, 2023	316
US Treasury Notes	AA+/Aaa/AAA	June 30, 2023	972
US Treasury Notes	AA+/Aaa/AAA	July 31, 2023	275
US Treasury Notes	AA+/Aaa/AAA	August 15, 2023	20,035
US Treasury Notes	AA+/Aaa/AAA	August 31, 2023	274
US Treasury Notes	AA+/Aaa/AAA	September 30, 2023	275
US Treasury Notes	AA+/Aaa/AAA	October 31, 2023	20,155
US Treasury Notes	AA+/Aaa/AAA	November 15, 2023	19,497
US Treasury Notes	AA+/Aaa/AAA	November 30, 2023	275
US Treasury Notes	AA+/Aaa/AAA	December 31, 2023	21,635
US Treasury Notes	AA+/Aaa/AAA	January 31, 2024	273
US Treasury Notes	AA+/Aaa/AAA	February 29, 2024	271
US Treasury Notes	AA+/Aaa/AAA	March 15, 2024	17,143
US Treasury Notes	AA+/Aaa/AAA	March 31, 2024	272
US Treasury Notes	AA+/Aaa/AAA	April 30, 2024	13,892

Investments	Credit ratings June 30, 2022 (S&P/Moody's / Fitch)	June 30, 2022 Maturities	Fair value
US Treasury Notes	AA+/Aaa/AAA	June 30, 2024	8,108
US Treasury Notes	AA+/Aaa/AAA	July 31, 2024	13,026
US Treasury Notes	AA+/Aaa/AAA	August 31, 2024	16,942
US Treasury Notes	AA+/Aaa/AAA	October 31, 2024	17,724
US Treasury Notes	AA+/Aaa/AAA	November 15, 2024	17,366
US Treasury Notes	AA+/Aaa/AAA	February 28, 2025	13,843
US Treasury Notes	AA+/Aaa/AAA	April 30, 2025	31,918
US Treasury Notes	AA+/Aaa/AAA	June 30, 2025	9,678
US Treasury Notes	AA+/Aaa/AAA	July 31, 2025	17,740
US Treasury Notes	AA+/Aaa/AAA	November 30, 2025	8,321
US Treasury Notes	AA+/Aaa/AAA	January 31, 2026	32,774
US Treasury Notes	AA+/Aaa/AAA	March 31, 2026	13,335
US Treasury Notes	AA+/Aaa/AAA	April 30, 2026	22,305
US Treasury Notes	AA+/Aaa/AAA	September 30, 2026	13,719
US Treasury Notes	AA+/Aaa/AAA	November 30, 2026	11,961
US Treasury Notes	AA+/Aaa/AAA	January 31, 2027	12,997
US Treasury Notes	AA+/Aaa/AAA	May 15, 2027	16,773
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AAA	May 5, 2023	11,382
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AAA	June 26, 2023	10,517
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AAA	August 24, 2023	10,697
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AAA	September 8, 2023	11,416
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AAA	November 6, 2023	1,366
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AAA	December 4, 2023	9,553
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AAA	July 21, 2025	10,250
Federal Home Loan Mortgage Corp Notes	AA+/Aaa/AAA	September 23, 2025	7,968
Federal Farm Credit Banks Funding Corp	AA+/Aaa/AAA	April 8, 2024	7,845
International Bank for Reconstruction & Development	AAA/Aaa/AAA	April 19, 2023	793
International Bank for Reconstruction & Development	AAA/Aaa/AAA	March 19, 2024	446
International Bank for Reconstruction & Development	AAA/Aaa/AAA	January 15, 2025	918
Inter-American Development Bank	AAA/Aaa/AAA	May 24, 2023	411
Inter-American Development Bank	AAA/Aaa/AAA	September 23, 2024	1,045

Investments	Credit ratings June 30, 2022 (S&P/Moody's / Fitch)	June 30, 2022 Maturities	June 30, 2022 Fair value
State of Oregon Department of Tranportation	AAA/Aa1/AA+	November 15, 2023	221
State of Wisconsin	AA+/Aa1/NR	May 1, 2024	156
State of Wisconsin	NR/Aa2/AA	May 1, 2024	229
State of Maryland	AAA/Aaa/AAA	August 1, 2023	273
State of Minnesota	AAA/Aa1/AAA	August 1, 2025	189
State of Mississippi	AA/Aa2/AA	November 1, 2023	126
City of San Jose	AA+/Aa1/AAA	September 1, 2023	487
University of California	AA/Aa2/AA	May 15, 2023	426
Long Beach Community College	AA/Aa2/NR	August 1, 2023	221
Ventura County Community College	AA+/Aa1/NR	August 1, 2023	529
Los Angeles Community College	AA+/Aaa/NR	August 1, 2025	203
Los Angeles Unified School District	NR/Aa3/AA+	July 1, 2025	453
Fannie Mae-Aces	AA+/Aaa/AAA	December 1, 2022	91
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	August 1, 2022	428
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	October 1, 2022	465
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	November 1, 2022	489
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	January 1, 2023	574
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	February 1, 2023	23
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	April 1, 2023	41
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	July 1, 2023	4
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	August 1, 2023	559
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	November 1, 2023	259
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	July 1, 2024	11
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	December 1, 2024	336
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	January 1, 2025	74
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	May 1, 2025	534

Investments	Credit ratings June 30, 2022 (S&P/Moody's / Fitch)	June 30, 2022 Maturities	June 30, 2022 Fair value
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	June 1, 2025	69
Freddie Mac Multifamily Structured Pass	AA+/Aaa/AAA	December 1, 2025	7
Freddie Mac Multifamily Structured Pass	AAA/Aaa/AAA	July 1, 2022	87
Freddie Mac Multifamily Structured Pass	AAA/Aaa/AAA	March 1, 2023	413
New York State Urban Development Corp	AA+/NR/AA+	March 15, 2025	517
State Board of Administration Finance	AA/Aa3/AA	July 1, 2025	126
Goldman Sachs Financial Square Obligations Fund	AAAm/Aaa-mf/NR	-	18,868
First American Government Obligation Fund	AAAm/Aaa-mf/AAAmmf	-	6,572
Cash and Cash Equivalent			15,065
Total			$ 676,847

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, 2022 (in thousands):

			Fair value measurement using		
	Fair value June 30, 2022	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:					
State and local agencies	$ 4,155	—	—	4,155	—
Supranationals	3,614	—	—	3,614	—
U.S. agencies	165,337	—	—	165,337	—
U.S. treasury securities	463,236	—	463,236	—	—
Cash and cash equivalents	15,065	15,065	—	—	—
Investments exempt from fair value*	25,440	25,440	—	—	—
Total	$ 676,847	40,505	463,236	173,106	—

* 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 in the overall portfolio. 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 all moneys invested in any principal and interest payment accounts are to mature no later than the dates on which the principal or interest payments are due.

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

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

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

The Airport had approximately $676.8 million in investments held by, and in the name of, the Senior Trustee and the Subordinate Trustee, collectively, as of June 30, 2022.

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 $14.7 million as of June 30, 2022, were based on actual costs incurred, subject to federal reimbursement limits.

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. In June 2021, the Airport executed a grant agreement with the FAA for approximately $5.9 million of federal CRRSAA grant funds to provide relief from rent and minimum annual guarantee (MAG) obligations to eligible concessions. Each airport receiving these CRRSAA funds must provide its eligible concessions with rent/MAG 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. The FAA requires airports receiving funding through CRRSAA to prepare an allocation plan indicating the amount of rent/MAG relief to eligible concessions at the airport and submit it to the FAA for approval before the airport can receive these CRRSAA funds. 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. Included in the Airport's grants receivable as of June 30, 2022, is $5.9 million of CRRSAA funds.

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 the Commission received $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.

(5) Capital Assets

Capital assets consist of the following (in thousands):

		July 1, 2021	Additions	Deletions	June 30, 2022
Capital assets not being depreciated:					
Land	$	29,813	—	—	29,813
Intangible assets		6,881	—	—	6,881
Construction in progress		1,101,020	278,775	(607,884)	771,911
Total capital assets not being depreciated		1,137,714	278,775	(607,884)	808,605
Capital assets being depreciated/amortized:					
Buildings, structures, and improvements		8,650,961	623,265	(49,188)	9,225,038
Equipment		964,345	6,191	(31,300)	939,236
Right to use asset		671	—	—	671
Intangible assets		50,504	319	(13,213)	37,610
Total capital assets being depreciated/amortized		9,666,481	629,775	(93,701)	10,202,555
Less accumulated depreciation/amortization:					
Buildings, structures, and improvements		(3,359,201)	(264,336)	35,620	(3,587,917)
Equipment		(330,819)	(89,354)	6,374	(413,799)
Right to use asset		(139)	(139)	—	(278)
Intangible assets		(42,626)	(2,681)	13,214	(32,093)
Total accumulated depreciation/amortization		(3,732,785)	(356,510)	55,208	(4,034,087)
Total capital assets being depreciated/amortized, net		5,933,696	273,265	(38,493)	6,168,468
Total capital assets, net	$	7,071,410	552,040	(646,377)	6,977,073

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 year ended June 30, 2022, were $14.0 million.

(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.

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.

As of June 30, 2022, the CP program was supported by six direct-pay letters of credit with a combined maximum stated principal amount of $600.0 million, from State Street Bank and Trust Company ($100.0 million, expires May 2, 2024), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires April 7, 2027), Barclays Bank PLC ($100.0 million, expires May 24, 2024), U.S. Bank National Association ($100.0 million, expires November 15, 2023), Barclays Bank PLC ($125.0 million, expires April 28, 2023), and Bank of America, N.A. ($75.0 million, expires May 26, 2023). Each of the letters of credit supports a separate subseries of CP notes.

As of June 30, 2022, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2022, the Airport issued new money CP notes in the aggregate principal amount of $131.7 million (AMT), $27.3 million (Non-AMT), and $8.9 million (Taxable) to fund capital improvement projects and costs of issuance related to the debt program and to prepay certain monthly bond interest payments.

The following table summarizes CP activity (excluding refunding CP) during the fiscal year ended June 30, 2022 (in thousands):

	Interest rate		July 1, 2021	Increases	Decreases	June 30, 2022
Commercial paper (Taxable)	0.15%-1.80%	$	29,000	8,935	(35,235)	2,700
Commercial paper (AMT)	0.10%-1.33%		80,725	131,725	(147,225)	65,225
Commercial paper (Non-AMT)	0.08%-1.25%		169,615	27,300	(178,865)	18,050
Total		$	279,340	167,960	(361,325)	85,975

(7) Long-Term Obligations

Long-term obligation activity for the year ended June 30, 2022, was as follows (in thousands):

		July 1, 2021	Additions	Reductions	June 30, 2022	Due within one year
Revenue bonds payable	$	7,877,070	732,820	(510,615)	8,099,275	7,490
Less unamortized discounts		—	—	—	—	—
Add unamortized premiums		967,887	104,585	(86,133)	986,339	—
Total revenue bonds payable		8,844,957	837,405	(596,748)	9,085,614	7,490
Compensated absences		26,478	14,514	(16,808)	24,184	11,886
Accrued workers' compensation		10,328	5,924	(4,159)	12,093	2,536
Estimated claims payable		58	2,119	(19)	2,158	220
Other liabilities and leases payable		658	—	(189)	469	273
Net OPEB liability (see note 10b)		258,525	—	(7,158)	251,367	—
Net pension liability (asset) (see note 10a)		340,330	—	(494,202)	(153,872)	—
Derivative instruments		21,374	—	(11,182)	10,192	—
Total	$	9,502,708	859,962	(1,130,465)	9,232,205	22,405

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, 2022, long-term revenue bonds consisted of the following (in thousands):

Description	Date of issue	Interest rate		2022
Second Series Revenue Bonds:				
Issue 2009D	11/04/09	3.00%–3.50%	$	51,615
Issue 2010A	02/10/10	Variable rate		119,745
Issue 2013A	07/31/13	5.00%-5.50%		295,650
Issue 2013B	07/31/13	5.00%		87,860
Issue 2014A	09/24/14	5.00%		376,310
Issue 2014B	09/24/14	5.00%		97,290
Issue 2016A	02/25/16	4.00%-5.00%		139,020
Issue 2016B	09/29/16	5.00%		574,970
Issue 2016C	09/29/16	5.00%		165,155
Issue 2016D	09/29/16	5.00%		100,280
Issue 2017A	10/31/17	5.00%		339,580
Issue 2017B	10/31/17	5.00%		231,985
Issue 2017D	10/31/17	5.00%		72,015
Issue 2018D	05/30/18	5.00%-5.25%		722,800
Issue 2018E	05/30/18	5.00%		116,275
Issue 2018F	05/30/18	3.80%		7,025
Issue 2018G	05/30/18	5.00%		35,660
Issue 2018B	06/06/18	Variable rate		138,170
Issue 2018C	06/06/18	Variable rate		138,170
Issue 2019A	02/07/19	4.00%-5.00%		1,176,215
Issue 2019B	02/07/19	5.00%		91,280
Issue 2019C	02/07/19	3.51%		8,010
Issue 2019D	02/07/19	5.00%		402,115
Issue 2019E	09/10/19	4.00%-5.00%		773,475
Issue 2019F	09/10/19	5.00%		106,925
Issue 2019G	09/10/19	1.98%-2.39%		12,285
Issue 2019H	09/10/19	5.00%		148,195
Issue 2020A	08/20/20	4.00%-5.00%		109,520
Issue 2020B	08/20/20	4.00%		51,575
Issue 2020C	08/20/20	2.96%		130,180
Issue 2021A	04/21/21	5.00%		195,225
Issue 2021B	04/21/21	5.00%		129,070
Issue 2021C	04/21/21	3.35%		222,810
Issue 2022A	02/08/22	4.00%-5.00%		301,530
Issue 2022B	02/08/22	4.00%-5.00%		236,475
Issue 2022C	02/08/22	2.58%-3.33%		194,815
				8,099,275
Unamortized premium				986,339
Total revenue bonds payable				9,085,614
Less current portion				(7,490)
Total long-term revenue bonds payable			$	9,078,124

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.

As of June 30, 2022, three of four swaps have been terminated and only one remains.

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 terminated or 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 (or a substituted 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.

(Continued)

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, 2022, 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 on the outstanding bonds secured by the Issue 1 Reserve Account accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account.

2017 Reserve Account – The Airport 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, 2022, only the Series 2017D, 2019B, and 2019D Bonds are secured by the 2017 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any fiscal year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% 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, 2022, 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, CRRSAA, and ARPA 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).

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

Pursuant to resolutions adopted between fiscal years 2008 and 2022, as of June 30, 2022, the Airport Commission has authorized the issuance of up to $10.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes issued for capital projects, funding debt service reserves, funding capitalized interest, and for paying costs of issuance. As of June 30, 2022, $4.2 billion of the authorized capital plan bonds remained unissued.

(b) Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2021, as of June 30, 2022, 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, 2022, $1.4 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2022, the Airport issued the following bonds for refunding and other purposes under the 1991 Master Bond Resolution:

On February 8, 2022, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2022A (AMT), Second Series Revenue Bonds, Series 2022B (Non-AMT/Governmental Purpose), and Second Series Revenue Bonds, Series 2022C (Federally Taxable), in aggregate principal amount of $732.8 million to refund a combined $474.2 million of its Series 2012A Bonds, Series 2012B Bonds, Series 2013A Bonds, Series 2016A Bonds, Series 2016D Bonds, Series 2017D Bonds, Series 2018A, Series 2019C, Series 2019D, Series 2019G and Series 2019H Bonds, to repay outstanding Commercial Paper Notes, to finance capitalized interest, and to pay costs of issuance.

The proceeds of the Series 2022A, Series 2022B, and Series 2022C (consisting of $732.8 million par amount and original issue premium of $104.6 million, less an underwriters' discount of $1.2 million), together with $26.5 million accumulated in the debt service fund and reserve fund relating to the refunded bonds were used to deposit $491.4 million into redemption accounts and escrow funds with the Senior Trustee to refund $474.2 million in revenue bonds as described below (in thousands), $361.3 million to repay outstanding commercial paper notes, $8.8 million to fund capitalized interest, and $1.1 million to pay costs of issuance.

		Amount refunded	Interest rate
Second Series Revenue Bonds Issue:			
Series 2012A (AMT)	$	208,020	5.00%
Series 2012B (Non-AMT/Governmental Purpose)		107,465	4.00-5.00%
Series 2013A (AMT)		8,290	5.00%
Series 2016A (Non-AMT/Governmental Purpose)		32,680	4.00-5.00%
Series 2016D (Non-AMT/Governmental Purpose)		19,380	5.00%
Series 2017D (AMT)		24,175	5.00%
Series 2018A (AMT)		28,055	5.00%
Series 2019C (Taxable)		13,445	3.15%
Series 2019D (Non-AMT/Private Activity)		5,205	5.00%
Series 2019G (Taxable)		7,935	1.87%
Series 2019H (Non-AMT/Governmental Purpose)		19,520	5.00%
Total	$	474,170	

The refunded Bonds were redeemed on February 8, 2022.

In aggregate, the Series 2022A/B/C refundings resulted in the recognition of a deferred accounting gain of $3.8 million for the fiscal year ended June 30, 2022. Notably, the Series 2022A/B/C refundings decreased the Airport's aggregate gross debt service payments by approximately $26.1 million over the life of the bonds and obtained an economic gain (the difference between the present values of the debt service on the old debt and the new debt) of $40.5 million.

(c) Variable Rate Demand Bonds

As of June 30, 2022, the Airport Commission had an outstanding aggregate principal amount of $396.1 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, 2022, 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, 2022, are as follows (in thousands):

	Series 2010A	Series 2018B	Series 2018C
Principal amount	$ 119,745	138,170	138,170
Expiration date	April 14, 2023	June 3, 2026	April 5, 2027
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, 2022, the Airport Commission had $260 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, 2022, the outstanding balance was $105.3 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, 2022, 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, 2022. The following table is in thousands:

No.	Current bonds		Initial notional amount	Notional amount June 30, 2022	Effective date
1	2010A*	$	143,947	119,730	2/1/2010
	Total	$	143,947	119,730	

* 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, 2022, 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%	$ (10,192)
		Total			$ (10,192)

* 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, 2022	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	$ (10,192)	(10,192)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2022 is as follows (in thousands):

	Deferred outflows on derivative instruments	Derivative instruments
Balance as of June 30, 2021	$ 21,374	21,374
Change in fair value to year-end	(11,182)	(11,182)
Balance as of June 30, 2022	$ 10,192	10,192

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, 2022.

Basis Risk – During the fiscal year ended June 30, 2022, the Airport paid a total of $0.3 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, 2022, 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, 2022, 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, 2022, 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, 2022, the reserve requirement for the Issue 1 Reserve Account was $535.0 million, which was satisfied by $536.3 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, 2022, the reserve requirement for the 2017 Reserve Account was $41.6 million, which was satisfied by $56.6 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, 2022, are as follows (in thousands):

		Principal	Interest	Total
Fiscal year:				
2023	$	7,490	383,901	391,391
2024		116,655	383,626	500,281
2025		163,605	378,042	541,647
2026		203,400	370,261	573,661
2027		209,310	360,598	569,908
2028–2032		793,865	1,672,746	2,466,611
2033–2037		917,225	1,482,537	2,399,762
2038–2042		1,551,000	1,208,301	2,759,301
2043–2047		1,998,100	781,696	2,779,796
2048–2052		2,046,215	259,601	2,305,816
2053–2057		75,530	10,287	85,817
2058–2059		16,880	549	17,429
Total	$	8,099,275	7,292,145	15,391,420

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:				
2023	$	119,745	383,676	503,421
2024		106,620	379,220	485,840
2025		153,085	374,029	527,114
2026		330,560	367,080	697,640
2027		329,450	352,614	682,064
2028–2032		721,205	1,623,418	2,344,623
2033–2037		895,715	1,440,487	2,336,202
2038–2042		1,513,040	1,170,737	2,683,777
2043–2047		1,946,230	751,323	2,697,553
2048–2052		1,983,625	238,320	2,221,945
Total	$	8,099,275	7,080,904	15,180,179

(Continued)

(h) Cash Defeasance of Bonds

On June 28, 2022, the Airport legally defeased $30.6 million of its Series 2019H Bonds, using moneys previously deposited by the Commission in the Debt Service Fund.

(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, 2022, 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 therefore, 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 2022, the calculation of Net Revenues excluded $175.1 million of revenue from the federal Coronavirus Aid, Relief and Economic Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan Act (ARPA) grant reimbursements received by the Airport, which are not includable as revenue, and excluded $175.1 million of operating expenses that were reimbursed using the CARES, CRRSAA, and ARPA grant funds.

		2022
Bonds issued with revenue pledge	$	732,820
Bond principal and interest remaining due at the end of the fiscal year		15,391,420
Commercial paper issued with subordinate revenue pledge		167,960
Commercial paper principal and interest remaining due at the end of the fiscal year		86,047
Net revenues		429,280
Bond principal and interest paid in the fiscal year		336,597
Commercial paper principal, interest and fees paid in the fiscal year		4,383

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 $105.3 million as of June 30, 2022. 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) Leases

Airport as Lessor

As a lessor, the Airport leases terminal space (except for regulated leases), non-terminal buildings, and land to tenants under various operating leases, a majority of which are non-cancellable and terminate at various dates as late as 2053. In total, the Airport recognized lease revenue of $44.3 million and interest revenue of $4.0 million for the year end June 30, 2022, related to these leases.

Certain provisions of the Airport’s leases provide for variable rental payments that are not included in the measurement of the lease receivable. Certain rental agreements with concessionaires specify that rental payments are to be based on a percentage of tenant sales, but no less than a fixed minimum amount. Concession percentage rents in excess of minimum guarantees (to the extent applicable) for the leases subject to GASB 87 were approximately $2.6 million for the year-ended June 30, 2022.

Additionally, several leases include terms that allow for an adjustment of the rents to market at determined intervals and at least upon renewal. As a result, variable rent revenue is recognized for the rent increases due to CPI adjustments. During fiscal year 2022, the Airport recognized $0.9 million in total variable lease revenue.

Information about lease revenues and interest revenues recognized during the year ended June 30, 2022, is presented below (in thousands):

		Principal	Interest	Total
Buildings	$	41,115	4,012	45,127
Land		3,176	24	3,200
Total Revenue	$	44,291	4,036	48,327

Below is a schedule of future principal and interest payments that are included in the measurement of the lease receivable, for each of the five subsequent fiscal years and in five-year increments thereafter as of June 30, 2022 (in thousands):

Fiscal Year(s)	Fiscal Year Ending		Principal	Interest	Total
2023	6/30/2023	$	47,213	4,150	51,363
2024	6/30/2024		36,474	3,665	40,139
2025	6/30/2025		33,272	3,214	36,486
2026	6/30/2026		30,132	2,777	32,909
2027	6/30/2027		28,371	2,353	30,724
2028 - 2032	6/30/2032		72,453	6,739	79,192
2033 - 2037	6/30/2037		8,023	4,477	12,500
2038 - 2042	6/30/2042		9,045	3,455	12,500
2043 - 2047	6/30/2047		10,197	2,303	12,500
2048 - 2052	6/30/2052		11,496	1,004	12,500
2053 - 2057	6/30/2057		2,408	29	2,437
		$	289,084	34,166	323,250

Regulated Leases

Certain regulated leases are subject to external laws, regulations or legal rulings and are exempted from the GASB 87 recognition, subject to the conditions that (a) lease rates cannot exceed a reasonable amount, (b) lease rates should be similar for similar situated lessees, and (c) the lessor cannot deny potential lessees if facilities are available.

Such regulated leases at the Airport include (a) the Lease and Use Agreements with certain airlines regarding the use of terminal building and equipment on an exclusive or preferential use basis, among other uses, which are scheduled to expire on June 30, 2023, and (b) non-terminal aeronautical buildings and land leases. Based on the airlines' operation needs, an airline may lease terminal space such as office space, ticket counter space, baggage makeup space, baggage claim space, and other operation spaces on a combination of exclusive, preferential, and common use basis. The Commission provides holdrooms on a preferential or common use basis to the airlines and adjusts the preferential assignment from time to time pursuant to the Lease and Use Agreements. For the fiscal year ending June 30, 2022, United Airlines accounted for 47.2 percent of total enplaned passengers at the Airport, followed by Alaska Airlines (12.5%), Delta Air Lines (9.3%) and American Airlines (8.1%), with no other airlines account for more than 5 percent of enplaned passengers. Non-terminal building and lands are leased on an exclusive basis.

The payments under the Lease and Use Agreements are recalculated at the end of each fiscal year and therefore are variable payments. Total inflow of resources for regulated leases during fiscal year ending June 30, 2022, was $154.3 million, including approximately $44.7 million of fixed payments and $109.6 million of variable payments.

(Continued)

Below is a summary of the total number of regulated leases for fiscal year 2022, including which assets are subject to preferential or exclusive use by counterparties:

	# of Leases
AULA (a)	
Preferential and exclusive rental	7
Exclusive rental only	28
Non-space rental, only common use	3
Subtotal - AULA	38
Other Regulated (b)	8
Total	46

Notes:
(a) Airline-airport use and lease agreements
(b) Includes cargo, fuel, fixed-base facility leases, hangar leases, and ground leases

Lease revenues and interest revenues recognized during the year ended June 30, 2022 for regulated leases is presented below (in thousands):

Expected Minimum Payments (a)	$	44,125
Additional Fixed Payments (b)		615
Total Fixed Payments		44,740
Additional Exclusive Use Payments (c)		129,660
Additional Preferential Use Payments (d)		56,523
Year-end True-ups		(76,577)
Total Regulated Lease Payments	$	154,346

Notes:
(a) Doesn't include airline use and lease agreements, which are recalculated annually and considered variable payments

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

(c) Includes AULA exclusive use rental revenues, other regulated leases that were charged by airport's rates and charges rate, and percentage fee revenues above MAG

(d) Includes AULA preferential use rental revenues

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

		Expected Minimum Payments (a)
FY 2023	$	45,277
FY 2024		19,286
FY 2025		18,092
FY 2026		5,462
FY 2027		1,644
FY 2028-2032		8,221
FY 2033-2037		8,221
FY 2038-2042		8,221
FY 2043-2047		7,810
Total	$	122,234

Note:
(a) Doesn't include airline use and lease agreements, which are recalculated annually and considered variable payments

Airport as Lessee

As a lessee, the Airport has entered into one lease agreement for the land and building located at 837 Malcolm Rd, Burlingame, CA. The total lease asset and related accumulated amortization at June 30, 2022 was as follows (in thousands):

Lease Asset	$	671
Accumulated Amortization		(278)
	$	393

The future principal and interest payments as of June 30, 2022, are as follows (in thousands):

Fiscal Year	Fiscal Year Ending		Principal	Interest	Total
2023	6/30/2023	$	139	3	142
2024	6/30/2024		145	2	147
2025	6/30/2025		125	1	126
		$	409	6	415

(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/(asset), 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 2022
Valuation Date (VD)	June 30, 2020 updated to June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

SFERS Plan

The City is an employer of the plan with a proportionate share of 94.64% as of June 30, 2021 (measurement date), 0.25% 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 2020-21. 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 6.50% 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 2020-21. The Airport's total pension liability, deferred outflows/inflows of resources related to pensions, amortization of deferred outflows/inflows and pension expense is based on the Airport's allocated percentage. The Airport's allocation of the City's proportionate share was 2.31% 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.

SFERS 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 Plan

Contributions are made by both the City and other participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates varied from 7.5% to 13.0% as a percentage of gross covered salary. 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, 2020 actuarial report, the required employer contribution rate for fiscal year 2021 range from 19.91% to 24.41%.

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, 2021 (measurement year) was $791.7 million. The Airport’s allocation of employer contributions for fiscal year 2020-21 was $52.6 million.

Replacement Benefits Plan

The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $4.1 million replacement benefits in the year ended June 30, 2022.

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

As of June 30, 2022, the City reported net pension assets (NPA) for its proportionate share of the net pension asset of the SFERS Plan and net pension liability of RBP of $2.23 billion. The City's net pension asset for the SFERS Plan is measured as the proportionate share of the net pension asset. The net pension asset of the SFERS Plan is measured as of June 30, 2021 (measurement date), and the total pension (asset)/liability for the SFERS Plan and RBP used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension (asset)/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 (asset)/liability for the SFERS Plan and RBP as of June 30, 2022 (reporting year) was $(153.9) million. The Airport's allocation of the total pension liability for the RBP as of June 30, 2022 was $5.1 million.

For the year ended June 30, 2022, the City's recognized pension (benefit) was $923.0 million including amortization of deferred outflows/inflows related pension items. The Airport's allocation of pension (benefit) including amortization of deferred outflows/inflows related pension items was $(68.1) million. Pension (benefit) increased from the prior year, largely due to the amortization of deferrals. At June 30, 2022, 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	$ 10,754	27,906	948	—
Net difference between projected and actual earnings on pension plan investments	—	345,309	—	—
Change in proportionate share	7,626	5,112	69	1,955
Difference between expected and actual experience	14,597	521	691	—
Pension contributions subsequent to the measurement date	47,401	—	—	—
Total	$ 80,378	378,848	1,708	1,955

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:		
2023	$ (88,262)	130
2024	(81,150)	32
2025	(81,774)	(123)
2026	(94,685)	(286)
Total	$ (345,871)	(247)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the Total Pension Liability for both SFERS Plan and RBP as of June 30, 2021 (measurement year) is provided below, including any assumptions that differ from those used in the July 1, 2020 actuarial valuation. Refer to the July 1, 2020 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, 2020 updated to June 30, 2021
Measurement date	June 30, 2021
Actuarial cost method	Entry-Age Normal Cost Method
Expected rate of return	7.40% net of pension plan investment, including inflation
Municipal bond yield	2.21% as of June 30, 2020 2.16% as of June 30, 2021 Bond Buyer 20-Bond GO Index, June 25, 2020 and June 24, 2021
Inflation	2.50 %
Projected salary increases	3.25% plus merit component based on employee classification and years of service
Discount rate	7.40% as of June 30, 2020 7.40% as of June 30, 2021
Administrative expenses	0.60% of payroll as of June 30, 2020 0.60% of payroll as of June 30, 2021

	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, 2021	2.00 %	1.90 %	2.50 %	3.60 %

	Replacement Benefit Plan
Key actuarial assumptions:	
Valuation date	June 30, 2020 updated to June 30, 2021
Measurement date	June 30, 2021
Actuarial cost method	Entry-Age Normal Cost Method
Municipal bond yield	2.16% as of June 30, 2021
	Bond Buyer 20-Bond GO Index, June 25, 2020 and June 24, 2021
Inflation	2.50 %
Projected salary increases	3.25% plus merit component based on employee classification and years of service
Discount rate	2.16% as of June 30, 2021
Administrative expenses	0.60% of payroll as of June 30, 2021

	Old Miscellaneous	Old Police & Fire	Old Police & Fire Charters	Old Police & Fire Charters
Basic COLA:				
June 30, 2021	2.00 %	1.90 %	2.50 %	3.60 %

SFERS Plan

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

The actuarial assumptions used at the June 30, 2021, measurement date was based upon the result of a demographic experience study for the period July 1, 2014 through June 30, 2019 and an economic experience study as of July 1, 2020.

Discount Rate

SFERS Plan

The beginning and end of year measurements are based on different assumptions and contribution methods that may result in different discount rates. The discount rate was 7.40% as of June 30, 2020 (measurement date) and June 30, 2021 (measurement date).

The discount rate used to measure the Total Pension Liability as of June 30, 2021 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, 2020 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 3.25% each year. The unfunded actuarial liability is based on an actuarial value of assets that smooths investment gains and losses over five years and a measurement of the actuarial liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of actuarial liability in the funding valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who 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, 2021 for the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2021. 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:		
2023	0.75 %	0.70 %
2025	0.75	0.70
2027	0.75	0.60
2029	0.75	0.60
2031	0.75	0.60
2033+	0.75	0.50

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

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members 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 2.16% to the extent they are not available. The single equivalent rate used to determine the Total Pension Liability as of June 30, 2021 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	37.0%	4.2 %
Treasuries	8.0%	—
Liquid credit	5.0%	2.3
Private credit	10.0%	5.1
Private equity	23.0%	7.9
Real assets	10.0%	5.1
Hedge funds/absolute return	10.0%	2.9
Leverage	-3.0%	0.1
	100.0%	

Replacement Benefits Plan

The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 2.16% as of June 30, 2021. 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 25, 2020 and June 24, 2021. These are the rates used to determine the total pension liability as of June 30, 2021.

The inflation assumption of 2.50% 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 2021 was used for the 2021 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, 2022, City’s membership in the RBP had a total of 350 active members and 135 retirees and beneficiaries currently receiving benefits. The Airport has 10 active members and 1 retirees and beneficiaries currently receiving benefits.

Sensitivity of Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate

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

Employer		1% decrease share of NPL @ 6.40%	Share of NPL/(NPA) @ 7.40%	1% increase share of NPL/(NPA) @ 8.40%
Airport	$	105,937	(158,953)	(377,641)

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

Employer		1% decrease @ 1.16%	Measurement Date @ 2.16%	1% increase @ 3.16%
Airport	$	6,125	5,081	4,273

(b) *Other Postemployment Benefits (OPEB)*

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

GASB 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 2022	
Valuation Date (VD)	June 30, 2020, updated to June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

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, 2021. 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 6.81% 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, 2022, the City's funding was based on "pay-as-you-go" plus a contribution of $41.8 million to the Retiree Healthcare Trust Fund. The "pay-as-you-go" portion paid by the City was $211.0 million for a total contribution of $253.0 million for the fiscal year ended June 30, 2022. The Airport's proportionate share of the City's contributions for fiscal year 2021 - 2022 was $17.2 million.

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

As of June 30, 2022, the City reported net OPEB liabilities related to the Plan of $3.7 billion. The Airport's proportionate share of the City's net OPEB liability as of June 30, 2022 was $251.4 million.

For the year ended June 30, 2022, the City's recognized OPEB expense was $272.0 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, 2022, the Airport reported its proportionate share of the City's deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

		Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$	17,220	—
Differences between expected and actual experience		7,552	38,705
Changes in assumptions		10,624	—
Net difference between projected and actual earnings on plan investments		—	4,758
Change in proportion		287	7,175
Total	$	35,683	50,638

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:		
2023	$	(6,983)
2024		(7,002)
2025		(6,935)
2026		(4,415)
2027		(5,101)
Thereafter		(1,739)
Total	$	(32,175)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the Total OPEB Liability as of June 30, 2021 (measurement date) is provided below:

Key actuarial assumptions:	
Valuation Date	June 30, 2020, updated to June 30, 2021
Measurement Date	June 30, 2021
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 6.74%, trending down to ultimate rate of 4.04% in 2075
	Medicare trend starts at 7.24%, trending down to ultimate rate of 4.04% in 2075
	10-County average trend starts at 5.50%, trending down to ultimate rate of 4.04% in 2075
	Vision and expenses trend remains a flat 3.00% for all years
Expected Rate of Return on Plan Assets	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019.

Non-Annuitants:

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

Healthy Retirees:

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

Disabled Retirees:

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

Beneficiaries:

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

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
$ 213,958	251,367	298,001

Discount Rate

The discount rate used to measure the Total OPEB Liability as of June 30, 2021 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:

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%
$	293,936	251,367	216,598

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. The cost of all services provided to the Airport through the City's work order system totaled approximately $186.2 million. These services include $57.1 million in utilities provided to tenants (see note 2m) and the Airport. Included in personnel operating expenses are approximately $92.9 million related to police and fire services and $4.2 million in worker's compensation claims. The remaining expenses are categorized as Repairs and Maintenance or capitalized with construction projects.

The Lease and Use Agreement with the airlines provides for continuing annual service payments to the City equal to 15% of concession revenues (net of certain adjustments), but not less than $5.0 million per fiscal year. Annual service payment to the City was $37.9 million in fiscal year 2022. 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, 2022, 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 from June 30, 2013 to June 30, 2022, the following changes occurred to the Airport's PFC collection authorizations.

In October 2013, the FAA approved the Airport's fifth PFC 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. 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 impose and use authority for a new total PFC #6 authority of $217.1 million.

In October 2018, the FAA approved the Airport's eighth PFC Application (PFC #8), which combined PFC #6, as amended, and PFC #7, for a new combined total of $536.8 million of impose and use authority. The estimated charge expiration date is March 1, 2029. PFC #6 and PFC #7 were closed, and the projects and collections in those applications were transferred to PFC #8.

In October 2019, the FAA accepted the closeout documents, as amended, and closed PFC #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.

In January 2021, the FAA approved the Airport's ninth PFC Application (PFC #9) with a total impose and use 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 year ended June 30, 2022, are as follows (in thousands):

Amount collected	$	72,804
Interest earned		(11,945)
Total	$	60,859

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, 2022, are as follows (in thousands):

Construction	$	39,407
Operating		51,371
Total	$	90,778

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 2022, the Airport disbursed approximately $6.7 million in the new phase of the program ($3.7 million in federal grants and $3.0 million in Airport funds). As of June 30, 2022, the cumulative disbursements of Airport funds under this program were approximately $129.0 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 30-day permits are required to post security bonds or letters of credit in an amount equal to six months of its estimated rentals and fees under such agreements.

(c) Litigation

The Airport is a defendant in various legal actions and claims that arise during the normal course of business. Insurance policies cover certain liabilities and defense costs. Only those potential liabilities not covered by insurance are included in the financial statements; 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, 2021	$	58
Claim payments		(19)
Claims and changes in estimates		2,119
Balance as of June 30, 2022	$	2,158

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, 2021	$	10,328
Claim payments		(4,159)
Claims and changes in estimates		5,924
Balance as of June 30, 2022	$	12,093

(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, 2022.

(g) Concentration of Credit Risk

The Airport leases facilities to the airlines pursuant to the Lease and Use Agreement (see note 2i) and to other businesses to operate concessions at the Airport. For fiscal year ended June 30, 2022, revenues realized from the following source exceeded 5% of the Airport's total operating revenues:

United Airlines	28.4 %

(h) Per- and Polyfluoroalkyl Substances (PFAS)

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

On March 20, 2019, the California State Water Resources Control Board (the "State Board") issued an order pursuant to California Water Code Section 13267, for the Determination of the Presence of PFAS to all airports in California (the "Order"), including the Airport. The Order identifies the Airport as a facility that accepted, stored, or used materials that may contain PFAS. The Order requires the Airport to test soil, sediment, and groundwater for 23 types of PFAS. The Airport has completed the first two phases of sampling, which identified the presence of PFAS in soil, sediment, and groundwater at several locations at the Airport. Additional testing is underway and is expected to be complete by December 2022.

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

On July 20, 2022, S&P took several actions with respect to the Commission's Bonds. S&P raised its rating on the Commission's outstanding Bonds, except for Series 2022A/B/C (which are not rated by S&P) and the Variable Rate Demand Bonds Series 2010A, Series 2018B/C, from "A" to "A+. S&P also raised its joint support long-term rating and affirmed the short-term rating on the Commission's Bonds, Series 2018B/C from "AA/A-1" to "AA+/A-1." The unenhanced (underlying) rating was raised to "A+" from "A" and affirmed its respective joint support long-term rating and short-term rating of "AA+/A-1" on the Commission's Bonds, Series 2010A. The unenhanced (underlying) rating was raised to "A+" from "A."

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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 Airport's statement of net position as of June 30, 2022, 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 25, 2023.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management 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.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 25, 2023

PASSENGER FACILITY CHARGE PROGRAM AUDIT REPORT

KPMG LLP
Suite 1400
55 Second Street
San Francisco, CA 94105

Independent Auditors' Report on Compliance for Passenger Facility Charge Program; 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

Opinion on 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 identified as subject to audit 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, 2022. The Airport's passenger facility charge program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Airport complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Airport's passenger facility charge program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

KPMG LLP

San Francisco, California
January 25, 2023

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

Year ended June 30, 2022

(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, 2021	1,499,613	47,876	1,547,489	(1,123,240)	424,249
Fiscal year 2021 – 2022 transactions:					
Reversal passenger facility charges accrual	(8,496)	—	(8,496)	—	(8,496)
Quarter ended September 30, 2021	14,146	468	14,614	—	14,614
Quarter ended December 31, 2021	15,275	519	15,794	—	15,794
Quarter ended March 31, 2022	14,852	592	15,444	—	15,444
Quarter ended June 30, 2022	28,633	851	29,484	—	29,484
Unrealized loss on investments	—	(14,375)	(14,375)	—	(14,375)
Passenger facility charges accrual	8,394	—	8,394	—	8,394
Total fiscal year 2021 – 2022 transactions	72,804	(11,945)	60,859	—	60,859
Program to date as of June 30, 2022	$ 1,572,417	35,931	1,608,348	(1,123,240)	485,108

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, 2022

(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, 2022

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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB Bonds. The Series 2023AB 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 2023AB Bond certificate will be issued for each maturity and series of Series 2023AB 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 2023AB Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2023AB Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2023AB 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 2023AB 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 2023AB Bonds, except in the event that use of the book-entry system for the Series 2023AB Bonds is discontinued.

To facilitate subsequent transfers, all Series 2023AB 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 2023AB 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 2023AB Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2023AB 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 2023AB Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2023AB Bonds, such as redemptions, tenders, defaults, and proposed amendments to the authorizing documents. For example, Beneficial Owners of the Series 2023AB Bonds may wish to ascertain that the nominee holding the Series 2023AB 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 2023AB 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 2023AB 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 2023AB Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2023AB 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 2023AB BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR OWNERS OF THE SERIES 2023AB BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2023AB BONDS.

Discontinuance of DTC Services

DTC may discontinue providing its services as depository with respect to the Series 2023AB 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 2023AB 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 2023AB 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, as subsequently amended and supplemented (the "1991 Master Resolution"), and is not to be considered as a full statement thereof. See also "DESCRIPTION OF THE SERIES 2023AB 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 2023AB 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 2023AB 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 2023AB 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 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 2023AB Bonds, May 1 and November 1 of each year, commencing May 1, 2023.

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 2023AB 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 2023AB 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 2010A Bonds means the Airport Commission of the City and County of San Francisco, San Francisco International Airport Second Series Variable Rate Revenue Refunding Bonds, Series 2010A.

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 2019B Bonds means the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Bonds, Series 2019B.

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 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 2021ABC Bonds means, collectively, the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2021A, Second Series Revenue Refunding Bonds, Series 2021B, and Second Series Revenue Refunding Bonds, Series 2021C.

Series 2023AB Bonds means, collectively, the Airport Commission of the City and the County of San Francisco, San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2023A and Second Series Revenue Refunding Bonds, Series 2023B.

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 policy) to be borne by such Series of Bonds, whether principal payments in any given year are to be serial 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 2023AB 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.

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 2023AB 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 2023AB Bonds is a 2017 Reserve Account Series, and the Series 2023AB 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 2023AB 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 2023AB 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 2023A Construction Account and the 2023B 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 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 maintaining 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 are 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 210 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.

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 below 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 terms of the 1991 Master Resolution described below 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 2023AB BONDS" in the front portion of this Official Statement for a summary of the provisions related to the Series 2023AB Bonds.

Funds and Accounts

The Resolution establishes the following funds and accounts:

Within the Costs of Issuance Fund:
Series 2023A Costs of Issuance Account
Series 2023B Costs of Issuance Account

Within the Debt Service Fund:
Series 2023A Interest Account
Series 2023B Interest Account

Series 2023A Principal Account

Series 2023B Principal Account

Series 2023A Redemption Account
Series 2023B Redemption Account

Within the Rebate Fund:
Series 2023A/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 2023A Bonds and the Series 2023B Bonds have each been designated as a Participating Series of Bonds with respect to the Issue 1 Reserve Account.

Application of Series 2023AB Bonds Costs of Issuance Accounts

The 1991 Master Resolution requires the Trustee to apply moneys in the Series 2023A Costs of Issuance Account and the Series 2023B Costs of Issuance Account to the payment of costs of issuance of the Series 2023AB Bonds. Amounts in the Series 2023AB Costs of Issuance Accounts may be invested in any Permitted Investment.

Application of Series 2023AB Debt Service Accounts

The Series 2023A Interest Account, the Series 2023A Principal Account and the Series 2023A Redemption Account are sometimes referred to herein as the "Series 2023A Debt Service Accounts." The Series 2023B Interest Account, the Series 2023B Principal Account and the Series 2023B Redemption Account are sometimes referred to herein as the "Series 2023B Debt Service Accounts." The Supplemental Resolutions require the Trustee to apply moneys in the Series 2023A Interest Account and the Series 2023B Interest Account to the payment of interest on the related Series 2023AB Bonds when due, including accrued interest on any of the related Series 2023AB Bonds purchased or redeemed prior to maturity. The Supplemental Resolutions require the Trustee to apply moneys in the Series 2023A Principal Account and the Series 2023B Principal Account to the payment of the Principal Amount of the related Series 2023AB Bonds when due.

The Commission may, from time to time, purchase any Series 2023AB Bonds out of available moneys of the Commission at such prices as the Commission may determine plus accrued interest thereon. All Series 2023AB 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 2023A Redemption Account and the Series 2023B Redemption Account to the payment of the redemption price of applicable Series of Bonds called for redemption. Accrued interest on the Series 2023A Bonds and the Series 2023B Bonds, redeemed pursuant to the 1991 Master Resolution will be paid from the Series 2023A Interest Account or the Series 2023B Interest Account, as applicable.

In the event that the amount on deposit in any Series 2023A Debt Service Account is insufficient to pay the interest or Principal Amount or redemption price coming due on the Series 2023A Bonds, the 1991 Master Resolution requires the Trustee to transfer the amount of such deficiency from the Issue 1 Reserve Account to the Series 2023A Interest Account, the Series 2023A Principal Account or the Series 2023A 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 2023B Debt Service Account is insufficient to pay the interest or Principal Amount or redemption price coming due on the Series 2023B Bonds, the 1991 Master Resolution requires the Trustee to transfer the amount of such deficiency from the Issue 1 Reserve Account to the Series 2023B Interest Account, the Series 2023B Principal Account or the Series 2023B Redemption Account, as the case may be, not later than five days prior to the date on which such payment is required.

Rebate; Series 2023A/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 2023A/B Rebate Account for purposes of paying rebate to the United States. Pending payment to the United States, moneys held in the Series 2023A/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 2023A Bonds and the Series 2023B Bonds (the "Series 2023A/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 2023A/B Rebate Account in Nonpurpose Investments (as defined in the Series 2023A/B Tax Certificate), as directed by the Commission in the Series 2023A/B Tax Certificate.

Permitted Investments

Amounts in the Series Debt Service Accounts for the Series 2023AB 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 2023AB 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 2023AB Bonds amounts from Net Revenues, as follows:

(a) In each Series Interest Account associated with the related Series 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB Bonds minus one, and the aggregate amount of interest becoming due and payable on the Series 2023AB 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 2023AB 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 2023AB 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*."

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 2023AB 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 2023AB 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 2023AB Bonds, including persons holding Series 2023AB 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 2023AB 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 2023AB Bonds required to comply with the Rule in connection with the issuance of the Series 2023AB 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 2022-23, 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 the 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 2023AB 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 2023AB 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 2023AB Bonds or other material events affecting the tax status of the Series 2023AB Bonds;

2. Modifications to rights of the Series 2023AB Bondholders;

3. Optional, unscheduled or contingent calls of the Series 2023AB Bonds;

4. Release, substitution, or sale of property securing repayment of the Series 2023AB 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 affects 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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB 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 2023AB Bonds and upon receipt of indemnity satisfactory to the Trustee, shall), or any Holder or Beneficial Owner of the Series 2023AB 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 2023AB 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

________, 2023

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 $162,405,000 principal amount of the Commission's San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2023A (AMT) (the "Series 2023A Bonds") and $79,510,000 principal amount of the Commission's San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2023B (Non-AMT/Governmental Purpose) (the "Series 2023B Bonds" and, together with the Series 2023A 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 genuineness of all documents and signatures presented to us (whether as originals or as copies), (ii) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (iii) 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; to limitations on legal remedies against charter cities and counties in California; and to the application of laws relating to conflicts of interest to which public entities are subject. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions.

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

________, 2023

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
$162,405,000 Second Series Revenue Refunding Bonds, Series 2023A (AMT)
and
$79,510,000 Second Series Revenue Refunding Bonds, Series 2023B (Non-AMT/Governmental Purpose)

(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 $162,405,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2023A (AMT) (the "2023A Bonds") and $79,510,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2023B (Non-AMT/Governmental Purpose) (the "2023B Bonds" and together with the 2023A 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 Alexis S.M. Chiu, Esq., 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 Bonds may not be excluded from gross income for federal income tax purposes and 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 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 February 15, 2023, or other offering material relating to the Bonds and express no opinion or view 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 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 2023A Bond for any period that such 2023A Bond is held by a "substantial user" of the facilities financed or refinanced by the 2023A Bonds or by a "related person" within the meaning of Section 147(a) of the Code. Interest on the 2023B Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Interest on the 2023A Bonds is a specific preference item for purposes of the federal individual alternative minimum tax and that, for tax years beginning after December 31, 2022, interest on the 2023A Bonds and 2023B Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Interest on the Bond 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 2023AB Bonds, the purchasers of the Series 2023AB 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 2023AB Bonds, the purchasers of the Series 2023AB 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":

<u>(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</u>.

(c) The following definition of "Customer Facility Charge" is added:

<u>"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.</u>

(d) The following definition of "Federal Subsidy Payments" is added:

<u>"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.</u>

(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"~~ **<u>"A-" or "A3"</u>** 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 **<u>without regard to any numerical modifier, plus or minus sign or other modifier</u>** by at least two Rating Agencies.

(g) The following clause (r) is added to the end of the definition of "Permitted Investments":

<u>and</u> <u>(r) any other obligations or investments in which the Treasurer is permitted to invest Commission funds.</u>

(h) The following clause (j) is added to the end of the definition of "Revenues":

<u>(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;</u>

(i) The following clause (k) is added to the end of the definition of "Revenues":

<u>and (k) any Federal Subsidy Payments, except to the extent all or a portion thereof is designated as Revenues by the Commission.</u>

<u>Section 2.11. Additional Bonds</u>

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 Variable Rate Revenue Refunding Bonds
Series 2010A-1/A-2
(AMT)
Dated Date: February 10, 2010

Maturity Date (May 1)	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP† (79765A)
2030	$71,845,000	Variable Rate	March 31, 2023	100%	3K0
2030	47,900,000	Variable Rate	March 31, 2023	100	3L8

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)
2038	$53,860,000	5.000%	May 1, 2023	100%	RF8

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. 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 2013B
(Non-AMT)
Dated Date: July 31, 2013

Maturity Date (May 1)	Principal Amount	Interest Rate	Redemption Date	Redemption Price	CUSIP† (79766D)
2043	$87,860,000	5.000%	May 1, 2023	100%	EW5

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed on behalf of the American Bankers Association by FactSet Research Systems, Inc. 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.