Research Update:

San Francisco International Airport Series 2026A-B Revenue Bonds Assigned 'AA-' Rating

April 30, 2026

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Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to the **San Francisco City and County Airport Commission**'s $1.18 billion second series revenue bonds issued for **San Francisco International Airport** (SFO), comprising the $823.5 million series 2026A (AMT) and $355.1 million series 2026B (non-AMT) bonds.
- At the same time, we affirmed our 'AA-' long-term rating and underlying rating (SPUR) on the commission's senior airport system revenue bonds, issued for SFO.
- Finally, we affirmed our 'AA+/A-1' dual rating on the commission's variable-rate bonds outstanding, with letters of credit from Barclays Bank PLC and Sumitomo Mitsui Banking Corp., reflecting the application of our joint criteria, assuming low correlation.
- The outlook is stable.

Rationale

Security

Airport system net revenue, including all revenue that the San Francisco City and County Airport Commission earns with respect to the airport, secures SFO's senior-lien bonds. The commission has designated as revenue (on an annual basis) a portion of revenue derived from a $4.50 passenger facility charge (PFC) that the airlines collect and remit to the commission, and the commission has authorized this revenue to offset debt service on bonds issued to finance PFC-eligible projects. Revenue from a contract customer facility charge (CFC) of $10 per rental car implemented in early 2022, collected by the rental car companies and remitted to the commission for making improvements to the rental car facilities, is not designated as revenue under the indenture.

SFO had approximately $10.7 billion in debt outstanding as of fiscal year-end (June 30) 2025, and after the sale of these series 2026A-B bonds and an estimated $575 million in series 2026C-D-E variable-rate demand bonds in June 2026, will have approximately $11.2 billion will be outstanding. SFO expects to have debt service reserve accounts funded at a combined $788 million by June 2026. Issuance of the series 2026A-B bonds will refund various series outstanding, pay down $245 million of commercial paper, and fund a common reserve fund balance and capitalized interest. Commercial paper is used as the primary source of interim financing for the ongoing capital program, and management has established a total program of $600 million, supported by six direct pay letters of credit and secured by a subordinate lien on net revenue.

In our view, SFO has a generally supportive, industry-standard legal framework providing bondholder security for debt outstanding. This includes a security interest in and pledge of net airport revenue, use of designated PFC revenue, a 1.25x rate covenant including use of a contingency account, a 1.25x projected additional bonds test, and a common debt service reserve account. Outside of industry norms, SFO is one of several airports that has a grandfathered agreement permitting the transfer of revenue on a subordinated basis to the City and County of San Francisco (see annual city service payment in Credit Snapshot section below), which we treat as a debt-like expense in our financial metrics.

Credit highlights

The ratings reflect our view of SFO's advantageous geographic, economic, and demographic conditions, which have supported a long history of favorable enplanement trends and stable financial performance (see table 1). The airport's post-pandemic enplanement recovery lagged that of large-hub peers; management anticipates recovery to over 100% of 2019 levels in either fiscal 2027 or fiscal 2028. The ratings also incorporate our view of SFO's solid coverage and liquidity metrics partly resulting from additional airline deposits totaling $813 million through 2032 to a reserve for future capital projects. Since November 2025, the capital plan has remained largely unchanged and passenger forecasts have been slightly lowered, resulting in higher airline costs. Recent flight reductions by major airlines as a result of rising jet fuel prices have not significantly affected SFO’s year-to-date traffic with United Airlines still forecasting capacity increases through second-quarter 2026.

The ratings further reflect our view of SFO's:

- Exceptionally broad and diverse service area economy;
- Extremely strong market position as the eighth-largest U.S. airport, supported by both a very strong regional market share in the Bay Area and its role as a key U.S. gateway for Asia-Pacific traffic, with international passengers representing approximately 30% of total enplanements in fiscal 2025;
- Financial metrics, including pro forma S&P Global Ratings-calculated coverage and days' cash on hand (DCOH) that we expect will remain strong over the forecast period; and
- Sophisticated, experienced, and deep management team with clearly defined financial and operational goals that are generally achieved or exceeded, detailed projections and disclosures, generally well-defined project plans and targets that mitigate key risks, and a history of successful on-time/on-budget project-delivery.

Partly offsetting the above strengths, in our view, is SFO's comparatively high debt burden, which we expect will increase as the airport continues to fund a very large $12.4 billion capital improvement plan (CIP), including $7.6 billion in future bond issuances through 2029 based on identified needs that are likely to increase. For example, the size, timing, and funding sources associated with the identified Shoreline Protection Program (SPP), not currently in SFO's CIP, along with other projects, have the potential to raise debt and costs. With a lowering of passenger forecasts and additional capital projects added to the program, the cost per enplaned passenger in 2032 has increased to $47.82 compared with the January 2025 estimate of $40.81, with debt per enplaned passenger near $500 by 2032.

We expect that SFO's out-year coverage, on a generally accepted accounting principles (GAAP) basis, will be near 1.25x based on our calculations. Pro forma coverage based on cash flow is projected to range from 1.0x to 1.1x over the forecast period as a result of additional debt as well as transfers from accumulated balances in the PFC fund. This has the effect of lowering airline-generated operating revenue and cash flow coverage. Management indenture-calculated debt service coverage is projected to range from 1.6x in the early years to about 1.4x by 2032, including transfers from a contingency account, which we exclude from our calculation. We expect debt to revenue will weaken to adequate levels (15x to 20x), and that SFO’s liquidity, measured by DCOH, will remain very strong (greater than 400) despite a weakening of available liquidity to debt (to 7.5% to 20.0%).

Environmental, social, and governance

Per data from S&P Global Sustainable1, SFO faces elevated risk from coastal flooding with eight miles of shoreline adjacent to San Francisco Bay. The commission has acknowledged risks associated with its location and revised its SPP, and longer-term plans are underway to adopt design criteria to protect airport infrastructure against 42 inches of sea-level rise through 2085. Final environmental approvals are expected to be completed by early 2027. Management believes that the final costs are likely to significantly surpass an initial $587 million estimate, with the CIP excluding all but $131 million of the SPP. Absent alternative funding sources, we believe this could add to a large CIP and pressure debt metrics. We also analyzed governance and social factors and considered them neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that air travel demand for SFO will hold or increase, and that management will adjust revenue, expenses, and capital spending to maintain financial metrics that we view as strong while it funds its large CIP.

Downside scenario

We could lower the ratings within the next two years if SFO's enplanements decrease significantly or if we come to believe that financial metrics will weaken beyond expectations for an extended period.

Upside scenario

We could raise the ratings if activity and financial metrics significantly outperform forecasts.

Credit Opinion

Enterprise Risk Profile: Extremely Strong

For our enterprise risk profile, we considered SFO's service area economy, activity, projections, and market position, as well as management and governance factors.

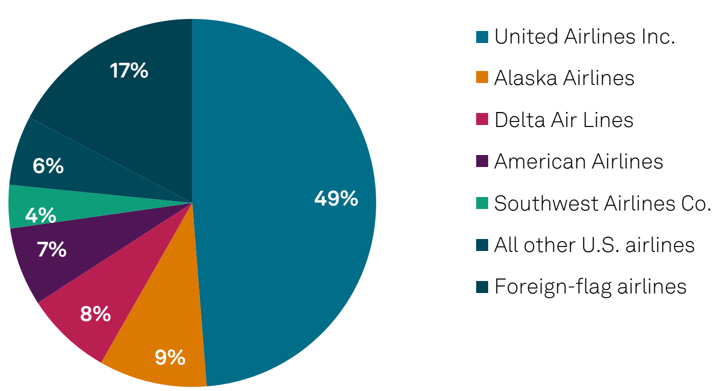
Fundamental service area strengths and international gateway status underpin recovery

The enterprise risk profile incorporates our view of SFO's role as an essential domestic and international transportation hub with an extremely strong market position. The region, measured by San Francisco's combined statistical area (CSA), has a very robust population base of more than 9.2 million and very favorable income levels, with overall economic activity as measured by GDP per capita in San Francisco of about $166,000 compared with the U.S. average of about $82,000. SFO benefits from its location serving the 13-county San Jose-San Francisco-Oakland CSA, which has a population of 9 million, accounting for 23% of California's population of 39 million and making the CSA the fifth-most populous in the U.S. The CSA continues to rank among the country's strongest in employment and educational attainment.

Largely an origin-and-destination market (82%), SFO is the only airport in Northern California with substantial domestic long-haul travel (greater than 1,500 miles), connecting traffic (18% of total enplaned passengers), and status as an international gateway for travel to the Asia-Pacific region. Specifically, while SFO faces some competition from other airports in the region, it handles most of the Bay Area's domestic long-haul (87%), medium-haul (53%), short-haul (47%), and international (92%) service compared with international airports in Oakland and San Jose. Hybrid and remote work, coupled with technological advances, have reduced traditional short-haul business travel within both California and the West Coast corridors. However, blended business and leisure travel have somewhat offset this.

We view SFO as moderately concentrated, with United (and its code-sharing affiliates) remaining the dominant carrier and having a 49% market share in fiscal 2025 (see chart below), although it is less concentrated than many large connecting hubs. SFO is the fifth-largest of United's seven connecting hubs as measured by departing seats, but, more important, handled 64% of Asia-Pacific traffic in fiscal 2024 for United, which offers more service to that region than any other U.S. airline. United is expected to represent 42% of international departing capacity (as measured in seats) in July 2026 with more daily international departures than in July 2019 (50 versus 39).

San Francisco International Airport airline market shares for fiscal 2025



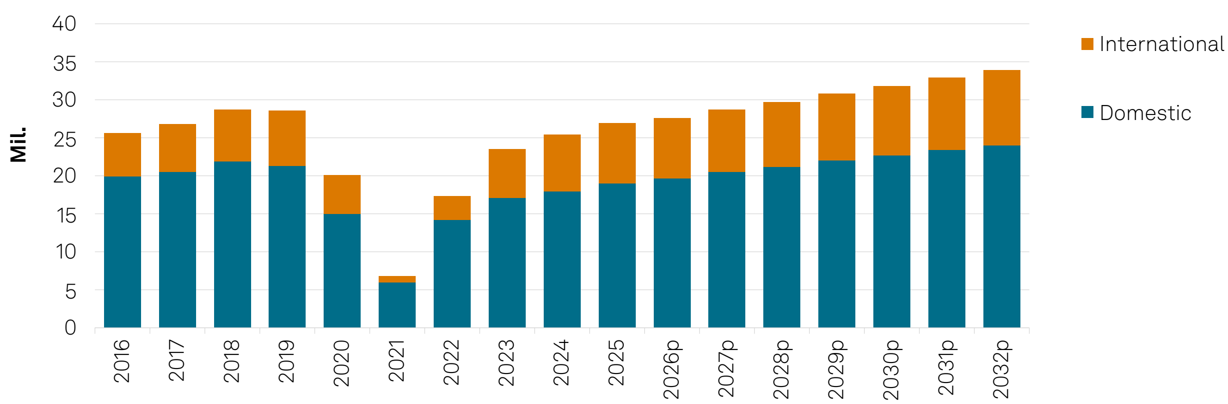
Source: SFO management

The region's wealth and income levels and business environment, along with the airport's dominance in the air service area and role as a key international gateway, have historically allowed airlines to charge higher fares at SFO. We view this as an important factor in the context of SFO's comparatively high-cost structure and debt levels. For example, in 2024 SFO ranked second among U.S. large hubs in share of revenue derived from premium fares at 38%, behind New York's JFK International Airport at 42%.

Passenger forecasts largely unchanged, continued lag in Asia-Pacific traffic assumed

Baseline total (domestic and international) passenger forecasts provided by SFO and updated as of April 2026 show annual growth rates largely unchanged from November 2025 with 33.9 million enplaned passengers forecast by 2032. In 2025 to 2032, domestic traffic is projected at a 3.5% compound annual growth rate, and international at 3.1%. Year-to-date enplaned passengers are up 3.3% for domestic and just 0.4% for international with the airlines projecting an approximate 5.5% increase in seat capacity for the next six months despite higher fuel prices. The forecasts assume domestic/international composition to be 70/30 by 2030 versus 75/25 in 2019. In November 2025, passenger growth assumptions were revised down to incorporate a slowing economy, with expected U.S. GDP growth of 2% over the forecast period and a continued lag in SFO's Asia-Pacific passenger recovery relative to overall international growth. Overall, we view the forecasts as an improvement over the earlier, moderately more aggressive forecast, though market conditions and geopolitical events introduce uncertainty in the near term.

San Francisco International Airport: historical and projected enplaned passengers



Source: S&P Global Ratings. p--Projected.

Management insights: Delivering capital plan while maintaining financial performance is key

We view management and governance structure as extremely strong. This incorporates the team's experience, depth, and focus on key priorities, namely the delivery and execution of the large and ongoing CIP amid development of air service and maintenance of financial performance metrics and cost competitiveness with other gateway airports.

SFO's reporting and disclosure are detailed and reflect management practices and commission policies to mitigate risks and progress toward priorities identified in the commission's long-term plan. Management is focused on controlling expenses after significant increases (see below) as well as developing nonairline revenue sources, including strategic use of its operating revenue and capital improvement fund (ORCIF). The ORCIF is airline rate base-funded annually through fiscal 2033 and has the effect of marginally improving debt service coverage. In addition, it is a discretionary account and can be used for any lawful purpose, thereby increasing liquidity measures or reducing future debt requirements. Overall, we view the ORCIF fund as a credit positive, increasing financial performance metrics and financial flexibility.

Financial Risk Profile: Strong

For our financial risk profile assessment of strong, we considered SFO's audited results as well as financial projections through fiscal 2032 that incorporate future debt to fund the CIP.

Passenger growth and strong financial risk profile support ongoing debt plans

Recent historical financial performance has followed the overall recovery of passenger levels, with generally improving coverage and debt to net revenue even as debt has steadily increased since a pandemic low in fiscal 2021 (see table 2). Receipt of federal assistance, which SFO did not include as revenue but instead used to offset expenses, helped preserve and enhance unrestricted cash and investments. In addition, strategic debt restructurings and control of operations-and-maintenance (O&M) expenses provided some cushion when revenue was depressed.

In updated financial projections for fiscal years 2025 to 2032, SFO assumes annual total revenue growth averaging 8.4% (with nonairline revenue growth at 4.4%) and annual expense growth averaging 9.1%. We see some upside to concession revenue that is projected on per enplaned passenger spend rates rather than under the terms of many concession agreements, which have minimum annual guarantees.

On the downside, significant expense increases will occur in fiscal years 2025 and 2026 associated with a headcount increase of 5%, or approximately 100, to meet a variety of strategic plan objectives. Prominent among these include a new airport integrated operations center as well as increased contractual services and salary raises with cost-of-living adjustments. In fiscal 2024 to projected fiscal 2027, O&M is projected to increase 55% to $931 million. These expenses are recovered in the airline rate base but contribute to higher airline costs. While a history of conservative budgeting and outperformance of financial metrics somewhat mitigates this exposure, management of expense and revenue growth will be important future considerations.

Overall, we expect S&P Global Ratings-calculated financial metrics will be in the strong area on an audited GAAP basis, with coverage near 1.25x, debt to net revenue at 15x to 20x, and liquidity measures reflecting 400 DCOH or better. Base-case projections show pro forma S&P Global Ratings-calculated (non-GAAP-adjusted) coverage declining to 1.1x to 1.0x.

Our coverage calculations focus exclusively on annual revenue generation measured against fixed costs and exclude transfers from contingency accounts as well as PFC fund transfers in excess of annual collections. Fixed costs include O&M, all senior and subordinated debt service, and any debtlike obligations (such as annual service payments to the City and County of San Francisco). While pro forma coverage declines through fiscal 2032, we believe SFO's demonstrated practice of conservative budgeting and its history of financial outperformance of indenture coverage projections will produce strong financial performance.

We anticipate that rising debt will weaken debt to net revenue to 15x to 20x. We expect overall liquidity will remain strong, with unrestricted DCOH near 500 and expected to remain at 400 to 800, and available liquidity to debt at 11% and expected to remain at 7.5% to 20.0%. For our rating, we assume all these metrics are unchanged over the forecast period.

SFO's cost structure will be very high, in our view. Based on updated passenger and financial forecasts, airline cost per enplanement is estimated to increase to $47 in fiscal 2032 from $22 in fiscal 2024. Debt per enplaned passenger is projected to reach about $500 in fiscal 2032 from about $430 in fiscal 2025. Given SFO's fully residual airline rate, financial metrics do not differ materially under consultants' base- or low-case enplanement scenarios, but costs increase with lower passenger volume.

Large CIP is modular and can be modified but excludes future projects

The CIP was updated in August 2025 and totals about $12.45 billion, with about $7.6 billion in new-money debt through fiscal 2029 that includes sizable investments to expand and modernize the terminals and meet long-term capacity requirements (Ascent Program-Phase 1.5). It will also address aging infrastructure and rolling components for support systems and airfield enhancements, and energy and efficiency improvements (Infrastructure Projects Plan). The CIP is updated biannually (and can be modified more frequently) and clearly outlines the airport's anticipated funding sources. Excluded from the CIP and assumed debt requirements are future capital costs related to updating the airport development plan, an infrastructure modernization plan for utility resiliency, and the SPP. These have the potential to significantly add to SFO's future debt requirements.

While the CIP is significant, management continuously evaluates and updates the plan and the airport has a history of reprioritizing or delaying projects if doing so would be prudent, as in fiscal years 2020 to 2022. Much of the program is modular, with different phases that allow management to suspend or delay work should conditions change. In addition, management operates under conservative fiscal policies and maintains an up-to-date, long-term financial forecast, both of which help mitigate construction and operational risks associated with SFO's large CIP.

San Francisco International Airport--ratings score snapshot

Enterprise risk profile	**1**
Economic fundamentals	1
Industry risk	2
Market position	1
Management and governance	1
Financial risk profile	**3**
Financial performance	3
Debt and liabilities	4
Liquidity and financial flexibility	3

San Francisco International Airport--financial and operating data

	--Fiscal year ended June 30--						'AA' rated airport medians
	Pro forma 2027*	2025	2024	2023	2022	2021	2024
Financial performance							
Total operating revenue ($000s)	1,587,214	1,369,248	1,401,390	1,064,104	821,253	515,416	638,842
Plus: interest income ($000s)	36,326	209,053	156,780	42,540	-64,113	N.A.	--
Plus: other committed recurring revenue sources ($000s) (annually collected PFCs)	107,119	104,320	99,587	92,341	72,804	29,473	--
Less: total O&M expenses and like transfers out, if any, net of noncash expenses	870,742	674,048	562,084	498,574	415,275	535,309	438,527
Numerator for S&P Global Ratings' coverage calculation ($000s)	859,917	1,008,573	1,095,673	700,411	414,669	9,580	--
Total debt service ($000s; senior + subordinate + annual city service payments)	795,100	590,593	485,327	418,800	294,648	295,757	239,287
Denominator for S&P Global Ratings' coverage calculation ($000s)	795,100	648,270	540,927	467,501	332,554	310,493	--
S&P Global Ratings-calculated coverage (x)	1.08	1.56	2.03	1.5	1.25	0.03	2.02
Issuer-calculated coverage (x)	1.51	1.7	2.12	1.67	2.07	1.64	--
Debt and liabilities							
Debt ($000s)	14,020,930	9,733,390	8,936,700	8,552,890	9,171,589	8,848,147	2,579,155
EBIDA ($000s)	716,472	695,200	839,306	565,530	405,978	-19,893	--
S&P Global Ratings-calculated net revenue ($000s)	859,917	1,008,573	1,095,673	700,411	414,669	-19,893	455,171
Debt to net revenue (x)	16.3	9.7	8.2	12.2	22.1	-444.8	7.7
Debt to EBIDA (x)	19.6	14	10.6	15.1	22.6	-444.8	--
Liquidity and financial flexibility							
Unrestricted cash and investments ($000s)	1,147,430	1,079,809	1,008,580	998,115	950,880	651,373	883,187
Available liquidity, net of contingent liabilities ($000s)	1,147,430	1,079,809	1,008,580	998,115	950,880	651,373	--
Unrestricted days' cash on hand	481	585	655	731	836	444	778
Available liquidity to debt (%)	8.2	11.1	11.3	11.7	10.4	7.4	30
Operating metrics - airport							
Rate-setting methodology	Residual	Residual	Residual	Residual	Residual	Residual	--
Total EPAX (000s)	28,707	26,966	25,516	23,420	17,396	6,925	25,891
Origin and destination EPAX (%)	--	81.5	81.5	81.8	82.7	79.1	83
Primary passenger airline carrier name	--	United Airlines	United Airlines	United Airlines	United Airlines	United Airlines	--
Primary airline EPAX market share (%), including regional affiliates	--	48.7	46.8	46.7	47.2	47.7	40

San Francisco International Airport--financial and operating data

	--Fiscal year ended June 30--						'AA' rated airport medians
	Pro forma 2027*	2025	2024	2023	2022	2021	2024
Passenger airline revenue ($000s)	845,265	680,509	576,210	556,675	616,190	337,215	--
Debt per EPAX ($)	488	361	350	365	527	1,278	137
Airline cost per EPAX ($)	29.44	25.24	22.58	23.77	35.42	48.7	10.96
Annual PFC revenue ($000s)	107,119	104,320	99,587	92,341	72,804	29,473	--
PFC rate ($)	4.5	4.5	4.5	4.5	4.5	4.5	--

*Projected. CFC--Customer facility charge. EBIDA--Total operating revenue - total O&M expenses excl. noncash expenses. EPAX--Enplanements. MADS--Maximum annual debt service. MNR--Median not reported. N.A.--Not available. O&M--Operations and maintenance. PFC--Passenger facility charge. S&P Global Ratings-calculated net revenue = (Total operating revenue + other recurring nonoperating revenue committed to debt service) - total O&M expenses excl. noncash expenses. Available liquidity = unrestricted cash and investments + total contingent liquidity resources - contingent liabilities. Examples of total contingent liquidity resources include working capital line of credit and other available cash reserves not already included in unrestricted cash and investments. For more S&P Global Ratings definitions and calculations see our criteria "Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions," Nov. 2, 2020.

Credit Snapshot

- Organization description: San Francisco International Airport (SFO) is 14 miles south of downtown in an unincorporated area of San Mateo County, with 106 operational gates, four runways, and more than 14,000 public (nonemployee) parking spaces. The City and County of San Francisco owns and operates the airport as an enterprise department. A five-member airport commission, the members of which the mayor appoints to four-year terms, governs the airport.
- Rate-setting methodology: SFO renegotiated a 10-year airline use and lease agreement through 2033, which maintained the residual rate-making approach for terminal rentals and landing fees to fully recover its net airport-related costs after the credit of nonairline revenue. Costs include operations and maintenance and annual city service payment, and now also fund deposits to the operating revenue and capital improvement fund (ORCIF).
- Annual city service payment: In addition to payment for overhead and other direct services such as police, fire, and utilities, SFO makes an annual service payment to San Francisco for indirect services ($58.4 million in 2025) equal to approximately 15% of concession revenue. This is a permitted, grandfathered payment under U.S. Department of Transportation policies that prohibit such revenue transfers at most other U.S. airports. Because the increase in this payment has exceeded inflation, the Federal Aviation Administration lowered the amount of federal grants awarded to SFO very modestly in 2023 and 2024 but could reduce or delay federal grants by larger amounts in the future.
- Long-term financial objectives: To increase and strategically use revenue, pursue debt service savings and flexibility, preserve financial reserves and liquidity, maintain cost competitiveness with other gateway airports, manage capital costs, and maximize passenger facility charges and other federal funds

Ratings List	
New Issue Ratings	
US$355,100,000 Airport Commission of the City and County of San Francisco, San Francisco International Airport, Second Series Revenue Refunding Bonds, Series 2026B (Non-AMT/Governmental Purpose), dated: Date of Delivery, due: June 30, 2056	
Long Term Rating	AA-/Stable
US$823,525,000 Airport Commission of the City and County of San Francisco, San Francisco International Airport, Second Series Revenue Refunding Bonds, Series 2026A (AMT), dated: Date of Delivery, due: June 30, 2056	
Long Term Rating	AA-/Stable

Ratings List	
Ratings Affirmed	
Transportation	
San Francisco Intl Arpt, CA General Airport Revenues	AA-/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.