Research Update:

San Francisco International Airport, CA Series 2025D-E Revenue Bonds Rated 'AA-'; Other Debt Affirmed; Outlook Stable

November 12, 2025

Primary Contact

Kurt E Forsgren
Boston
1-617-530-8308
kurt.forsgren
@spglobal.com

Secondary Contact

Scott Shad
Englewood
1-303-721-4941
scott.shad
@spglobal.com

Overview

- S&P Global Ratings assigned its 'AA-' long-term rating to the $936.1 million second series revenue bonds issued by the San Francisco City and County Airport Commission's for San Francisco International Airport (SFO), comprising the $879.1 million series 2025D (AMT) and $56.9 million series 2025E (non-AMT) bonds.
- We also affirmed our 'AA-' long-term rating and underlying rating (SPUR) on the commission's senior airport system revenue bonds, issued for SFO.
- In addition, we affirmed the 'AA+/A-1' ratings on the commission's variable-rate bonds outstanding, with letters of credit (LOCs) from Barclays Bank PLC and Sumitomo Mitsui Banking Corp., reflecting the application of our joint criteria, assuming low correlation.
- The outlooks are stable

Rationale

Security

SFO's senior-lien bonds are secured by a pledge of airport system net revenue, including all revenue earned by the San Francisco City and County Airport Commission with respect to the airport. A portion of revenue derived from a $4.50 passenger facility charge (PFC) collected by the airlines and remitted to the commission has been designated (on an annual basis) as revenue by the commission and authorized to offset debt service on bonds issued to finance PFC-eligible projects. Revenue from a $10 per-rental-car contract customer facility charge (CFC) 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.

As of July 1, 2025, SFO had approximately $10.7 billion in debt outstanding and, upon the sale of series 2025D-E bonds, will have common debt service reserve (DSR) accounts funded at $772 million. Issuance of the series 2025D-E bonds will continue SFO's practice of issuing debt to retire its outstanding commercial paper (CP) with proceeds to take out the current balance of $437 million. CP 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 LOCs 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 outstanding indebtedness. This includes a security interest and pledge of net airport revenue, use of designated PFCs as pledged revenue, a 1.25x rate covenant including use of a contingency account, a 1.25x projected additional bonds test, and a common DSR account. 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" section below), which we treat as a debt-like expense in our financial metrics.

Credit highlights

The ratings reflect 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). Although the airport's post-pandemic enplanement recovery has lagged those of large-hub peers, management now expects a full recovery to over 100% of 2019 levels in fiscal 2027. The ratings also incorporate solid coverage and liquidity metrics due in part to additional airline deposits totaling $800 million through 2032 (see "management insights" below) to a reserve for future capital projects. Since January 2025, the capital plan has expanded and passenger forecasts have been lowered, resulting in higher airline costs.

The key strengths, in our opinion, are SFO's:

- Exceptionally broad and diverse service area economy;
- Extremely strong market position, supported by both a strong regional market share in the Bay Area and the airport's 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 a days' cash on hand (DCOH) position that we expect will remain in the strong range 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.

The key offsetting credit weakness is a comparatively higher debt burden that we expect will increase as the airport continues to fund a very large $12.4 billion capital improvement plan (CIP), including $8.4 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 pressure debt and cost levels. With a lowering of passenger forecasts and additional capital projects added to the program, the cost per enplaned in 2031 has increased to $47.94 compared with January 2025 estimates of $40.81, with debt per enplaned passenger near $500 by 2032.

We expect that SFO's coverage, on a generally accepted accounting principles (GAAP) basis, will be near 1.25x based on our calculations. Pro forma coverage based on cashflow is projected to decline over the forecast period, to 1.0x-1.1x, due to additional debt as well as transfers from accumulated balances in the PFC fund, which depresses annually generated airline revenue. Management indenture-calculated debt service coverage (DSC) is projected to range from 1.6x in the early years to about 1.4x by 2032, including transfers from a contingency account. We expect debt to revenue will weaken to adequate levels (15x-20x) with additional capital program financings, and that SFO's liquidity, measured by DCOH, will remain very strong (greater than 400 days) despite a weakening of available liquidity to debt (to 7.5%-20%).

Environmental, social, and governance

SFO is exposed to physical risks, 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. SFO's management anticipates the final costs are likely to significantly increase beyond an initial $587 million estimate, with all but $131 million of the SPP excluded from the current CIP. Absent alternative funding sources, we believe this could add to an already large airport CIP and pressure debt metrics. We also analyzed the airport's governance and social factors and consider them neutral in our credit rating analysis.

Outlook

The stable outlook reflects our expectation that air travel demand for SFO will remain steady-to-increasing and management will adjust revenue, expenses, and capital spending as needed to maintain financial metrics 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 financial metrics become materially weaker than expected 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 levels, current projections, and market position, as well as management and governance factors.

Fundamental service area strengths and international gateway status underpin recovery

Our view of the enterprise risk profile incorporates 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

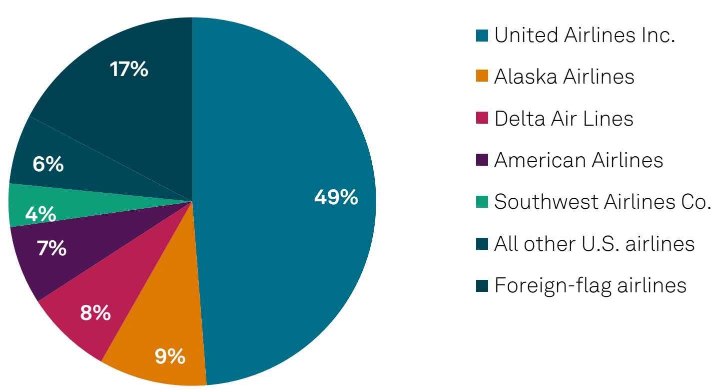
GDP per capita in San Francisco of about $166,000 compared with the U.S. average of about $82,000. As the 13th-largest U.S. airport measured by total passengers in calendar 2024 (52.3 million), it benefits from its location serving the 13-county San Jose-San Francisco-Oakland CSA (at 9 million it is the fifth-most populous in the U.S. and 23% of California's population of 39 million), which continues to rank among the country's strongest levels measured by employment and educational attainment.

Largely an origin-and-destination market (82%), SFO is the only airport in Northern California with substantial levels of domestic long-haul travel (greater than 1,500 miles), connecting traffic (18% of total enplaned passengers), as well as being an international gateway for travel between Pacific regions and the U.S. 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 technology advances, have reduced the amount of traditional short-haul, shorter duration business travel within both California and the West Coast corridor. However, this has been somewhat offset by blended business and leisure travel.

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 1), although it is less concentrated than many large connecting hubs. SFO is the fifth largest out of United's seven connecting hubs measured by departing seats but more importantly it 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 had 41% of international departing capacity (measured in seats) in July 2025 with more daily international departures than in July 2019 (55 versus 39).

Chart 1

San Francisco International Airport airline market shares for fiscal 2025



Source: SFO management

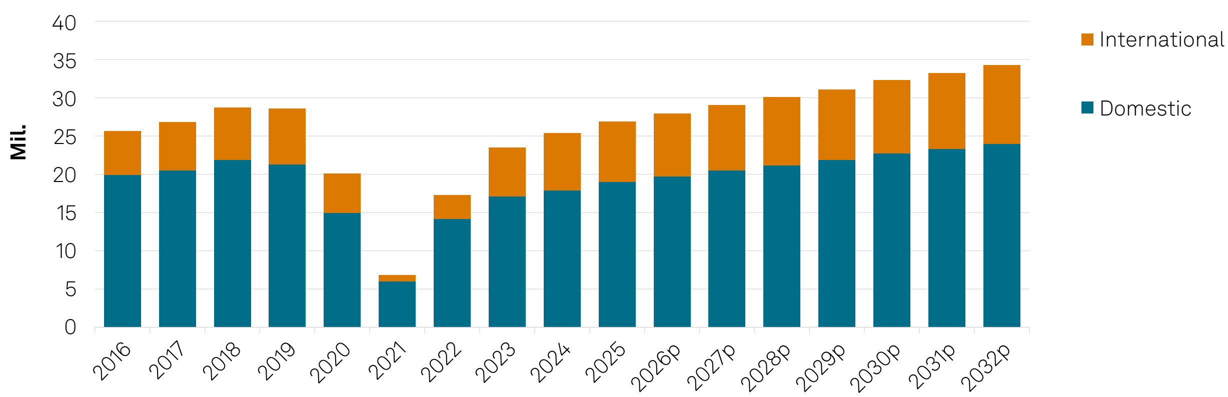
The region's wealth and income levels and business environment, along with the airport's dominance in the air service area and role as a key international gateway, have historically allowed airlines to charge higher fares at SFO relative to other markets. We view this is an important factor in the context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

Passenger forecasts revised down on slower economic growth, continued lag in Asia-Pacific traffic, and industry factors

Updated baseline total (domestic and international) passenger forecasts provided by SFO show a compound annual growth rate of 3.5%, throughout the forecast period compared with 4.8% in its January 2025 forecasts. This results in a reduction to 33.3 million enplaned passengers by 2031 compared with 35.4 million in the previous forecast. The airport also assumes the domestic/international composition will be 70%/30% by 2030 versus 75%/25% in 2019. Passenger growth assumptions were revised down to incorporate a slowing economy, with expected U.S. GDP growth of 2% beginning in 2025, a continued lag in SFO's Asia-Pacific passenger recovery relative to overall international growth, as well as more constrained airline seat capacity in the near-to-medium term because of ongoing aircraft delivery issues.

Chart 2

San Francisco International Airport historical and projected enplaned passengers



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

Fiscal 2025 activity was favorable, and although the growth rate was slower than fiscal 2024, year-over-year domestic enplanement levels increased 5.6% and international enplanements increased 5.9%. For fiscal 2026, management is anticipating domestic passengers will reach nearly 92% and international 112% of pre-pandemic levels, respectively. Overall, we view the current forecasts as an improvement over earlier moderately aggressive forecasts.

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

We view SFO's management and governance structure as extremely strong. This incorporates the team's experience, depth, and focus on key priorities, namely the successful delivery and execution of the large and ongoing CIP while continuing to develop air service, maintain financial performance metrics, and keep cost competitiveness on pace with other gateway airports. The new airport director, who joined in January 2025, has considerable prior experience at SFO and more recently spent several years as the chief financial officer at Denver International Airport.

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 2023 five-year strategic plan. Examples include the commission's emphasis on climate-related risks and its 2023 re-negotiation of the airline use-and-lease agreement. Business terms of the agreement remained largely the same (residual ratemaking) but also included an $800 million operating revenue and capital improvement fund (ORCIF) to be airline rate base-funded annually through fiscal 2033. After an initial $250 million deposit in fiscal 2024, annual ORCIF deposits are projected to step down to $30 million by fiscal 2033 from $95 million in fiscal 2025. Inclusion of the annual funding requirement in the residual airline agreement has the positive effect of marginally improving DSC. In addition, the ORCIF 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, and 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 metrics 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 of 9.2% (with nonairline revenue growth at 4.8%) and annual expense growth of 8.2%, leveling off at 5% after a steep 27% increase implied in the current fiscal 2026 budget. We view there to be 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, there are significant expense increases in fiscal years 2025 and 2026 associated with a headcount increase of 5% or approximately 100 employees to meet a variety of SFO’s strategic plan objectives. Prominent among these include a new airport integrated operations center, as well as increased contractual services and salary rises with cost-of-living adjustments. Between fiscal 2024 and projected fiscal 2027, O&M is projected to increase 55% to $929.3 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 range on an audited GAAP basis, with coverage near 1.25x, debt to net revenue at 15x-20x, and liquidity measures reflecting 400 DCOH or better. Current base-case projections show pro forma S&P Global Ratings-calculated coverage (non-GAAP adjusted) declining to 1.1x–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 PFC collections. Fixed costs include O&M, all senior and subordinated debt service, and any debt-like 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 SFO's rising debt will weaken debt to net revenue to between 15x-20x. We expect overall liquidity levels will remain strong, with unrestricted DCOH currently near 500 and expected to remain at 400-800, and available liquidity to debt at 11% and expected to remain at 7.5%-20%. 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 (CPE) is estimated to increase to $47 in fiscal 2031 from $21 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 base- or low-case enplanement scenarios developed by consultants to the commission; however, costs increase with lower passenger volume.

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

SFO's current CIP was updated in August 2025 and totals about $12.45 billion, with about $8.4 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 bi-annually (with the ability to modify more frequently) and clearly outlines the airport's anticipated funding sources. Excluded from the forward-looking 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 prudent, as evidenced during fiscal years 2020-2022. 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 that, in our view, help mitigate construction and operational risks associated with SFO's large CIP.

Table 1

San Francisco International Airport, California--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

Table 2

San Francisco International Airport, California--financial and operating data

	--Fiscal year ended June 30--						Medians for 'AA' category rated airports
	2027(p)	2025	2024	2023	2022	2021	2024
Financial performance							
Total operating revenue ($000s)	1,589,875	1,369,248	1,401,390	1,064,104	821,253	515,416	638,842
Plus: interest income ($000s)	39,216	209,053	156,780	42,540	(64,113)	N.A.	--
Plus: other committed recurring revenue sources ($000s) (annually collected PFCs)	108,471	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	929,313	674,048	562,084	498,574	415,275	535,309	438,527
Numerator for S&P Global Ratings' coverage calculation ($000s)	863,352	1,008,573	1,095,673	700,411	414,669	9,580	--
Total debt service ($000s) (Senior+subordinate+Annual City Service Payments)	802,508	590,593	485,327	418,800	294,648	295,757	239,287
Denominator for S&P Global Ratings' coverage calculation ($000s)	802,508	648,270	540,927	467,501	332,554	310,493	--
S&P Global Ratings-calculated coverage (x)	1.08	1.56	2.03	1.50	1.25	0.03	2.02
Issuer-calculated coverage (x)	1.50	1.70	2.12	1.67	2.07	1.64	--
Debt and liabilities							
Debt ($000s)	16,380,165	9,733,390	8,936,700	8,552,890	9,171,589	8,848,147	2,579,155
EBIDA ($000s)	715,665	695,200	839,306	565,530	405,978	(19,893)	--
S&P Global Ratings-calculated net revenue ($000s)	863,352	1,008,573	1,095,673	700,411	414,669	(19,893)	455,171
Debt to net revenue (x)	19.0	9.7	8.2	12.2	22.1	(444.8)	7.7
Debt to EBIDA (x)	22.9	14.0	10.6	15.1	22.6	(444.8)	--
Liquidity and financial flexibility							
Unrestricted cash and investments ($000s)	1,165,637	1,079,809	1,008,580	998,115	950,880	651,373	883,187
Available liquidity, net of contingent liabilities ($000s)	1,165,637	1,079,809	1,008,580	998,115	950,880	651,373	--
Unrestricted days' cash on hand	490	585	655	731	836	444	778
Available liquidity to debt (%)	7.1	11.1	11.3	11.7	10.4	7.4	30

San Francisco International Airport, California--financial and operating data

	--Fiscal year ended June 30--						Medians for 'AA' category rated airports
	2027(p)	2025	2024	2023	2022	2021	2024
Operating metrics - airport							
Rate-setting methodology	Residual	Residual	Residual	Residual	Residual	Residual	--
Total EPAX (000s)	29,069	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	83.0
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	40.0
Passenger airline revenue ($000s)	826,456	680,509	576,210	556,675	616,190	337,215	--
Debt per EPAX ($)	563	361	350	365	527	1,278	137
Airline cost per EPAX ($)	28.43	25.24	22.58	23.77	35.42	48.70	10.96
Annual PFC revenue ($000s)	108,471	104,320	99,587	92,341	72,804	29,473	--
PFC rate ($)	4.50	4.50	4.50	4.50	4.50	4.50	--

O&M--Operations and maintenance. EBIDA = Total operating revenue - total O&M expenses excl. noncash expenses. EPAX--Enplanements. PFC--Passenger facility charge. CFC--Customer facility charge. MADS--Maximum annual debt service. 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. See Global Not-For-Profit Transportation Infrastructure Enterprises: Methodologies And Assumptions criteria for more S&P Global Ratings definitions and calculations. N/A--Not applicable. N.A.--Not available. MNR--Median not reported. N.M.--Not Meaningful.

Ratings List	
New Issue Ratings	
US$56.97 mil second series rev bnds (non-AMT) (San Francisco International Airport) ser 2025E due 05/01/2046	
Long Term Rating	AA-/Stable
US$879.185 mil second series rev bnds (AMT) (San Francisco International Airport) ser 2025D due 05/01/2055	
Long Term Rating	AA-/Stable
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.