COMPREHENSIVE
ANNUAL FINANCIAL REPORT

NORMAN Y. MINETA
SAN JOSE INTERNATIONAL
AIRPORT

SAN JOSE, CALIFORNIA
A DEPARTMENT OF THE
CITY OF SAN JOSE

FISCAL YEARS
ENDED JUNE 30,
2017 AND 2016

NORMAN Y. MINETA
SAN JOSE
INTERNATIONAL
AIRPORT
SILICON VALLEY'S AIRPORT

CITY OF
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CITY OF SAN JOSE

PREPARED BY:
FINANCE AND ADMINISTRATION
KIM HAWK, CPA
DEPUTY DIRECTOR

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
SILICON VALLEY'S AIRPORT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Norman Y. Mineta San José International Airport
(A Department of the City of San José)
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017

John Aitken, A.A.E.
Director of Aviation

Judy M. Ross, A.A.E.
Interim Assistant Director of Aviation

Kim Hawk, CPA
Deputy Director of Aviation, Finance and Administration

Prepared by:

Airport Department
Finance & Administration Division - Accounting Section

Mary Soo
Principal Accountant

Laura Luu
Senior Accountant

Elsa Jacobo
Senior Accountant

Cristina Benninghouse
Senior Accountant

Ivan Dela Cruz
Senior Accountant

Kristy Tricoli
Accountant II

Cecile Pham
Analyst I

Corrie Santo
Accounting Technician

Peter Romero
Accounting Technician

Alicia Robles
Accounting Technician

Janet Kuang
Senior Account Clerk

Claudia Molina
Senior Account Clerk

Jackie Kupitz
Senior Account Clerk

Special Assistance

Bonnie Cromartie, Finance & Administration Division

Cary Greene, Planning & Development Division

Danielle Kenealey, City Attorney's Office

Kevin Fisher, City Attorney's Office

Karin Murabito, City Attorney's Office

INTRODUCTORY

With the addition of numerous new non-stop domestic and international destinations and increasing passenger levels, the Airport's passenger count rose to over one million for the first time in a decade in May, 2017.

This fiscal year, the Airport welcomed Lufthansa and Air China, and now has seven international carriers. The Airport is providing service to the top five destinations (London, Shanghai, Tokyo, Beijing, and Frankfurt) requested by the local business community.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
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Norman Y. Mineta San José International Airport

San José, California

A Department of the City of San José

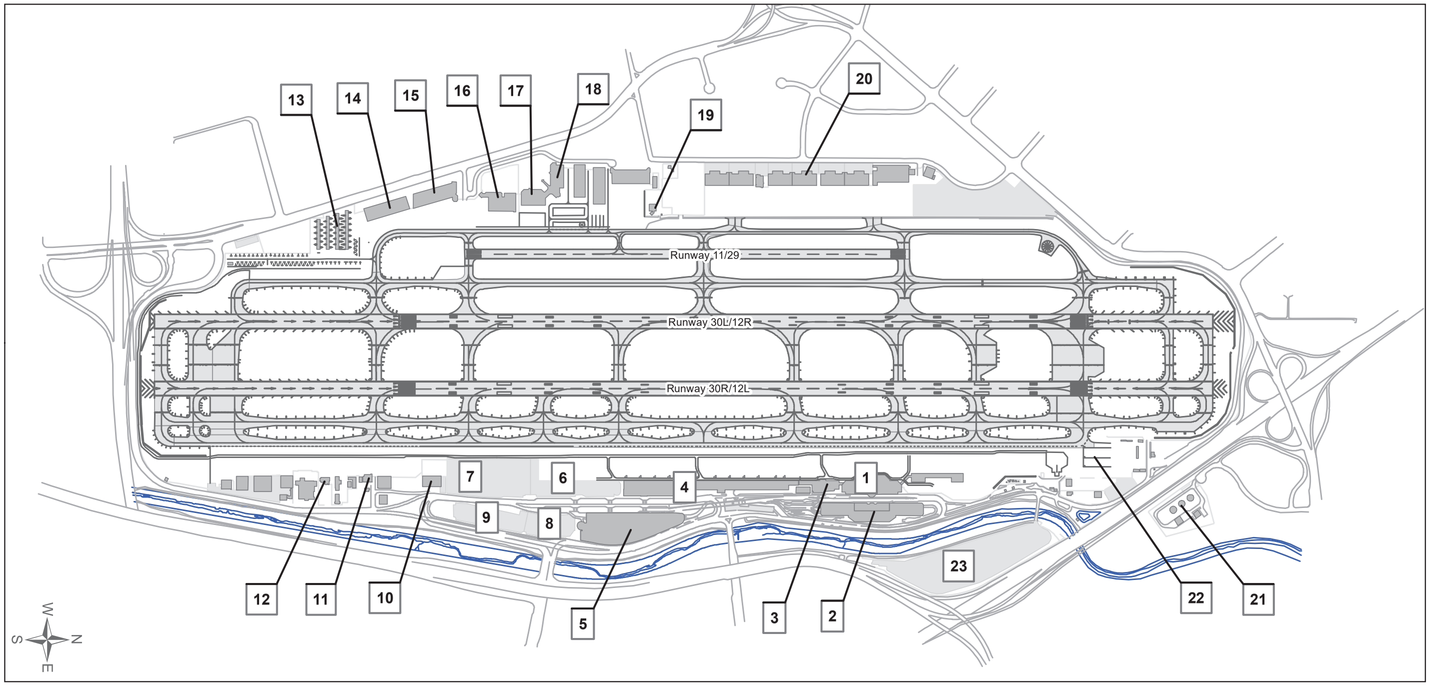
Fiscal Years Ended June 30, 2017 and 2016

Reduced View of Service Areas

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
SILICON VALLEY'S AIRPORT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Norman Y. Mineta San José International Airport



Map Legend

1. Terminal A
2. Terminal A Parking Garage
3. Federal Inspection Services
4. Terminal B
5. Consolidated Rental Car Center
6. Hourly Lot 5
7. Daily Lot 6
8. Hourly Lot 3
9. Daily Lot 4
10. Air Freight
11. Fire Station 20
12. SJPD Airport Division
13. General Aviation West
14. AvBase Aviation
15. ACM Aviation
16. HP Aviation
17. FAA-Flight Standards District Offices
18. Atlantic San José (Fueling and Transit Services)
19. FAA Air Traffic Control Tower
20. Signature Flight Support
21. Fuel Farm Location
22. North Air Cargo
23. Economy Lot 1

LOCATOR MAP

September 2017

Coordinate System:	Airport Grid
Airfield Elevation:	58' AMSL
Airfield Lat:	N37 21.7
Airfield Long:	W121 55.7

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT SILICON VALLEY'S AIRPORT

CITY OF SAN JOSE CAPITAL OF SILICON VALLEY

November 16, 2017

HONORABLE MAYOR AND CITY COUNCIL

The Comprehensive Annual Financial Report (CAFR) of the Norman Y. Mineta San José International Airport (Airport or SJC), a department of the City of San José (City), for the fiscal years ended June 30, 2017 and 2016, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Airport's management. We believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position, changes in financial position, and cash flows of the Airport, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Airport's financial affairs have been included.

This transmittal letter provides a non-technical summary of the Airport's background, economic condition and outlook, and major initiatives. Management's Discussion & Analysis (MD&A) is contained in the Financial Section of the CAFR and provides readers with a more detailed discussion of the Airport's financial results.

The annual audit of Airport funds was completed by the independent firm of Grant Thornton LLP, Certified Public Accountants for the fiscal year ended June 30, 2017. In addition to meeting the requirements set forth in the City Charter, the City's audit was also designed to meet the requirements of the Federal Uniform Guidance for federal awards. The Airport's federal awards programs are included in the City-wide Single Audit Report. The auditor's report on the Airport's financial statements is included in the Financial Section of this report.

This CAFR is organized into four sections:

- The Introductory Section is intended to familiarize the reader with the economic condition of the Airport, the Airport's major accomplishments, and the Airport's plans for the future.

- The Financial Section includes MD&A, Basic Financial Statements, Notes to Basic Financial Statements, and Required Supplementary Information (RSI). This section also contains the Independent Auditor's Report on the Basic Financial Statements.

- The Statistical Section presents up to ten years of detailed statistical data on the Airport's financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information as a context to the information presented in the financial statements and note disclosures.

- The Bond Disclosure Section provides detailed information in accordance with the requirements of the Continuing Disclosure Agreements for specific Airport Revenue Bonds.

REPORTING ENTITY

The City Charter created the Airport Department (Department) in 1965 as a department within the City.[1] The City is a charter city that operates under a council-manager form of government. The eleven members of the City Council serve as the governing body that oversees the operation of the Airport. The Director of Aviation is responsible for the operation of the Department and reports directly to the City Manager. The Department operates the Airport, which is currently classified as a medium-hub airport, primarily providing domestic origin-destination (O&D) service with increasing levels of international service. The Department's mission is to connect, serve, and inspire.

The Airport serves Santa Clara County, which is also the San José Primary Metropolitan Statistical Area (MSA) and is commonly referred to as Silicon Valley, as well as adjacent counties of Monterey, San Benito, and Santa Cruz and portions of two adjacent counties, Alameda and San Mateo (collectively, the Air Service Area). The Air Service Area is part of the larger San Francisco/San José/Oakland Area. The nearby counties of Merced, Stanislaus, and San Joaquin comprise a secondary service area. Three of the six Air Service Area counties belong to the Association of Bay Area Governments (ABAG) regional planning agency and rank within the top five most populated counties of the ABAG Region, with Santa Clara and Alameda Counties ranking first and second, and the County of San Mateo ranking fifth. In addition to the Airport, two other commercial airports serve the San Francisco/San José/Oakland area: San Francisco International Airport and Oakland International Airport.

ECONOMIC CONDITION AND OUTLOOK

Aviation demand nationwide and globally is primarily a function of population and economic growth, developments within the airline industry, and airport and airspace capacity. Airline traffic at airports principally serving O&D passengers is most responsive to local economic and population growth. As a predominantly origin-destination, medium-hub airport, the Airport is dependent upon the regional economy, national and international economic conditions, airline service, airfare levels, and population for the passengers who produce its revenue base.

Passenger levels at the Airport have surpassed the pre-recession levels of fiscal year (FY) 2008. Airport management closely monitors its operating budget costs and continues to look for ways to increase non-airline revenues. In addition, the Airport has an objective of maintaining a competitive cost per enplaned passenger (CPE). The CPE was \$10.48 in FY 2016 and \$10.01 in FY 2017. The CPE is estimated to be \$10.36 for FY 2018 based on a number of assumptions which may or may not materialize.

Since FY 2013, the Airport has experienced a rebound in passenger activity, resulting in a total of approximately 11.5 million passengers traveling through the Airport and passenger traffic growth of 12.7% for FY 2017.

The City and the Airport continue to work with business stakeholders including the Silicon Valley Leadership Group and the Silicon Valley Organization to help attract new airlines and routes. In an effort to attract new service, the Airport and airports across the nation have been developing and enhancing air service support programs. These support programs are so common among airports that the Federal Aviation Administration (FAA) has published guidelines that airports should follow in order to comply with rules and regulations for use of airport revenue. The Airport continues to offer an air service support program to promote the development of new domestic and international passenger air service. The current airline support program identifies air services that qualify under specific guidelines and provides for the waiver of landing fees for airlines providing service to a new airport destination for

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[1] The San José City Charter was put into effect in May of 1965.

a specified period of time, with a minimum frequency of three times weekly nonstop service for twelve consecutive months or four consecutive months for international seasonal service. In addition, new carriers are given a waiver of eligible terminal fees for the same duration as the landing fee waiver. The program also provides for marketing funds ranging from $25,000 to $600,000, depending on the type of new service provided. The program is a two year incentive that is implemented over a period of between one and two and a half years (the Incentive Period). The terms and conditions of the airline support program can be modified at any time by the City Council.

In addition, as part of the Airline-Airport Lease and Operating Agreement (Airline Lease Agreement) through June 30, 2017, the City funded the Municipally-Funded Air Service Incentive Program in any year where the percentage growth in enplaned passengers at the Airport exceeds the growth in enplaned passengers nationwide (as measured by data published in the FAA Aviation Forecast or similar report/forecast if the FAA Aviation Forecast is no longer available). In any year when the program was funded, the Airport's share of indirect overhead expenses allocated to it by the City for support services the City provides to the Airport was reduced, thus reducing the airline CPE by an amount equal to the reduction of the portion of City overhead expenses allocable to airline rates and charges. The Airline Lease Agreement also provides that in no event will the City's indirect overhead expenses allocated to the Airport operating budget exceed twenty-five percent (25%) or be less than fifteen percent (15%) during the term of the airline agreement. Terms and conditions of the Municipally-Funded Air Service Incentive Program are set forth in the Airline Lease Agreement. The goal of this program is to increase air service at the Airport and to show City support for these efforts.

The current Airline Lease Agreement expired on June 30, 2017. A two-year extension was executed for the term of July 1, 2017 through June 30, 2019, which included the removal of the Municipally-Funded Air Service Incentive Program. The two-year extension allows negotiations for a new agreement with the airlines to continue.

Population and Income

The City is the county seat of Santa Clara County. It is the tenth largest city in the United States and the third largest in California behind Los Angeles and San Diego. According to the California Department of Finance estimates, San José has an estimated population of 1,046,079 as of January 1, 2017, reflecting a growth of 0.9% over the prior year. San José is located in the Santa Clara Valley, at the southern end of the San Francisco Bay Area, a region referred to as Silicon Valley. Santa Clara County is the sixth largest county in California and the largest in Northern California. The population of Santa Clara County grew 0.8% from 2016 to 2017, with the population increasing to 1,938,180 as of January 1, 2017. The six counties comprising the primary service area for the Airport grew 0.8% from 2016, in line with the state growth rate of 0.9%. In total, the population of the primary service area increased by 41,468 from the prior year and accounts for 13% of the state's population.[2]

The per capita income information described below is the information available from the U.S. Bureau of Economic Analysis as updated on November 17, 2016. Total personal income and per capita personal income (PCPI) are highly relied upon measures of economic standing. These indicators are a composite measurement of market potential and indicate the general ability to purchase available products or services. As personal income increases, air travel becomes more affordable and can be used more frequently.

According to U.S. Bureau of Economic Analysis' estimates updated as of November 17, 2016, for 2015 Santa Clara County had a PCPI of $82,756 and was 154% of the state average of $53,741, 172% of the

[2] *California Department of Finance*

national average of $48,112, and ranked 4th in the State of California. Within the Air Service Area, the remaining counties personal income and PCPI were as follows:

Personal Income and Per Capita Personal Income within the Air Service Area

County Name	Personal Income (in Thousand Dollars) 2014	2015	% Change 2014-2015	Per Capita Personal Income (Dollars) 2014	2015	% Change 2014-2015	2015 Rank
Santa Clara	$147,251,454	$158,728,715	7.8%	$77,663	$82,756	6.6%	4
Alameda	93,290,149	101,370,460	8.7%	57,842	61,879	7.0%	7
San Mateo	69,717,150	74,641,211	7.1%	91,935	97,553	6.1%	3
Monterey	20,028,430	21,623,627	8.0%	46,438	49,836	7.3%	21
Santa Cruz	14,814,476	15,696,689	6.0%	54,585	57,257	4.9%	12
San Benito	2,364,002	2,565,863	8.5%	40,543	43,643	7.6%	30
California	$1,977,923,740	$2,103,669,473	6.4%	$50,988	$53,741	5.4%	
United States	$14,801,624,000	$15,463,981,000	4.5%	$46,414	$48,112	3.7%	

Per capita income increased by 6.6% from 2014 in Santa Clara County compared to an increase of 5.4% and 3.7% for California and the nation, respectively.[3]

Employment

Employment levels in Santa Clara County have increased steadily since 2007 and as of June 2017 are reported at nearly 1 million. Likewise, the unemployment rate has fallen below pre-recession levels and continues to exhibit a downward trend. With 35,700 unemployed, Santa Clara County's unemployment rate of 3.5% as of June 2017 has decreased about 0.4%, compared to June 2016[4] and is lower than the 4.9% and 4.5% unemployment rates for California and the U.S., respectively.[5]

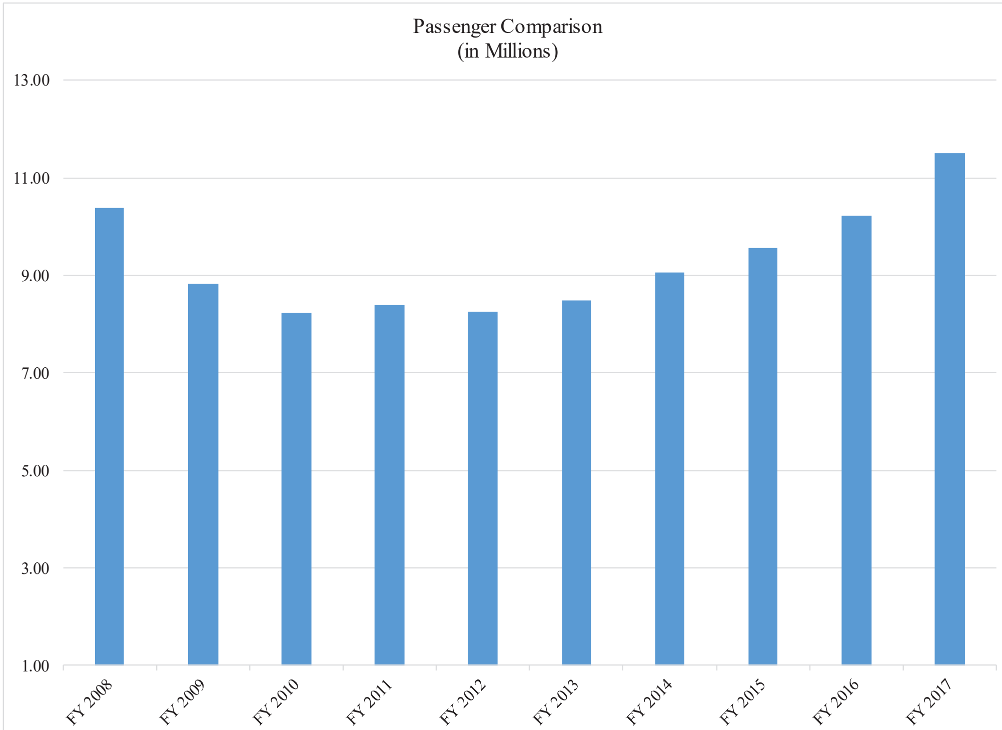
Norman Y. Mineta San José International Airport: Passenger and Air Traffic

The Airport is classified as a medium-hub airport by the FAA and ranked as the 44th busiest airport in the nation in terms of total passengers according to Airports Council International-North America statistics, as of calendar year 2016. As of June 30, 2017, 14 carriers provided scheduled passenger service to 40 destinations, including seven mainline carriers and seven international carriers. In addition, two all-cargo carriers provided scheduled cargo service at the Airport.

For FY 2017, the Airport enplaned and deplaned 11.5 million passengers, which represents an increase of 12.7% from the previous fiscal year.

[3] *U.S. Department of Commerce, Bureau of Economic Analysis*
[4] *Employment Development Department – State of California*
[5] *Employment Development Department – State of California*

The graph below displays total fiscal year passenger comparison for the last ten fiscal years.



For FY 2017, the Airport experienced an overall increase of 11.5% in traffic operations due to gains in the following categories: passenger carrier (an increase of 13,696 or 14.2%) and general aviation local (an increase of 1,621 or 48%).

Airport Master Plan

In 1997, after extensive planning and environmental studies and reports, the City Council approved a new master plan for the Airport (the Master Plan). In a Record of Decision issued on December 6, 1999, the FAA conditionally approved a new Airport Layout Plan (ALP) displaying the Master Plan projects and unconditionally approved all of the near-term projects. Both the Master Plan and the ALP have been amended several times since 1997 and currently are intended to provide facility improvements needed to accommodate forecast demand in the year 2027 for commercial passenger service, air cargo, and corporate general aviation demand. The Master Plan includes both the substantially complete Phase 1 and the planned Phase 2 of the Airport Development Program (ADP), which collectively comprise improvements to the Airport's terminal facilities, roadways, parking facilities, and airfield facilities and includes 1.075 million square feet of passenger terminal facilities comprised of up to 49 gates; parking and garage facilities comprised of up to 16,200 public parking spaces, 2,600 employee parking spaces, and 10,000 rental-car parking spaces (including 2,000 ready-return spaces); air cargo facilities; ground transportation, roadway, and other access improvements; and airfield improvements. In the fall of 2005, and in recognition of how current market conditions were impacting passenger growth, the Airport and its airline tenants reexamined the Master Plan and developed the Terminal Area Improvement Program (TAIP), a program for implementing the Master Plan by aligning ongoing and planned construction activities with available fiscal resources, taking into account revised passenger growth projections. In June 2006, the City Council approved an amendment to the Master Plan to incorporate the TAIP and other ADP revisions. In June 2010, the City Council approved an additional amendment to the Master Plan that updated projected aviation demand and facility requirements, and modified specific components of the ADP. Pursuant to the amended Master Plan, the former interim long-term public parking and employee parking lots on the northwest side of the Airport (which have been relocated to the east side terminal area) are designated for development of facilities to accommodate projected growth in general aviation demand. The 29-acre Signature fixed based facility development is located in this portion of the Airport, and an additional 15 acres north of the FAA air traffic control tower remains available for future general aviation development opportunities.

Construction of the TAIP Phase 1 projects was substantially complete in FY 2011. The Phase 1 projects included nine new gates and approximately 366,000 square feet of new terminal space; design and construction of the new Terminal B; improvements to the existing Terminal A, including new ticketing facilities, a new in-line baggage system that serves both Terminals A and B, security checkpoint, lobby concessions, and other improvements; the phased demolition of Terminal C; design and construction of the Consolidated Rental Car Facility (ConRAC); realignment and improvement of existing terminal roadways; parking improvements; and airfield projects, including noise mitigation and the reconstruction of Taxiway Y. An additional program element of Phase 1 that was completed in FY 2014 included the final phase of the Taxiway W extension project. The Phase 1 projects also included design of certain Phase 2 projects, but under the Airline Lease Agreement the commencement of construction of the Phase 2 projects is contingent upon satisfying specified activity-based triggers.

TAIP Phase 2 projects will consist primarily of the design and construction of the South Concourse of Terminal B and the second phase of Terminal B, including a total of 12 additional gates, and a new central plant facility. Under certain circumstances, the City is required to consult with the Signatory Airlines before proceeding with additional future capital development. Phase 2 projects are preapproved in the Airline Lease Agreement, but construction of the Phase 2 projects is contingent upon satisfying specified activity-based triggers. Pursuant to the terms of the Airline Lease Agreement, the Airport must have either 217 scheduled operations on any one day or 12.2 million enplaned and deplaned passengers in any given fiscal year in order to begin the Phase 2 projects.

MAJOR INITIATIVES

The Airport's mission is to connect, serve, and inspire. The vision of the Airport is to transform how Silicon Valley travels. This vision will be used by the Airport as a guide for making decisions to support the future needs of the traveling public.

Highlights of the Airport's activities and accomplishments for the FY ended June 30, 2017, include the following:

- Air Service Development

  Passenger levels grew 12.7% in FY 2017, with the addition of numerous new nonstop domestic and international destinations. In May 2017, the passenger count for the month rose to over one million for the first time in a decade.

  International:
  International enplanements grew 68.5% in FY 2017. With the addition of Lufthansa Airlines and Air China, the Airport now has seven international carriers and is providing service to the top five international destinations requested by the local business community.

Air Canada began twice daily nonstop service to Vancouver, British Columbia in May 2016 and added a third daily flight in May 2017.

Lufthansa Airlines launched the first nonstop service, five times weekly, between the Airport and its largest hub of Frankfurt, Germany in July 2016.

Air China began nonstop service, three times weekly, to Shanghai, China in September 2016.

In February 2017, Aeromexico announced it will start offering nonstop service to Guadalajara. Daily service began in July 2017.

In August 2017, Southwest Airlines announced that it will launch service between the Airport and Cabo San Lucas in March 2018. This is Southwest Airlines' first ever international route from the Airport.

Domestic:
Capacity has increased for destinations throughout the United States, including nonstop flights to the East Coast.

Southwest Airlines started new daily service to Baltimore and twice daily service to Salt Lake City in November 2016 and daily service to Reno in June 2017. In August 2017, Southwest announced seven new nonstop domestic destinations, including first ever service to Orlando, New Orleans, Houston-Hobby, and Albuquerque, along with new service to St. Louis, Spokane, and Boise. Southwest also announced increased frequency to their existing daily flights to Chicago-Midway, Dallas Love Field, Phoenix, Portland, and Seattle.

Delta Airlines added capacity to Salt Lake City during FY 2017 and added a third flight to Atlanta beginning in May 2017.

Alaska Airlines began nonstop daily service to Newark and three times daily service to Burbank in March 2017. Alaska also launched daily service to Tucson, a new destination for the Airport, and daily service to Austin, in August 2017. Four times daily service started between Los Angeles and the Airport in September 2017. In April 2017, Alaska announced that daily flights to Dallas Love Field will begin in February 2018.

United Airlines launched nonstop daily service to Newark and twice daily service to Chicago O'Hare in March 2017.

American Airlines resumed its seasonal nonstop service to Charlotte in May 2017.

JetBlue Airways started service to Long Beach, four times daily, in January 2017.

In July 2017, Frontier Airlines announced that it will be returning to the Airport with daily service to Denver starting in October 2017 and four times weekly service to Las Vegas starting in November 2017. Frontier also announced service to Austin and first-ever flights to San Antonio from the Airport in Spring 2018. In September 2017, even before Frontier's launch to Denver, they announced three more nonstop destinations. Service to Atlanta, Cincinnati, and Colorado Springs will begin in April 2018.

- Funding for Terminal B Ramp Rehabilitation

  In September 2016, the Airport was awarded $7.1 million in federal funding for the rehabilitation of the existing Terminal B apron to accommodate large aircraft. The existing pavement must be reconstructed to support existing and future aircraft operations. The federal grant is administered by the U.S. Department of Transportation and the FAA.

- Funding for Zero Emissions Buses

  In August and September 2016, the Airport was awarded a total of $4.9 million in federal funding for the purchase of ten zero emission shuttle buses and associated electric charging infrastructure. The new buses will augment the Airport's current fleet of compressed natural gas (CNG) buses. The federal grant is administered by the U.S. Department of Transportation and the FAA.

- International Arrivals Building Expansion

  With the increased growth of international service in the past two years, the Airport needed to expand and improve its International Arrivals Building to better accommodate the increased number of passengers. Funded by unspent bond proceeds, the $8.2 million expansion project added 2,700 square feet and a second baggage carousel in the secure customs area where passengers can now gather their belongings faster and more efficiently. The project also added 3,085 square feet of an enclosed, temperature controlled waiting area for friends and family of passengers.

- Customs and Border Protection (CBP) Section 559 Program

  Section 559 of the Consolidated Appropriations Act, 2014 granted CBP the authority to conduct a five-year pilot program under which CBP may enter into agreements with private sector and government entities for certain reimbursable services. The program offers airports, seaports, and land crossing the opportunity to increase customs coverage by adding more CBP staff on an overtime basis, the cost of which is reimbursed by the entry point agency. This is the fourth year of the program, which selects five applicant airports per year to participate. In 2016, the Airport was one of the five airports selected. The program began at the Airport in March 2017 and is funded by the international airlines.

- SJC Named the Best-Run Airport in America

  In March 2017, American City Business Journals (ACBJ) named the Airport the Best-Run Airport in America. Based on data collected between 2010 and 2015, the Airport placed first out of 89 airports in the nation. ACBJ used nine criteria for rating the airports, such as revenue, enplanements, and operating income per employee, as well as the five-year percentage change in non-aeronautical revenue, enplanements, and debt. The Airport's high marks stem largely from its overall financial strength and operating efficiency.

- Robot Customer Service Agents and Interactive Playground

  In October 2016, the Airport unveiled new customer service agents. Norma, Amelia, and Piper are the first robots to be deployed at a U.S. Airport. They assist, engage, and entertain by offering in-terminal dining, shopping, and other Airport services information on a touch screen, providing an interactive map and directory, displaying information in six languages, playing music, and taking photos that can be sent to travelers' email accounts or displayed on the robots' faces. The robots program is funded through the concessions marketing fund.

The iPal Playground, an interactive play space featuring the child sized iPal humanoid social robot, was introduced at the Airport in early 2017, bringing the first installation of its kind in the country. The playground includes a maze, as well as an interactive play space where passengers can sing, dance, and talk with iPal, and explore the robot's education apps.

OUTLOOK FOR THE FUTURE

San José's economic development strategy identifies the Airport's role in providing an important infrastructure resource to support the economy. Businesses need Airport infrastructure and services in order to successfully market goods and services. Global economic demands mean that it is critical that Airport infrastructure be developed and services continue to meet emerging needs.

The Airport seeks policy direction from the Council Committee for Community and Economic Development to drive economic improvements that benefit the community. In addition, the Airport works in partnership with various City departments, such as the Department of Transportation, Police, Public Works, and seeks policy direction from the Council Committee for Transportation and Environment to improve the transportation systems to benefit the residents of San José. These partnerships allow the Airport to focus coordination efforts on critical business development and to transform how Silicon Valley travels.

Due to the strong passenger growth over the past five years, FY 2017 total enplaned passengers surpassed pre-recession levels of FY 2008. While the Airport continues to carefully manage expenditures due to the high debt service costs, additional consideration is directed toward managing the significant new demand on the facilities and capacity constraints at peak periods resulting from the rapid growth. Additionally, focus continues on increasing revenue generation prospects and programs, growing and retaining passengers, and developing non-aviation revenue opportunities. The Airport is actively collaborating with the City's Office of Economic Development as well as local business groups like the Silicon Valley Leadership Group and the Silicon Valley Organization to pursue air service development opportunities and customer service enhancements. The wide variety of strategic efforts to increase revenue sources is critical to enhance the Airport's resiliency and adaptability to the ever changing aviation industry environment. With increasing passenger levels, strategic augmentation of staffing levels, leveraging technology to increase efficiencies, and optimizing airfield and terminal space are important initiatives for the Airport. With careful management of expenditures, and efforts to increase non-airline revenues, the Airport has a goal of keeping the airline CPE at a competitive level with other airports.

The FY 2018 Adopted Budget contains funding for seven additional full-time positions to support the increasing workload associated with the growing passenger base in addition to 17 positions added in January 2017. Activity levels increased substantially, thereby requiring strategic augmentation of staffing levels to ensure needs of the organization and customers are served. Staffing in several programs were supplemented including capital projects, maintenance, parking, property management, security, terminal services, marketing, and environmental.

The FY 2018 Budget also includes funding increases for cost of living adjustments to existing agreements, gas and electric utility adjustments, and increased service hours for custodial and baggage handling contractors. At peak periods of the day aircraft gates are utilized to maximum capacity. To be able to accommodate additional flights at those times, funding was added to provide shuttle bus service to aircraft parked remotely from the terminal. Passengers will be bussed from the newly refurbished Gate 7a holding room to aircraft parked north of Terminal A and board the aircraft from mobile stairways. There are associated capital costs to prepare the facilities for accommodating this ground boarding operation. Other additional services related to increased passenger levels include terminal support services, which is contractual staff to provide assistance with tasks such as line control management at security checkpoints, baggage handling assistance, administering customer service surveys, and support at curbside and terminal locations. The increase in passenger levels and service needs for these functions now exceeds the capacity for permanent staff to incorporate along with their regularly assigned duties. The increase in international airlines and destinations required working with CBP to implement and fund modified and extended schedules for CBP staff. Staff schedules will near 12 hours per day and include weekend hours. These extended hours are funded by the Airport and charged back to the international carriers through a Federal Inspection Services (FIS) fee. This program allows the Airport to be flexible in programming international flights to accommodate airline schedules and connections. There are cost increases associated with increases in the number of passengers and flights in order to maintain safety, security, and high levels of customer service. Airline seat capacity projections indicate continued growth for SJC. Therefore, continued efforts to operate efficiently and effectively and sustain that growth are paramount to decision making and implementing new initiatives.

Conservative budget and fiscal policies have led to a surplus for FY 2017. Computed pursuant to the Airline Lease Agreement, Airport's revenues exceeded its expenses and other reserve requirements for the FY ended June 30, 2017 by $33.0 million. This was approximately $11.2 million greater than the $21.8 million anticipated and utilized in the preparation of the Adopted FY 2018 Rates and Charges. The additional $11.2 million surplus will assist in balancing the budget and establishing a capital fund for the Phase 2 terminal expansion in future years.

The Airport recently completed a Strategic Plan, which defines a common purpose for the organization, establishes a 10-year vision, and creates goals, objectives, action plans, and performance measures to realize the full potential of the Airport, both as a primary economic driver of the Silicon Valley economy and as a community asset representing the best of San José's local culture and lifestyle. The Strategic Goals are:

Drive Growth
Innovate
Fund the Future
Reinvent the Organization

The Airport's FY 2018-2022 Adopted Capital Improvement Program (CIP) contains projects reflecting all of the Airport's strategic priorities. Recent announcements and launches of direct flights by Aeromexico, Frontier, and current carriers demonstrate significant achievements. It is important that the Airport continue to support all of the airlines and the success of the flights by improving safety and security, leveraging technology, maintaining infrastructure, and providing a favorable environment for sustained growth.

The FY 2018-2022 Adopted CIP budgets funding of $301.3 million primarily for projects and debt service, of which $85.8 million is allocated to FY 2017-2018. Over the five-year CIP, funding allocated to pay debt service on outstanding bonds totals $124.9 million. A total of $28.7 million is allocated to general non-construction activities, leaving $147.4 million for capital construction over the next five years.

Program highlights of the Airport's FY 2018-2022 Adopted CIP are as follows:

- $50.0 million for Runway Incursion Mitigation (formerly known as Airfield Geometric Implementation) is the second stage of a multi-year project. The goal of the project is to implement changes to airfield geometry to comply with FAA regulations and new design standards identified in the Runway Incursion Mitigation Study project. This project is important to maximize airfield safety through facility design and reconfiguration improvements.

- $34.8 million for the Terminal B Ramp Rehabilitation provides for the reconstruction of the apron adjacent to Gate 30 and Parking Lot 6. This apron is used to park aircraft for fueling, servicing, loading and unloading both passengers and cargo. The existing pavement is reaching the end of its lifespan and new pavement needs to be constructed to support existing and new aircraft operations. This project has received FAA grant funding for Phase 1 of the project or $7.1 million and represents a significant expenditure illustrated in the Airfield Facilities spending category.

- Aircraft Rescue and Fire Fighting (ARFF) Facility upgrades provide for renovation of the existing facility to include a larger training area, additional sleeping quarters, and additional vehicle bays is programmed for $20.0 million. A recent change to comply with federal requirements resulting from up-gauge in aircraft types, and new international flights with wide-body aircraft requires additional staff and activation of a third apparatus. Additionally, replacement of two ARFF vehicles has received FAA grant funding and further supports safety and security.

- Funding for Zero-Emissions Buses provides for the purchase of 10 shuttles and associated electric charging infrastructure to augment the Airport's current fleet of CNG buses. The $9.7 million project has received FAA grant funding of $4.9 million. The migration to electric buses will improve local air quality, reduce local greenhouse gas emissions, benefit travelers and employees alike, and help advance the City's sustainability goals.

FINANCIAL INFORMATION

The management staff of the Airport is responsible for establishing and maintaining an internal control system designed to safeguard the assets of the Airport from loss, theft, or misuse, and allow the compilation of adequate accounting data for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed its likely benefits, and that the evaluation of costs and benefits is subject to management estimates and judgments.

Single Audit

As a recipient of federal funds, the Airport is also responsible for providing assurance that an adequate internal control system is in place to ensure compliance with applicable laws and regulations relating to federal award programs. This internal control system is subject to periodic evaluation by management, the City Auditor, and the City's outside independent certified public accountants.

As part of the City's Single Audit procedures, tests are made to determine compliance with the internal control system in place, including those controls relating to the federal award program for Passenger

Facility Charges (PFC) and the state program for Customer Facility Charges (CFC), and whether the Airport has complied with all applicable laws and regulations. The City's Single Audit for the year ended June 30, 2017 is still in progress.

The Airport was authorized to impose PFC effective September 1, 1992. Legislation authorizing the collection of PFC prescribes reporting and control requirements and restricts the use of PFC revenue to the acquisition of specified assets or payment of PFC eligible debt service.

Pursuant to California Government Code Sections 50474.1-50474.3 (formerly California Civil Code Section 1936), the Airport has been authorized to require rental car companies to collect from a renter a CFC since May 2000. CFC revenues may be used to pay the reasonable costs to finance, design, and construct the ConRAC and to finance, design, construct, and operate the ConRAC Transportation System.

Budgetary Controls

Each year, the Airport prepares an operating budget and a capital budget. These documents are presented to the City Council and included in the City's annual operating and capital budgets and the annual appropriation ordinance. The approved budgets serve as an approved plan to facilitate control and operational evaluation.

The Airport and the City maintain budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The level of budgetary control, at which expenses cannot legally exceed the budgeted amount, is at the appropriation level.

The Airport, as with the City, also uses encumbrance accounting as another technique of accomplishing budgetary control of the Airport funds. Purchase commitments are earmarked for particular purposes and become unavailable for general spending. Appropriations that are not encumbered lapse at the end of the fiscal year. Year-end encumbrances are carried forward and become part of the following year's budget. For budget purposes, expenses are recognized in the year encumbered. For financial statement purposes, expenses are recognized when incurred.

Certain budgetary and fund provisions are stipulated in the Airline Lease Agreement and the Master Trust Agreement. Both operating and capital budgets comply with the provisions or restrictions set forth within these agreements.

The Airport continues to meet its responsibility for sound financial management as demonstrated by the statements included in the financial section of this report.

OTHER INFORMATION

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Norman Y. Mineta San José International Airport for its CAFR for the FY ended June 30, 2016. This was the twentieth consecutive year that the Airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Airport must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of the CAFR was made possible by the dedicated service and efforts of the Airport's Finance and Administration Division. Each member of the division has our sincere appreciation for the contributions made in the preparation of this report.

In addition, staff in all Airport divisions should be recognized for responding quickly and positively to requests for detailed information which accompany each annual audit. The role of Grant Thornton LLP should also be acknowledged as a significant contributor to a fine product.

Respectfully submitted,

Kim Hawk

John Aitken, A.A.E.
Director of Aviation

Kim Hawk, CPA
Deputy Director
Finance and Administration Division

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Norman Y. Mineta
San Jose International Airport
California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Listing of Principal Officials

ELECTED OFFICIALS:

Sam Liccardo..	Mayor
Charles Jones..	Council Member, District 1
Sergio Jimenez......................................	Council Member, District 2
Raul Peralez..	Council Member, District 3
Lan Diep...	Council Member, District 4
Magdalena Carrasco.............................	Council Member, District 5
Devora Davis..	Council Member, District 6
Tam Nguyen...	Council Member, District 7
Sylvia Arenas	Council Member, District 8
Donald Rocha.......................................	Council Member, District 9
Johnny Khamis.....................................	Council Member, District 10

AIRPORT COMMISSION:

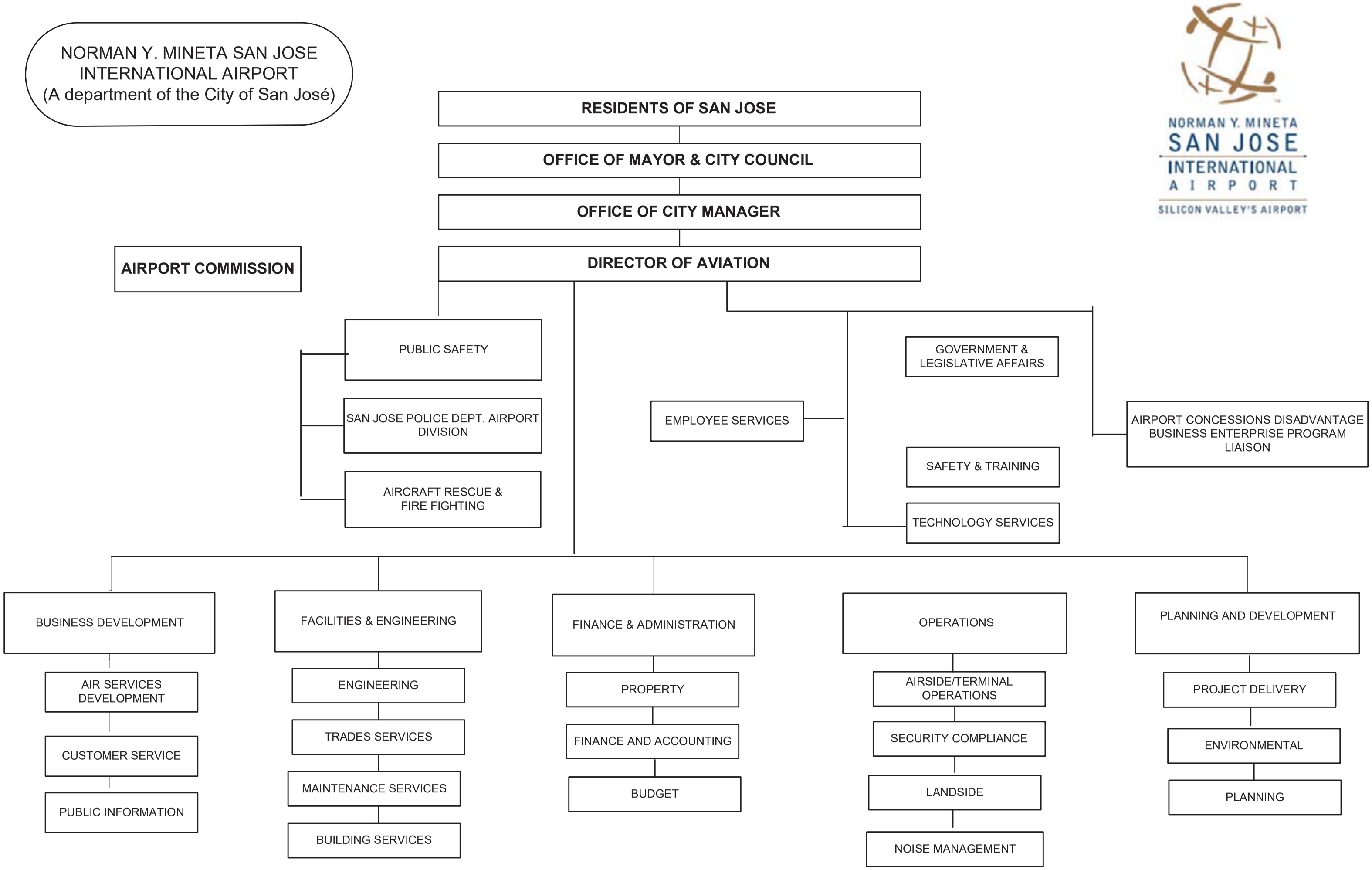
Ken Pyle..................................	Member
Tom Cruz..	Member
Julie Riera Matsushima........................	Member
Mark Schmidt...............................	Member
E. Ronald Blake....................................	Member
Raymond Greenlee...............................	Member
Allison Stember..........................	Member
R. William Highlander	Member
Catherine Hendrix......................	Member
Dan Connolly.......................................	Member
Raul Peralez...............................	Council Member, Airport Liaison

CITY OFFICIAL:

David Sykes.....................................	City Manager

AIRPORT DEPARTMENT:

John Aitken, A.A.E..............................	Director of Aviation
Judy M. Ross, A.A.E............................	Interim Assistant Director
Robert Lockhart, C.M., ACE................	Deputy Director, Airport Operations
Kim Hawk, CPA..................................	Deputy Director, Finance and Administration
Patrick R. Tonna.................................	Deputy Director, Facilities & Engineering
Robert Swensen....................................	Interim Deputy Director, Planning & Development
Rebecca Baer..	Deputy Director, Innovation and Business Development
Lieutenant Bruce Young.......................	San José Police Dept. – Airport Division


NORMAN Y. MINETA SAN JOSE
INTERNATIONAL AIRPORT
(A department of the City of San José)
RESIDENTS OF SAN JOSE
OFFICE OF MAYOR & CITY COUNCIL
OFFICE OF CITY MANAGER
DIRECTOR OF AVIATION
AIRPORT COMMISSION
PUBLIC SAFETY
SAN JOSE POLICE DEPT. AIRPORT DIVISION
AIRCRAFT RESCUE & FIRE FIGHTING
EMPLOYEE SERVICES
GOVERNMENT & LEGISLATIVE AFFAIRS
SAFETY & TRAINING
TECHNOLOGY SERVICES
AIRPORT CONCESSIONS DISADVANTAGE BUSINESS ENTERPRISE PROGRAM LIAISON
BUSINESS DEVELOPMENT
AIR SERVICES DEVELOPMENT
CUSTOMER SERVICE
PUBLIC INFORMATION
FACILITIES & ENGINEERING
ENGINEERING
TRADES SERVICES
MAINTENANCE SERVICES
BUILDING SERVICES
FINANCE & ADMINISTRATION
PROPERTY
FINANCE AND ACCOUNTING
BUDGET
OPERATIONS
AIRSIDE/TERMINAL OPERATIONS
SECURITY COMPLIANCE
LANDSIDE
NOISE MANAGEMENT
PLANNING AND DEVELOPMENT
PROJECT DELIVERY
ENVIRONMENTAL
PLANNING

FINANCIAL

In March 2017, American City Business Journals (ACBJ) named the Airport the Best-Run Airport in America. The Airport's high marks stem largely from its overall financial strength and operating efficiency.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
SILICON VALLEY'S AIRPORT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Grant Thornton

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Grant Thornton LLP
10 Almaden Blvd., Suite 800
San José, CA 95113

T 408.275.9000
F 408.275.0582
www.GrantThornton.com

Honorable City Council
City of San José, California

Report on the financial statements

We have audited the accompanying financial statements of the Norman Y. Mineta San José International Airport (the "Airport"), a department of the City of San José, California (the "City"), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Airport's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Airport's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a matter

Basis of presentation

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 major fund of the City that is attributable to the transactions of the Airport. They do not purport to, and do not present fairly, the financial position of the City as of June 30, 2017 and 2016, the changes in its financial position, or its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the proportionate share of the net pension liability and schedule of contributions identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

The introductory, statistical and bond disclosure sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated November 16, 2017, on our consideration of the Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Grant Thornton LLP

San José, California
November 16, 2017

This section of the Airport CAFR presents a narrative overview and analysis of the financial activities of the Airport for the fiscal years ended June 30, 2017 and 2016.

AIRPORT ACTIVITIES HIGHLIGHTS

A total of approximately 11.5 million passengers traveled through the Airport in FY 2017 compared to approximately 10.2 million in FY 2016, resulting in passenger traffic growth of 12.7%. The Airport experienced an increase in passenger traffic of 6.9% in FY 2016 and of 5.4% in FY 2015.

Lufthansa Airlines started five times weekly service to Frankfurt beginning July 2016. Air China began three times per week service to Shanghai, China starting in September 2016. Aeromexico started six times weekly nonstop flights to Guadalajara, Mexico in July 2017. Additionally, Alaska, Delta, JetBlue, Air Canada, Southwest, and United Airlines either started or announced several new flights in FY 2017. Frontier Airlines announced it would also be returning to the Airport starting in October 2017 with several new nonstop destinations.

As of June 30, 2017, Airport carriers served 40 nonstop markets with 179 peak daily departures compared to 35 nonstop markets with 162 peak daily departures as of June 30, 2016 and 31 nonstop markets with 146 peak daily departures as of June 30, 2015.

The following shows major air traffic activities at the Airport and year-over-year change during the last three fiscal years:

	2017	2016	2015
Flight operations	146,722	131,561	127,417
	11.5 %	*3.3 %*	*4.1 %*
Landed weight by passenger (in pounds)	7,202,172	6,113,904	5,628,460
	17.8 %	*8.6 %*	*1.7 %*
Landed weight by cargo carriers (in pounds)	249,020	266,344	236,706
	(6.5%)	*12.5 %*	*0.7 %*
Total enplaned and deplaned passengers	11,514,425	10,213,261	9,554,866
	12.7 %	*6.9 %*	*5.4 %*
Enplaned passengers	5,739,769	5,087,705	4,765,001
	12.8 %	*6.8 %*	*5.5 %*
Deplaned passengers	5,774,656	5,125,556	4,789,865
	12.7 %	*7.0 %*	*5.4 %*
Domestic passengers	10,690,188	9,728,689	9,205,030
	9.9 %	*5.7 %*	*5.4 %*
International passengers	824,237	484,572	349,836
	70.1 %	*38.5 %*	*6.4 %*
Cargo tonnage (in tons)	60,997	58,212	52,003
	4.8 %	*11.9 %*	*0.5 %*
Parking (vehicles) exits	1,122,402	1,054,534	1,051,971
	6.4 %	*0.2 %*	*0.9 %*

FINANCIAL HIGHLIGHTS

The Airport posted an increase in net position for the 2017 fiscal year.

- Operating revenues increased by 7.7% from $142.0 million in 2016 to $152.9 million in 2017.
- Operating expenses before depreciation and amortization increased by 13.5% from $77.9 million in 2016 to $88.4 million in 2017.
- Operating income before depreciation and amortization increased by 0.8% from $64.0 million in 2016 to $64.5 million in 2017.
- Depreciation and amortization decreased by 10.4% from $51.9 million in 2016 to $46.4 million in 2017.
- The above resulted in an operating income before nonoperating revenues and expenses of $12.2 million in 2016 and $18.1 million in 2017.
- Nonoperating expenses, net of nonoperating revenues, decreased 1.8% from $25.9 million in 2016 to $25.4 million in 2017.
- Capital contributions received in the form of grants from the federal government increased from $5.8 million in 2016 to $10.1 million in 2017.
- Net position showed an increase of $2.8 million in 2017 compared to a decrease of $8.0 million in 2016. This was attributed to a combination of increases in operating income and capital contributions and a decrease in net nonoperating expenses.

In addition, the Airport shows a decrease in net position for the 2016 fiscal year.

- Operating revenues increased by 12.7% from $126.0 million in 2015 to $142.0 million in 2016.
- Operating expenses before depreciation and amortization increased by 9.5% from $71.1 million in 2015 to $77.9 million in 2016.
- Operating income before depreciation and amortization increased by 16.8% from $54.8 million in 2015 to $64.0 million in 2016.
- Depreciation and amortization decreased by 2.9% from $53.4 million in 2015 to $51.9 million in 2016.
- The above resulted in an operating income before nonoperating revenues and expenses of $1.4 million in 2015 and $12.2 million in 2016.
- Nonoperating expenses, net of nonoperating revenues, decreased 20.5% from $32.6 million in 2015 to $25.9 million in 2016.
- Capital contributions received in the form of grants from the federal government increased from $0.9 million in 2015 to $5.8 million in 2016.

- Net position shows a decrease of $8.0 million in 2016 compared to a decrease of $98.1 million in 2015. This was primarily attributed to an increase in operating income, decreases in net nonoperating expenses, increases in capital contributions, and changes in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 71.

HIGHLIGHTS IN CHANGES IN NET POSITION

The following table reflects a condensed summary of the changes in net position (in thousands) for fiscal years ended June 30, 2017, 2016, and 2015:

	2017	2016	2015
Operating revenues	$ 152,935	$ 141,953	$ 125,981
Operating expenses before depreciation and amortization	(88,393)	(77,907)	(71,136)
Operating income before depreciation and amortization	64,542	64,046	54,845
Depreciation and amortization	(46,449)	(51,864)	(53,437)
Operating income (loss)	**18,093**	**12,182**	**1,408**
Nonoperating revenues and expenses, net	(25,446)	(25,911)	(32,594)
Loss before capital contributions	(7,353)	(13,729)	(31,186)
Capital contributions	10,120	5,760	937
Change in net position	**2,767**	**(7,969)**	**(30,249)**
Net position - beginning, as previously reported	193,822	201,791	299,913
Restatement due to implementation of GASB Statement Nos. 68 and 71	-	-	(67,873)
Net position - beginning, as restated	**193,822**	**201,791**	**232,040**
Net position - ending	**$ 196,589**	**$ 193,822**	**$ 201,791**

NET POSITION SUMMARY

Net position serves over time as a useful indicator of the Airport's financial position. The Airport's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by $196.6 million, $193.8 million, and $201.8 million at June 30, 2017, 2016, and 2015, respectively, a $2.8 million increase from June 30, 2016 to June 30, 2017 and an $8.0 million decrease from June 30, 2015 to June 30, 2016.

A condensed summary of the Airport's net position (in thousands) at June 30, 2017, 2016, and 2015 is as follows:

	2017	2016	2015
Assets:			
Unrestricted assets	$ 149,485	$ 141,687	$ 120,652
Restricted assets	190,805	208,075	219,686
Capital assets	1,302,658	1,312,671	1,353,462
Other assets	5,391	9,445	9,717
Total assets	**1,648,339**	**1,671,878**	**1,703,517**
Deferred outflows of resources:			
Deferred pension contributions	30,220	15,145	7,103
Loss on refundings of debt	9,687	3,326	3,385
Total deferred outflows of resources	**39,907**	**18,471**	**10,488**
Liabilities:			
Current liabilities - unrestricted	40,802	46,379	47,537
Current liabilities payable from restricted assets	65,648	50,432	48,957
Noncurrent liabilities	1,384,914	1,399,343	1,406,991
Total liabilities	**1,491,364**	**1,496,154**	**1,503,485**
Deferred inflows of resources:			
Deferred differences related to pension assumptions	186	-	7,933
Gain on refundings of debt	107	373	796
Total deferred inflows of resources	**293**	**373**	**8,729**
Net Position:			
Net investment in capital assets	82,801	95,800	126,350
Restricted	64,907	61,308	56,752
Unrestricted	48,881	36,714	18,689
Net position	**$ 196,589**	**$ 193,822**	**$ 201,791**

Total deferred outflows of resources increased $21.4 million or 116%, which was attributed to the 2017 bond refunding and the deferral of pension contributions made subsequent to the measurement date and changes of pension assumptions.

Loss on the refunding of bonds increased from $3.3 million at June 30, 2016 to $9.7 million at June 30, 2017 due to the issuance of the Airport Revenue Refunding Bonds Series 2017A and Series 2017B in the amount of $624.3 million to refund all except one maturity of the Airport Revenue Bonds Series 2007A and all of Series 2007B Bonds in the amount of $683.5 million. Detailed information about the 2017 bond refunding can be found in Note 5 to the financial statements.

Deferred pension contributions increased from $15.1 million at June 30, 2016 to $30.2 million at June 30, 2017, which reflects the contributions made subsequent to the measurement date and changes of the pension assumptions. Detailed information about the Federated Employees' Retirement System (Federated Plan), which is a single employer defined benefit retirement system that covers substantially all benefitted City employees, except for certain unrepresented employees and employees who are members of the City's Police and Fire Department Retirement Plan, can be found in Note 7 to the financial statements.

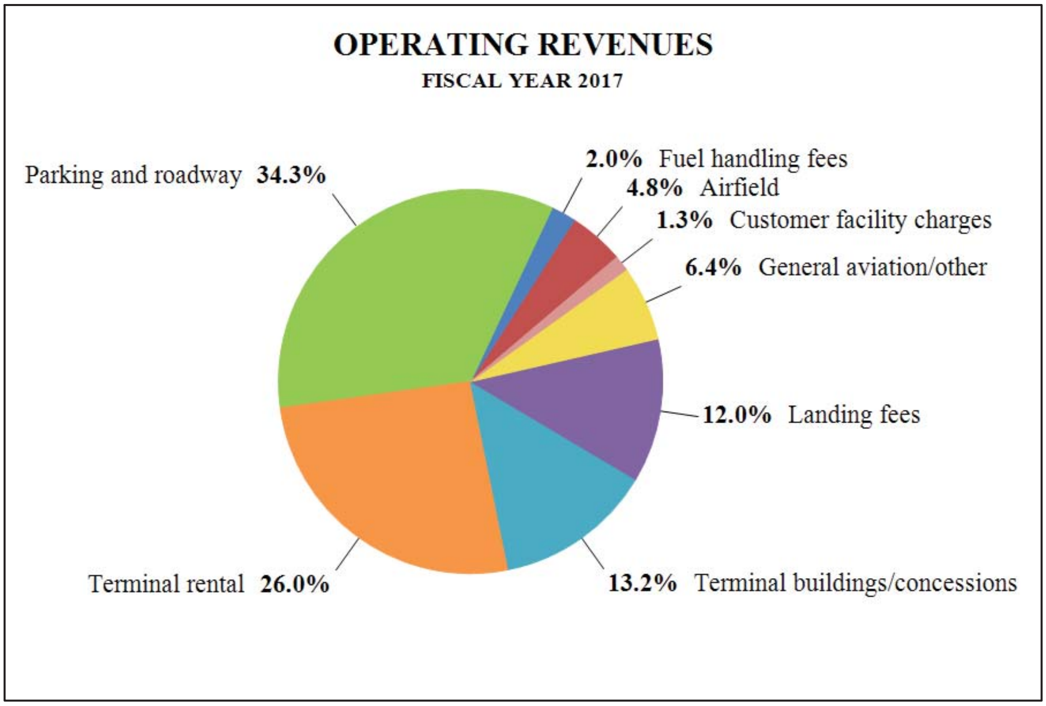
The largest portion 42.1%, 49.4%, and 62.6% of the Airport's net position at June 30, 2017, 2016, and

2015, respectively, represents its investment in capital assets (e.g. land, buildings, improvements, and equipment), less the debt outstanding used to acquire those capital assets and related deferred inflows and outflows associated with that debt. The Airport uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending.

A portion of the Airport's net position represents amounts that are subject to restrictions under the Airline Lease Agreement, the Master Trust Agreement, the rental car agreement, and PFC revenues and CFC revenues that are restricted by Federal regulations and California Goverment Code Sections 50474.1-50474.3, respectively.

REVENUES

The following chart reflects the major sources and the percentage of operating revenues for the fiscal year ended June 30, 2017:



As illustrated in the above chart, parking and roadway revenue represents 34.3% of the total operating revenues. Parking and roadway revenues include public parking, utility and concession fees from rental cars, employee parking, taxicab and other ground transportation fees, and facility and ground rents from rental car companies for use of the ConRAC located at the Airport. Facility rent for the ConRAC is calculated under the terms of the rental car agreement. An amount equal to the sum of annual debt service and coverage amounts and reserve fund requirements, less estimated CFC revenues, is allocated to each rental car company based upon that company's percentage occupancy of the ConRAC. In addition, each rental car company's share of operating costs for the transportation system and the cost to demolish the previous temporary common use rental car facility is charged to each of the rental car companies. In the event that CFC revenues exceed the sum of annual debt service plus coverage amounts and reserve fund requirements, each rental car company's share of any such CFC revenues will be deducted from its share of operating costs for the transportation system. In the event that CFC revenues remain after CFC revenues are deducted from each company's share of operating costs for the transportation system, the City may, in its sole discretion, deduct each rental car company's share of any such CFC revenues from its share of demolition costs, as calculated under the terms of the rental car agreement. The City had previously determined that it should identify the specific rental car customers who used the transportation system in order to apply the CFC revenues to cover transportation costs. However, upon further consultation with the rental car companies, the City and the rental car companies have agreed that the City may apply the CFC revenues to cover transportation costs, which are a component of CFC eligible ConRAC expenses, without first identifying the specific rental car customers who used the transportation system. Starting in FY 2017, the City applied $1.9 million of CFC revenues to transportation costs, which represents 1.3% of operating revenues. Facility rent will vary each year in relation to changes in any of these amounts.

The next largest category is airline terminal rental, which represents 26.0% of the total operating revenues. Revenues from terminal buildings/concessions, which came in at 13.2% of total operating revenues, include food and beverage, news and gift shops, advertising, and telephony fees. Fees for the use of the FIS facility and rental of space, other than airline space, are also included in this category.

Landing fees from passenger and cargo carriers represent 12.0% of the total operating revenues. General aviation/other revenues are 6.4% of total operating revenues and are comprised of rents for aircraft hangars, aircraft parking spaces, building and land rentals, fingerprinting fees, and fees for tenant plan reviews, which are calculated on a cost recovery basis. The remaining categories, airfield and fuel handling fees represent 4.8% and 2.0%, of the total operating revenues. The airfield area category is comprised of air carrier parking fees, fees from the in-flight kitchen services, and fees from ground service providers. Fuel handling fees include sales of diesel, unleaded, propane, and compressed natural gases (CNG), as well as jet flowage fees, a fee charged to operators for engaging in the activity of retail sales of aviation fuel petroleum products.

A summary of revenues (in thousands) for the fiscal years ended June 30, 2017, 2016, and 2015 is as follows:

	2017	2016	2015
Operating revenues:			
Landing fees	$ 18,370	$ 13,095	$ 11,856
Terminal rental	39,778	40,800	34,372
Terminal buildings/concessions	20,207	17,576	16,271
Airfield	7,307	4,891	3,993
Parking and roadway	52,514	53,704	49,049
Fuel handling fees	3,080	3,226	3,257
General aviation/other	9,748	8,661	7,183
Customer facility charges	1,931	-	-
Total operating revenues	**152,935**	**141,953**	**125,981**
Nonoperating revenues:			
Passenger facility charges	23,097	20,603	19,291
Customer facility charges	18,026	19,888	18,690
Investment income (loss)	1,591	2,444	1,222
Operating grants	1,169	497	610
Other, net	603	1,902	806
Total nonoperating revenues	**44,486**	**45,334**	**40,619**
Capital contributions	10,120	5,760	937
Total revenues	**$ 207,541**	**$ 193,047**	**$ 167,537**

2017 versus 2016

June 2017 marked the 54th straight month of consecutive passenger growth at the Airport. Total operating revenues increased by 7.7% from $142.0 million in 2016 to $152.9 million in 2017. Landing fees, terminal building/concessions, airfield, and general aviation/other revenues increased while terminal rental, parking and roadway, and fuel handling fees decreased.

Landing fees increased 40.3% or $5.3 million due to the increase in landing fee rate from $2.13 to $2.70 per thousand pounds of the maximum gross landing weight and the increase year-over-year in landing weights from 6.4 million pounds to 7.5 million pounds.

Terminal rental revenues decreased 2.5% or $1.0 million mainly due to lower rental rates. The rate for terminal space decreased from an average of $162.74 per square foot in 2016 to $154.63 per square foot in 2017. The reduction in revenues due to lower rental rates was partially offset by the increase in additional flights.

Terminal buildings/concessions posted an increase of 15.0% or $2.6 million primarily due to the increase in passenger activity.

Airfield revenues increased by 49.4% or $2.4 million mainly due to the higher inflight kitchen revenues and ground support concessions resulting from the increased passenger activity.

Parking and roadway revenues were down by 2.2% or $1.2 million. Ground transportation, excluding the Transportation Network Companies (TNCs), and public parking experienced decreases, which were partially offset by increased revenues from rental car concessions and TNCs. The reduction of other ground transportation and public parking revenues reflected the presence of TNCs, which were authorized to start operating at the Airport in November 2015.

General aviation/other revenues rose by 12.6% or $1.1 million. The main contributor to this increase was the ground rent from Signature Flight Support, which completed the full service fixed base facility on the west side of the Airport. The increase can also be attributed to more hangar spaces rented out and increases in land and building rental rates as a result of appraised values and the consumer price index.

PFC revenues grew by 12.1% or $2.5 million reflective of the growth in passenger activity.

Investment income in 2017 decreased by 34.9%, or $0.9 million, to $1.6 million from 2016 mainly due to unrealized loss on investments.

CFC are the charges to customers of rental car companies at the Airport in accordance with California Goverment Code Sections 50474.1-50474.3 to help pay for capital costs and related debt service associated with the ConRAC and certain operating expenses related to the transportation of rental car customers between the terminals and the ConRAC. Despite the Airport's passenger traffic increase, CFC revenues were virtually unchanged from the 2016 level, reflective of the presence of TNCs.

The FY 17 operating grants increased 135.0% or $0.7 million from 2016, due to the grant awarded from the FAA for runway incursion mitigation.

Other nonoperating revenues decreased 68.3% or $1.3 million mainly due to the one-time reimbursement from the California Plume Fund for clean-up of the old fuel farm underground storage tanks in FY 2016.

Capital contributions received during 2017 pertained to grant reimbursements from the FAA, which increased 75.7%, or $4.4 million from 2016, to $10.1 million in 2017, mainly for the perimeter security fence line upgrades, perimeter security technology upgrades, southeast ramp reconstruction, and aircraft rescue fire fighting vehicle.

2016 versus 2015

June 2016 marked the 42nd straight month of consecutive passenger growth at the Airport. With the exception of fuel handling fees, all operating revenue categories showed increases over 2015. Total operating revenues increased by 12.7% from $126.0 million in 2015 to $142.0 million in 2016.

Landing fees increased 10.5% or $1.2 million due to the increase in landing fee rate from $2.09 to $2.13 per thousand pounds of the maximum gross landing weight and the increase year-over-year in landing weights from 5.9 million pounds to 6.3 million pounds.

Terminal rental revenues increased 18.7% or $6.4 million mainly due to the rate increase from $147.68 per square foot in 2015 to $162.74 per square foot in 2016. The terminal rental revenues also increased as a result of additional flights.

Terminal buildings/concessions posted an increase of 8.0% or $1.3 million primarily due to the increase in passenger activity. Airfield revenues increased by 22.5% or $0.9 million mainly due to the higher inflight kitchen revenues and ground support concessions resulting from the increased activity by the airlines in 2016.

Parking and roadway revenues were up by 9.5% or $4.7 million. Substantial increases were experienced in ground transportation, public parking, and rental car concessions reflective of the growth in passenger activity. TNCs were authorized to start operating at the Airport in November 2015.

General aviation/other revenues rose by 20.6% or $1.5 million. The main contributor to this increase was the ground rent from Signature Flight Support, which completed the full service fixed base facility on the west side of the Airport. The increase can also be attributed to the land rental rate adjustments based on increases in appraised values and the consumer price index.

PFC revenues grew by 6.8% or $1.3 million reflective of the growth in passenger activity. Investment income in 2016 increased by 100% or $1.2 million to $2.4 million from 2015 mainly due to higher investment rates.

CFC are the charges to customers of rental car companies at the Airport in accordance with California Goverment Code Sections 50474.1-50474.3 to help pay for capital costs and related debt service associated with the ConRAC and certain operating expenses related to the transportation of rental car customers between the terminals and the ConRAC. CFC revenues trended 6.4% or $1.2 million higher than the prior year revenues. The increase was mainly attributed to the increase in passenger traffic.

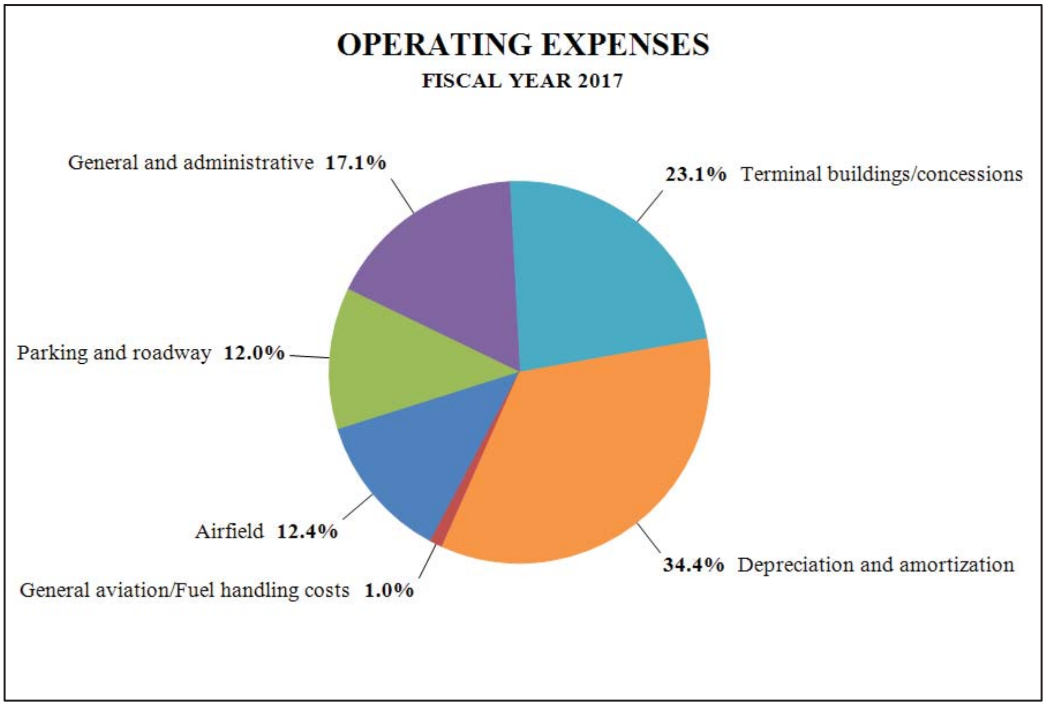
The FY 2016 operating grants of $0.5 million pertained to grant funds awarded by the Transportation Security Administration (TSA) for the costs associated with the law enforcement officers at security checkpoints ($0.3 million) and the canine security grant from the TSA ($0.2 million). The total FY 2016 operating grants decreased $0.1 million from the prior year due to the expiration of the Bay Area Air Quality Management District grant related to CNG buses.

Other nonoperating revenues increased 136.1%, or $1.1 million, mainly due to the one-time reimbursement from the California Plume Fund for clean-up of the old fuel farm underground storage tanks.

Capital contributions received during FY 2016 pertained to reimbursements from the FAA of $5.8 million mainly for the perimeter security fence line upgrades, runway pavement rehabilitation, and construction of the taxiway to comply with federal regulations.

EXPENSES

The following chart reflects the major cost centers as a percentage of operating expenses for the fiscal year ended June 30, 2017:



A summary of expenses (in thousands) for the fiscal years ended June 30, 2017, 2016, and 2015 is as follows:

	2017	2016	2015
Operating expenses:			
Terminal buildings/concessions	$ 31,115	$ 27,724	$ 23,833
Airfield	16,776	12,767	9,891
Parking and roadway	16,046	16,684	17,170
Fuel handling costs	16	(565)	28
General aviation	1,383	1,963	2,006
General and administrative	23,057	19,334	18,208
Depreciation and amortization	46,449	51,864	53,437
Total operating expenses	**134,842**	**129,771**	**124,573**
Nonoperating expenses:			
Interest expense	67,440	71,245	72,237
Bond issuance costs	2,492	-	976
Loss on capital assets disposal	-	-	-
Total nonoperating expenses	**69,932**	**71,245**	**73,213**
Total expenses	**$ 204,774**	**$ 201,016**	**$ 197,786**

2017 versus 2016

Operating expenses in 2017 increased 3.9%, or $5.1 million, from $129.8 million in 2016 to $134.8 million in 2017. Increases were experienced in salaries and fringe benefits, recognition of additional pension expenses due to the annual actuarial valuation of the assets of the Federated Plan, partially offset by a decrease in the overhead costs.

Salaries and fringe benefits increased $1.3 million from $24.7 million in 2016 to $26.0 million in 2017 due to the cost of living allowance adjustments, the increase in the retirement contribution rates, and additional staff.

Pension expense was $5.9 million in 2017 compared to $0.7 million in 2016. The increase of $5.2 million over the prior year was a result of the annual actuarial valuation of the Federated Plan assets.

Overhead expense decreased by 27.4%, or $1.0 million, due to the rate change from 21.3% in 2016 to 15.0% in 2017.

Interest expense in 2017 declined by 5.3%, or $3.8 million, compared to 2016, due to lower interest rates and a declining balance of the outstanding debt.

2016 versus 2015

Operating expenses in 2016 increased 4.2% or $5.2 million from $124.6 million in 2015 to $129.8 million in 2016. Increases were experienced in overhead, fees charged by the City for police and firefighting services, and recognition of additional pension expenses due to the annual actuarial valuation of the Federated Plan's assets. These were offset by the decrease in interest expense and bond issuance costs.

Overhead expense increased by 23.3% or $0.7 million due to the rate change from 17.9% in 2015 to 21.3% in 2016. Fees charged by the City for police and firefighting services went up by 24.8% or $2.3 million due to the expiration of the Staffing for Adequate Fire and Emergency Response (SAFER) grant in 2015, increases in salaries and associated benefits, overhead, and the overtime and training costs for Fire Department personnel.

Pension expense was $0.7 million in 2016 compared to $(2.4) million in 2015. The increase of $3.1 million over the prior year was a result of the annual actuarial valuation of the Federated Plan assets. Interest expense in 2016 declined by 1.4% or $1.0 million compared to 2015 due to lower interest rates and a declining balance of the outstanding debt.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Airport expended $41.3 million on both capitalized and noncapitalizable capital activities in fiscal year 2017 and $15.0 million in 2016. Major capital projects in 2017 included the perimeter security technology upgrades, southeast ramp reconstruction, aircraft rescue firefighting vehicles, FIS baggage system upgrades, FIS curbside improvements, security exit doors, construction of gates 29 and 30 in Terminal B, and Terminal A ground transportation island modification. Major capital projects in 2016 included the perimeter line upgrades, the runway pavement rehabilitation, and the taxiway modifications to comply with federal regulations.

As of June 30, 2017, the Airport was obligated for purchase commitments relating to capital projects of approximately $20.4 million primarily for the perimeter security technology upgrades, southeast ramp reconstruction, runway incursion mitigation, and the construction of gates 29 and 30 in Terminal B. Detailed information about capital assets can be found in Note 3 to the financial statements.

LONG-TERM DEBT

Subordinated Commercial Paper (CP) Notes

The Subordinated CP debt is a form of variable rate debt with a maturity between 1 to 270 days. As of June 30, 2017 and 2016, the total amount of Subordinated CP Notes outstanding totaled $25.5 million and $34.7 million, respectively. The City paid principal of $9.2 and $3.2 million during each of the fiscal years ended June 30, 2017 and 2016.

As of June 30, 2017, the Subordinated CP Notes were supported by the $41.0 million letter of credit (LOC) issued by Barclays Bank PLC (Barclays). Effective September 16, 2015, the City reduced the stated amount of the LOC issued by Barclays to support the Subordinated CP Notes from $65.0 million to $41.0 million, which covers the principal amount of $38.0 million and interest.

Additional information about the Airport’s commercial paper program can be found in Note 4 to the financial statements.

Revenue Bonds

As of June 30, 2017 and 2016, the Airport had total outstanding revenue bonds of $1,229.5 million and $1,313.5 million, respectively. In April 2017, all but one maturity of the Airport Revenue Bonds Series 2007A and all of Series 2007B Bonds in the amount of $683.5 million were refunded with the issuance of Airport Revenue Refunding Bonds Series 2017A and 2017B Bonds. During the fiscal years ended June 30, 2017, and 2016, the Airport paid principal of $24.7 million and $23.7 million, respectively.

Additional information about the Airport’s revenue bonds can be found in Note 5 to the financial statements.

Credit Ratings

The underlying ratings of the outstanding Airport Revenue Bonds are “A-”, “A2” and “A-” by Standard & Poor’s (S&P), Moody’s Investors Service (Moody’s), and Fitch Ratings (Fitch), respectively. With respect to the outstanding Airport Revenue Bonds, Fitch and Moody's reaffirmed a stable rating outlook and S&P revised the rating outlook from stable to positive. See Note 5 to the financial statements for a list of outstanding Airport Revenue Bonds.

Additional information about the Airport’s credit ratings can be found in the Reporting of Significant Events section of the Bond Disclosure Report.

AIRLINE RATES AND CHARGES

The Airport entered into an Airline Lease Agreement that took effect on December 1, 2007 with an expiration date of June 30, 2012. In August 2011, the City Council authorized the Director of Aviation to extend the term for five years through June 30, 2017, which allowed the airlines to continue to conduct operations and occupy leased space through the extended term. In May 2017, the Airline Lease Agreement was further extended for two years until June 30, 2019, with Article 11 amended to remove the Municipally-Funded Air Service Incentive Program, effectively July 1, 2017, and other provisions were added as required under federal law and regulations.

The key provisions in the Airline Lease Agreement include compensatory rate making for the terminal cost center and residual rate making for the airfield cost center. The Airline Lease Agreement also includes a revenue sharing provision to evenly divide net unobligated Airport revenues between the Airport and the airlines currently operating at the Airport after each fiscal year. In any fiscal year in which there are net unobligated Airport revenues and all requirements of the City's Airport financing documents have been satisfied, the remaining net unobligated Airport revenues are to be evenly divided between the City and the airlines. If net revenues exceed the projected levels, outlined in the Airport Forecast identified in the Airline Lease Agreement, then the airlines' share of the difference will be deposited into the Rate Stabilization Fund up to a cap of $9.0 million. The Rate Stabilization Fund is fully funded at $9.0 million. No additional contributions were made to the fund in the fiscal year ended June 30, 2017. Once the Rate Stabilization Fund has been fully funded or in the event that the actual net revenues do not exceed the projected net revenues, the airline's share of net revenues shall be applied as a credit to the airline terminal revenue requirement for the following fiscal year, thus reducing terminal rental rates for the following fiscal year. The first $1.0 million of City's share of any net revenues shall be retained by the Airport in a discretionary fund to be used for any lawful Airport purpose.

One of the provisions of the Airline Lease Agreement requires the airlines to make payments in addition to the landing fees and terminal rents in any fiscal year where the airport is unable to satisfy the debt service and debt service coverage requirements.

The rates and charges for the signatory (passenger and cargo) airlines for fiscal years 2017 and 2016 were as follows:

	2017	2016
Landing fee (per 1,000 lbs MGLW)	$ 2.70	$ 2.13
Terminal average rental rate (per square foot)	$ 154.63	$ 162.74
Airline cost per enplanement (budgeted)	$ 10.90	$ 10.90

Terminal rental rates and airline landing fees for FY 2018 have been developed as part of the annual budget process. The rates and charges for the signatory airlines for FY 2018, which became effective July 1, 2017, are as follows:

Landing fee (per 1,000 lbs MGLW)	$ 2.45
Terminal average rental rates (per square foot)	$ 172.24
Airline cost per enplanement (budgeted)	$ 10.36

After completion of the year-end closing and annual audit, the Airport achieved savings of approximately $11.2 million greater than what was anticipated in the preparation of the adopted 2017-18 Airline Rates and Charges. The surplus for 2017 will be allocated in accordance with the revenue sharing provisions of the Airline Lease Agreement.

FORWARD-LOOKING STATEMENTS

When used in this CAFR, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend," and similar expressions identify "forward-looking statements," but are not the exclusive means of identifying forward-looking statements in the CAFR. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this CAFR. The City undertakes no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of the CAFR.

REQUEST FOR INFORMATION

This financial report is designed to provide readers with a general overview of the Airport's finances for all those interested. All summaries of documents contained in this CAFR are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions. Each reference in this CAFR to a document is qualified in its entirety by reference to such document, which is on file with the Airport or with the City.

Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Norman Y. Mineta San José International Airport, 1701 Airport Blvd., Suite B1130, San José, CA 95110 or to the Director of Finance, 200 East Santa Clara Street, San José, California 95113.

Exhibit I
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Unrestricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	$ 134,910,940	$ 130,090,744
Receivables:		
Accounts, net of allowance for uncollectible accounts of $351,491 in 2017 and $328,993 in 2016	8,617,208	9,084,775
Accrued interest	753,189	373,983
Grants	5,031,630	1,919,964
Prepaid expenses, advances, and deposits	171,635	217,070
Total unrestricted assets	149,484,602	141,686,536
Restricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	75,859,613	99,398,511
Investments held by fiscal agent (Note 2)	109,416,632	104,080,030
Receivables:		
Accounts, net of allowance for uncollectible accounts of $15,000 in 2017 and 2016	5,222,706	4,257,036
Accrued interest	256,508	272,464
Prepaid expenses, advances, and deposits	844	844
Current portion of prepaid bond insurance	48,690	66,224
Total restricted assets	190,804,993	208,075,109
Total current assets	340,289,595	349,761,645
Noncurrent assets:		
Capital assets (Note 3):		
Nondepreciable	114,764,459	96,283,188
Depreciable assets, net of accumulated depreciation	1,187,893,826	1,216,388,032
Total capital assets	1,302,658,285	1,312,671,220
Advances and deposits	2,793,179	2,967,675
Prepaid bond insurance, less current portion	2,598,059	6,477,704
Total noncurrent assets	1,308,049,523	1,322,116,599
Total assets	1,648,339,118	1,671,878,244
Deferred Outflows of Resources		
Deferred outflows of resources:		
Deferred pension contributions (Note 7)	30,220,347	15,145,489
Loss on refundings of debt	9,686,371	3,326,397
Total deferred outflows of resources	$ 39,906,718	$ 18,471,886

See accompanying notes to financial statements.

Exhibit I
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Net Position
June 30, 2017 and 2016

	2017	2016
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 7,536,912	$ 3,724,075
Accrued salaries, wages, and payroll taxes	1,069,714	809,014
Accrued vacation, sick leave, and compensatory time, current (Note 5)	1,586,000	1,538,001
Advances and deposits payable	1,437,672	1,459,412
Unearned revenue	3,045,424	3,607,149
Estimated liability for self-insurance, current (Notes 5 and 9)	633,500	563,462
Accrued interest payable	31,979	5,876
Commercial paper notes payable (Note 4)	25,461,000	34,672,000
Total payable from unrestricted assets	40,802,201	46,378,989
Payable from restricted assets:		
Accounts payable	4,603,297	2,030,946
Accrued salaries, wages, and payroll taxes	39,491	16,051
Other current liabilities	200,204	-
Accrued interest payable	16,460,282	23,673,975
Current portion of bonds payable (Note 5)	44,344,228	24,711,115
Total payable from restricted assets	65,647,502	50,432,087
Total current liabilities	106,449,703	96,811,076
Noncurrent liabilities:		
Bonds payable, less current portion and net of unamortized discount/premium(Note 5)	1,265,988,568	1,300,867,774
Estimated liability for self-insurance, noncurrent (Note 5 and 9)	2,219,169	2,289,207
Accrued vacation, sick leave, and compensatory time, noncurrent (Note 5)	611,669	847,436
Net pension liability (Note 7)	102,068,534	81,312,808
Other postemployment benefits liability (Notes 5 and 7)	14,026,167	14,026,167
Total noncurrent liabilities	1,384,914,107	1,399,343,392
Total liabilities	1,491,363,810	1,496,154,468
Deferred Inflows of Resources		
Deferred inflows of resources:		
Deferred differences related to pension assumptions (Note 7)	185,525	-
Gain on refundings of debt	107,104	373,305
Total deferred inflows of resources	292,629	373,305
Net Position		
Net investment in capital assets	82,800,664	95,800,250
Restricted:		
Per Airline Lease Agreement for Airline revenue sharing	23,711,208	18,319,031
Per Master Trust Agreement for rolling debt service coverage	18,426,215	18,276,737
Per Rental Car Agreement	1,000,000	1,000,000
California Goverment Code Sections 50474.1-50474.3 for Customer Facility Charges	7,086,924	7,380,731
Future debt service [Note 1 (i)]	14,683,570	16,331,641
Unrestricted	48,880,816	36,713,967
Total net position	$ 196,589,397	$ 193,822,357

See accompanying notes to financial statements.

Exhibit II

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2017

	2017	2016
Operating revenues:		
Airline rates and charges:		
Landing fees	$ 18,369,680	$ 13,095,546
Terminal rental	39,778,321	40,800,293
Total airline rates and charges	58,148,001	53,895,839
Terminal buildings/concessions	20,206,590	17,575,813
Airfield	7,306,545	4,891,452
Parking and roadway	52,514,182	53,703,763
Fuel handling fees	3,080,382	3,225,613
General aviation/other	9,748,227	8,660,881
Customer facility charges	1,931,208	-
Total operating revenues	152,935,135	141,953,361
Operating expenses:		
Terminal buildings/concessions	31,115,432	27,724,459
Airfield	16,775,579	12,767,355
Parking and roadway	16,046,348	16,683,408
Fuel handling costs	16,000	(564,646)
General aviation	1,382,625	1,963,490
General and administrative	23,056,916	19,334,091
Depreciation and amortization	46,449,311	51,863,642
Total operating expenses	134,842,211	129,771,799
Operating income	18,092,924	12,181,562
Nonoperating revenues (expenses):		
Passenger facility charges	23,097,057	20,602,999
Customer facility charges	18,025,887	19,887,878
Investment income	1,591,015	2,444,018
Interest expense	(67,439,927)	(71,244,522)
Bond issuance costs	(2,492,092)	-
Operating grants	1,169,001	497,388
Other, net	602,920	1,902,189
Total nonoperating revenue (expenses), net	(25,446,139)	(25,910,050)
Loss before capital contributions	(7,353,215)	(13,728,488)
Capital contributions	10,120,255	5,760,190
Change in net position	2,767,040	(7,968,298)
Net position - beginning	193,822,357	201,790,655
Net position - ending	$ 196,589,397	$ 193,822,357

See accompanying notes to financial statements.

Exhibit III
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Receipts from customers and users	$ 153,714,863	$ 141,240,590
Payments to suppliers	(40,448,387)	(34,983,758)
Payments to employees	(27,189,683)	(25,251,245)
Payments for City services	(15,438,657)	(15,537,185)
Claims paid	(471,664)	(365,435)
Other receipts	664,304	1,962,406
Net cash provided by operating activities	70,830,776	67,065,373
Cash flows from noncapital financing activities:		
Operating grants	1,113,147	699,308
Cash flows from capital and related financing activities:		
Purchases of capital assets	(29,829,970)	(10,834,053)
Principal payments on bonds payable	(24,700,000)	(23,660,000)
Interest paid	(75,157,748)	(71,978,926)
Capital grants	7,064,445	4,971,298
Passenger facility charges received	22,238,621	20,140,325
Customer facility charges received	17,918,653	19,892,799
Bond proceeds	7,323,759	-
Bond issuance costs paid	(2,291,888)	-
Prepaid bond insurance	(83,155)	-
Principal payments on commercial paper	(9,211,000)	(3,240,000)
Advances on deposits received	174,496	204,944
Net cash used in capital and related financing activities	(86,553,787)	(64,503,613)
Cash flows from investing activities:		
Proceeds from sale and maturities investments	46,854,135	18,457,885
Puchase of investments	(77,826,079)	(18,462,552)
Investment income received	1,986,241	2,185,737
Net cash provided by investing activities	(28,985,703)	2,181,070
Net change in cash and cash equivalents	(43,595,567)	5,442,138
Cash and cash equivalents - beginning	319,601,283	314,159,145
Cash and cash equivalents - ending	$ 276,005,716	$ 319,601,283

See accompanying notes to financial statements.

Exhibit III
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2017 and 2016

	2017	2016
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 18,092,924	$ 12,181,562
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	46,449,311	51,863,642
Other revenues	664,304	1,962,406
Decrease (increase) in:		
Accounts receivable	467,567	(2,590,797)
Prepaid expenses, advances, and deposits	(1,413)	14,139
Increase (decrease) in:		
Accounts payable and accrued liabilities	(124,845)	640,226
Advances and deposit payable	(21,740)	(258,732)
Unearned revenue	(561,724)	2,194,586
Estimated liabilitiy for self insurance	-	111,268
Net pension liability, deferred outflows/inflows of resources related to pensions	5,866,392	687,479
Other postemployment benefits liabilities	-	259,594
Net cash provided by operating activities	$ 70,830,776	$ 67,065,373
Noncash noncapital financing activities:		
Change in operating grants receivable	(55,854)	201,920
Noncash capital and related financing activities:		
Change in accounts payable related to acquisition of capital assets	(6,606,411)	(238,203)
Change in capital grants receivables	(3,055,810)	(788,893)
Unrealized gain (loss) on investments held by fiscal agent	(758,475)	(11,946)
Bond refunding	683,505,000	-
Amortization of bond discount/premium/prepaid bond insurance	(361,643)	33,908
Amortization of deferred outflows/inflows of resources related to bond refundings	154,049	364,112
Reconciliation of cash and cash equivalents to the statements of net position		
Equity in pooled cash and investments held in City Treasury		
Unrestricted	134,910,940	130,090,744
Restricted	75,859,613	99,398,511
Investments held by fiscal agent classified as cash equivalents	65,235,163	90,112,028
Total cash and cash equivalents	276,005,716	319,601,283

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The Norman Y. Mineta San José International Airport had its beginning in 1945 with the lease of approximately 16 acres of farmland to Mr. James Nissen. Mr. Nissen and his associates formed an operating company, which undertook the construction of a 1,900-foot runway, a hangar, and an office building. Flight operations were initiated in 1946. In the fall of 1948, the City assumed responsibility for the operation of San José Municipal Airport, which was renamed San José International Airport in 1984 with the addition of airline service to Canada. In 2001, the San José International Airport was renamed the Norman Y. Mineta San José International Airport.

The Airport is operated as a department of the City and is accounted for as a self-supporting enterprise fund in the basic financial statements of the City. The eleven members of the City Council serve as the governing body that oversees the operation of the Airport.

A variety of federal, state and local laws, agreements, and regulations govern the operations at the Airport. The FAA has general jurisdiction over flying operations, including personnel, aircraft, ground facilities, and other technical matters, as well as certain environmental matters. Pursuant to the Airport and Airway Improvement Act of 1982 and other statutes, the City is constrained from transferring Airport revenues to its General Fund. This restriction is embodied in the federal grant agreements entered into by the City. Additionally, federal laws govern the reasonableness of fees that may be charged for the use of Airport facilities, Airport noise limits, and impose certain other restrictions on the City and Airport operations.

(b) Basis of Presentation - Fund Accounting

The accounts of the Airport are organized on the basis of a proprietary fund type, specifically an enterprise fund. The activities of this fund are accounted for with a set of self-balancing accounts that comprise the Airport's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) where the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

(c) Basis of Accounting and Estimates

(i) The Airport prepares its financial statements on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP), which provide that revenues are recorded when earned and expenses are recorded when incurred. Grants are recorded as revenues when all eligibility requirements have been met. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(ii) Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues of the Airport's enterprise fund are charges to customers for use of property and for services provided. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(iii) Under the terms of grant agreements, the Airport funds certain programs with specific cost-reimbursement grants. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program.

(d) Cash and Investments

Cash balances of the Airport, as well as other related entities, are pooled and invested by the City. The Airport's portion of this pool is displayed on the statement of net position as "Equity in pooled cash and investments held in City Treasury." Income earned or losses arising from pooled investments are allocated on a monthly basis by the City Treasury to the Airport based on the average weekly cash balances.

The Airport reports its investments in investment agreements at cost and all other investments are reported at fair value in the accompanying financial statements and the corresponding change in fair value of investments is reported in the year in which the change occurred. The Airport has reported its investments at fair value based on quoted market information obtained from fiscal agents or other sources.

Pooled cash and investments in the City Treasury are considered to be cash and cash equivalents for purposes of the accompanying statements of cash flows. Pooled cash and investments represent deposits and investments held in the City's cash management pool. This cash management pool possesses the characteristics of a demand deposit account, therefore, investments in this pool are considered to be cash equivalents. The Airport also considers all highly liquid restricted investments with a maturity of three months or less when purchased to be cash equivalents.

(e) Capital Assets

Capital assets include intangible assets, land, buildings and improvements, and equipment. Capital assets are defined as assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year. Capital assets are carried at cost. Certain property acquisition costs incurred in accordance with the California Noise Reduction Act have been capitalized in the land account in prior years. The purchase of land included movable structures that had to be removed for the land to be usable for the Airport's purposes.

Intangible assets, which are identifiable, are recorded as capital assets. The Airport has identified certain habitational rights and aviation/relocation easements acquired in connection with the California Noise Reduction Act as intangible assets with indefinite useful lives. Intangible assets not having indefinite useful lives will be amortized over the estimated service capacity of the asset.

Maintenance, repairs, and minor replacements are expended as incurred. 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.

Depreciation of capital assets is computed using the straight-line method at various rates considered adequate to allocate costs over the estimated useful lives of such assets. The estimated lives by general classification are as follows:

	Years
Buildings and improvements	5 - 40
Equipment	4 - 20

(f) Capitalization of Interest

Interest costs related to the acquisition of buildings and improvements acquired with debt are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project. The Airport did not capitalize interest during fiscal years ended June 30, 2017 and 2016.

(g) Bond Issuance Costs, Bond Discounts/Premiums, and Deferred Outflows/Inflows of Resources on Refunding

Bond issuance costs related to prepaid insurance costs are capitalized and amortized using the effective interest method. Other bond issuance costs are expensed when incurred. Original issue bond discount or premium are offset against the related debt and are also amortized using the effective interest method. Deferred outflows/inflows of resources from refunding of debt are recognized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter.

(h) Operating Grants and Capital Contributions

Certain expenditures for airport capital improvements, airport safety and security operations, are significantly funded through the Airport Improvement Program (AIP) of the FAA, with certain matching funds provided by the Airport. Funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants awarded by TSA to reimburse the Airport for safety and security costs are reported in the statement of revenues, expenses and changes in net position as nonoperating revenues. Grants for capital asset acquisition, facility development, and rehabilitation are reported as capital contributions, after nonoperating revenues and expenses.

(i) Passenger Facility Charges

PFC are recorded as nonoperating revenue in the year they are collected by the air carriers from the sale of air travel tickets and remitted to the Airport in accordance with Airport regulations. At June 30, 2017 and 2016, accumulated PFC funds amounted to $14,683,570 and $16,331,641, respectively, and are reported as restricted for future debt service in the restricted net position category of the Airport's statements of net position.

Under the Airport's Master Trust Agreement, the Airport may for any period elect to designate any PFC funds as "Available PFC Revenues" by filing with the trustee (Fiscal Agent) a written statement designating the amount of such Available PFC Revenues and containing a statement that the Available PFC Revenues are legally available to be applied to pay bond debt service during such period. Amounts of $24,788,523 and $24,828,669 from accumulated PFC funds had been designated as Available PFC Revenues for payment of eligible bond debt service in fiscal years ended June 30, 2017 and 2016, respectively.

(j) Customer Facility Charges

CFC revenues are the charges to customers of rental car companies at the Airport in accordance with California Government Code Sections 50474.1-50474.3 to help pay for capital costs and related debt service associated with the ConRAC and certain operating expenses related to the transportation of rental car customers between terminals and the ConRAC. CFC revenues are recorded as operating and nonoperating revenues. Effective July 1, 2017, the Airport started using a portion of CFC revenues to pay for the transportation costs, which is recorded as operating revenue. No CFC revenues were used for transportation costs in FY 2016. CFC revenues are recorded as nonoperating revenues to the extent of the annual debt service on the Airport Revenue Bond Series 2011B.

Under the Airport's Master Trust Agreement, the Airport may for any period elect to designate CFC revenues as "Other Available Funds" by filing with the Fiscal Agent a written statement designating the amount of such "Other Available Funds" and containing a statement that the "Other Available Funds" are legally available to be applied to pay debt service on the Series 2011B Bonds during such period. CFC revenues of $18,025,887 and $17,700,648 had been designated as "Other Available Funds" for payment of eligible bond debt service in fiscal years ended June 30, 2017 and 2016, respectively.

(k) Accrued Vacation, Sick Leave, and Compensatory Time

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

(l) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Airport's participation in the City of San José Federated City Employees' Retirement System (Federated Plan) and additions to/deductions from the Federated Plan's fiduciary net position have been determined on the same basis as they are reported by the Federated Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Federated Plan's investments are reported at fair value.

(m) Net Position

The financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation, deferred outflows and inflows associated with the debt, and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2017 and 2016, the Airport's statements of net position report restricted net position of $64,907,917 and $61,308,140, respectively, of which $21,770,494 and $23,712,372, respectively, is restricted by enabling legislation.

- Unrestricted Net Position – This category represents the net amount that do not meet the criteria for "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the Airport's policy to use restricted resources first, and then use unrestricted resources as needed.

(n) New Pronouncements

During the year ended June 30, 2017, the Airport implemented the following accounting standards:

- In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The application of Statement No. 73 did not have any effect on the Airport's financial statements.

- In June 2015, GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB Statement No. 74). This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with other postemployment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support to OPEB provided to the employees of other entities. GASB Statement No. 74 also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria. The application of Statement No. 74 did not have any effect on the Airport's financial statements.

- In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer. The application of Statement No. 78 did not have any effect on the Airport's financial statements.

- In March 2016, the GASB issued Statement No. 82, *Pension Issues-An Amendment of GASB Statement No.67, No. 68, and No. 73*. This statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures. The application of Statement No. 82 did not have any effect on the Airport's financial statements.

The Airport is currently evaluating its accounting practices to determine the potential impact on the financial statements for the following GASB Statement:

- In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75), which establishes new accounting and financial reporting requirements for OPEB plans improving the accounting and financial reporting by state and local governments for OPEB and provides information provided by state and local government employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. GASB Statement No. 75 is effective for the Airport's fiscal year ending June 30, 2018.

(2) Cash and Investments

The City Council adopted an investment policy (Investment Policy) on April 2, 1985, as amended on June 7, 2016, related to the City's cash and investment pool, which is subject to annual review. The Investment Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Investment Policy, the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the Investment Policy. The Investment Policy was last reviewed and approved with no changes on March 7, 2017.

The Airport invests funds subject to the Investment Policy and provisions of the Airport's Master Trust Agreement for its various bond issues. According to the Investment Policy and the Airport's Master Trust Agreement, the Airport is permitted to invest in the City's cash and investment pool, the State of California Local Agency Investment Fund (LAIF), obligations of the U.S. Treasury or U.S. Government Agencies, time deposits, investment agreements, money market mutual funds invested in U.S. Government securities, along with various other permitted investments.

The Airport maintains a portion of its investments in the City's cash and investment pool. As of June 30, 2017 and 2016, the Airport's share of the City's cash and investment pool totaled $210,770,553 and $229,489,255, respectively. It is not possible to disclose relevant information about the Airport's separate portion of the cash and investment pool, as there are no specific investments belonging to the Airport itself. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2017 CAFR. A copy of that report may be obtained by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

The Master Trust Agreement authorizes long-term debt (discussed in Note 5) and requires certain amounts of investments to be held in trust by the Fiscal Agent for the bondholders and to be used for repayment of principal and interest on outstanding debt, or to be spent only on authorized capital projects. As of June 30, 2017 and 2016, restricted investments held by the Fiscal Agent totaled $109,416,632 and $104,080,030, respectively. The Master Trust Agreement addresses any limitations in Airport investment of moneys. The investments are subject to certain types of risk, including interest rate risk, credit quality risk, and concentration credit risk. However, the Master Trust Agreement does not specifically address policies for each risk.

Provisions of the Airport's Master Trust Agreement limit the Airport's investment of moneys in bond reserve funds to time or demand deposits or permitted investments, which mature not more than five years from the date of investment, except for permitted investments, which, by their terms, permit withdrawal of the entire principal amount of such investment at par without penalty and at such times as required by the Master Trust Agreement. The Master Trust Agreement also limits the investments of moneys held by the City to time or demand deposits in any bank or trust authorized to accept public funds, and shall be secured at all times by such obligations, and to the fullest extent, as is required by law, and may at the written direction of the City be invested in permitted investments, maturing not later than the date on which such moneys are required for payment by the Director of Finance or the Fiscal Agent.

The Airport is a voluntary participant in the LAIF that is governed by the California Government Code under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute. The fair value of the Airport's investment in the LAIF pool is reported in the accompanying financial statements at amounts based upon the Airport's pro rata share of the fair value provided by LAIF, for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis, which is different from the fair value of the Airport's position in the LAIF pool. LAIF is part of the State's Pooled Money Investment Account (PMIA).

As of June 30, 2017, the Airport's investments in LAIF held by the Fiscal Agent was $63,561,072. The weighted average maturity of LAIF at June 30, 2017 was 194 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2017 was approximately $22.8 billion. The total amount recorded by all public agencies in PMIA at June 30, 2017 was approximately $77.6 billion and, of that amount, 60.79% was invested in U.S. Treasuries and agencies, 27.73% in depository securities, 10.60% in commercial paper, 0.83% in loans, and 0.05% in mortgages.

As of June 30, 2016, the Airport's investments in LAIF held by the Fiscal Agent was $90,077,252. The weighted average maturity of LAIF at June 30, 2016 was 167 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2016 was approximately $22.7 billion. The total amount recorded by all public agencies in PMIA at June 30, 2016 was approximately $75.4 billion and of that amount, 58.91% was invested in U.S. Treasuries and agencies, 30.41% in depository securities, 9.93% in commercial paper, 0.67% in loans, and 0.08% in mortgages.

Interest Rate Risk – Interest rate risk is the risk that changes in market rates will adversely affect the fair value of an investment. Generally, debt investments with fixed coupons for longer periods are subject to more variability in their value as a result of changing interest rates. The City manages its exposure to interest rate risk by capping the average weighted maturity of the investment portfolio at two years. Also, the City sets the maximum maturity for every investment at the time of purchase by asset class, with the longest not to exceed five years.

In practice, the City purchases a combination of shorter-term and longer-term investments and times the cash flows to meet liquidity needs for operations. The average maturity of the City's pooled cash and investments at June 30, 2017, and June 30, 2016, was approximately 513 days, and 472 days, respectively.

Credit Quality Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. When investing, the City applies the Prudent Investor Standard and acts with care, prudence and diligence to safeguard the principal, maintain liquidity, and seek reasonable yields. The Investment Policy has strict rating requirements. The City manages credit risk by selecting high quality securities, diversifying the portfolio, and establishing monitoring procedures.

Concentration of Credit Risk – It is not possible to disclose relevant information about the Airport's separate portion of the cash and investment pool, as there are no specific investments in the City's cash and investment pool belonging to the Airport itself. The Investment Policy sets forth the policies regarding concentration of credit risk.

The following schedule indicates the interest rate risk and credit risk of the investments held by the Fiscal Agent, by category and maturity, as of June 30, 2017 and 2016. The credit ratings listed are for Moody's and S&P, respectively.

As of June 30, 2017

Type of Investments:	Credit Rating	Maturities: Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Carrying Value
Investments held by the fiscal agent						
Federated treasury obligations fund	Aaa-mf/AAAm	$ 1,674,092	$ -	$ -	$ -	$ 1,674,092
Federal Home Loan Bank[1]	Aaa/AA+	-	-	-	44,181,468	44,181,468
Local agency investment fund	Not rated	-	63,561,072	-	-	63,561,072
		$ 1,674,092	$ 63,561,072	$ -	$ 44,181,468	$ 109,416,632

As of June 30, 2016

Type of Investments:	Credit Rating	Maturities: Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Carrying Value
Investments held by the fiscal agent						
Federated treasury obligations fund	Aaa-mf/AAAm	$ 34,778	$ -	$ -	$ -	$ 34,778
Federal Home Loan Bank[1]	Aaa/AA+	13,968,000	-	-	-	13,968,000
Local agency investment fund	Not rated	-	90,077,252	-	-	90,077,252
		$ 14,002,778	$ 90,077,252	$ -	$ -	$ 104,080,030

[1] Investments with these issuers represent more than 5% of the Airport's investments held by the Fiscal Agent.

Fair Value Measurement Categorization. The Airport categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The Airport has the following recurring fair value measurements as of June 30, 2017 and June 30, 2016:

Investments by Fair Value Level	Carrying Value at June 30, 2017	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments with fiscal agents:				
Investments by fair value level				
Federated treasury obligations fund	$ 1,674,092	$ 1,674,092	$ -	$ -
Federal Home Loan Bank[1]	44,181,468	10,119,765	34,061,703	-
Total investments by fair value level	45,855,560	11,793,857	34,061,703	-
Investments by NAV				
California local agency investment fund	63,561,072	-	-	-
Total investments by NAV	63,561,072	-	-	-
Total investments with fiscal agents	$ 109,416,632	$ 11,793,857	$ 34,061,703	$ -

Investments by Fair Value Level	Carrying Value at June 30, 2016	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments with fiscal agents:				
Investments by fair value level				
Federated treasury obligations fund	$ 34,778	$ 34,778	$ -	$ -
Federal Home Loan Bank[1]	13,968,000	-	13,968,000	-
Total investments by fair value level	14,002,778	34,778	13,968,000	-
Investments by NAV				
California local agency investment fund	90,077,252	-	-	-
Total investments by NAV	90,077,252	-	-	-
Total investments with fiscal agents	$ 104,080,030	$ 34,778	$ 13,968,000	$ -

(1) Investments with these issuers represent more than 5% of the Airport's investments held by the Fiscal Agent.

Securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Government agency securities classified in Level 2 of the fair value hierarchy are valued using Interactive Data (IDC) institutional bond pricing techniques.

LAIF Withdrawal Policy – LAIF operating account allows a maximum of 15 transactions per account in a calendar month. The transaction amount shall be no less than $5,000 and in increments of a thousand dollars. LAIF allocates interest earnings once every quarter. The interest earnings can be withdrawn in exact amount at any time. LAIF bond accounts have no restrictions on the amounts allowed on deposit, but are limited to one withdrawal per every 30 days.

(3) Capital Assets

Capital asset activities for the fiscal years ended June 30, 2017 and 2016, were as follows:

	Balance at July 1, 2016	Additions	Retirements	Transfers	Balance at June 30, 2017
Capital assets, not depreciated:					
Land	$ 75,781,265	$ -	$ -	$ -	$ 75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	7,620,376	32,278,660	-	(13,797,389)	26,101,647
Total capital assets, not depreciated	96,283,188	32,278,660	-	(13,797,389)	114,764,459
Capital assets, depreciated:					
Buildings	1,139,355,904	(26,829)	-	7,857,871	1,147,186,946
Other improvements	599,155,892	356,314	-	5,939,518	605,451,724
Equipment	47,954,441	3,828,231	(213,323)	-	51,569,349
Total capital assets, depreciated	1,786,466,237	4,157,716	(213,323)	13,797,389	1,804,208,019
Less accumulated depreciation:					
Buildings	281,249,575	26,516,992	-	-	307,766,567
Other improvements	254,129,129	18,005,885	-	-	272,135,014
Equipment	34,699,501	1,926,434	(213,323)	-	36,412,612
Total accumulated depreciation	570,078,205	46,449,311	(213,323)	-	616,314,193
Total capital assets, depreciated, net	1,216,388,032	(42,291,595)	-	13,797,389	1,187,893,826
Total capital assets, net	$ 1,312,671,220	$ (10,012,935)	$ -	$ -	$ 1,302,658,285

	Balance at July 1, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
Capital assets, not depreciated:					
Land	$ 75,781,265	$ -	$ -	$ -	$ 75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	2,281,245	9,843,390	-	(4,504,259)	7,620,376
Total capital assets, not depreciated	90,944,057	9,843,390	-	(4,504,259)	96,283,188
Capital assets, depreciated:					
Buildings	1,137,993,921	204,703	-	1,157,280	1,139,355,904
Other improvements	595,629,574	275,136	-	3,251,182	599,155,892
Equipment	47,790,253	749,027	(680,636)	95,797	47,954,441
Total capital assets, depreciated	1,781,413,748	1,228,866	(680,636)	4,504,259	1,786,466,237
Less accumulated depreciation:					
Buildings	251,787,590	29,461,985	-	-	281,249,575
Other improvements	236,230,536	17,898,593	-	-	254,129,129
Equipment	30,877,073	4,503,064	(680,636)	-	34,699,501
Total accumulated depreciation	518,895,199	51,863,642	(680,636)	-	570,078,205
Total capital assets, depreciated, net	1,262,518,549	(50,634,776)	-	4,504,259	1,216,388,032
Total capital assets, net	$ 1,353,462,606	$ (40,791,386)	$ -	$ -	$ 1,312,671,220

The Airport's depreciation expense on capital assets was $46,449,311 and $51,863,642 for fiscal years ended June 30, 2017 and 2016, respectively.

(4) Commercial Paper Notes Payable

In November 1999, the City authorized the issuance from time to time of Subordinated CP Notes that are secured by a lien on Surplus Revenues (which are General Airport Revenues remaining after the payment of maintenance and operation costs of the Airport and the payment of debt service on the Airport Revenue Bonds and the funding of any bond reserve funds established for the Airport Revenue Bonds). In 2008, the City authorized the Subordinated CP Notes to be issued in an aggregate principal amount of up to $600 million outstanding at any one time. The Subordinated CP Notes may be issued at prevailing interest rates for periods of maturity not to exceed 270 days.

In February 2014, the City entered into a LOC and reimbursement agreement (Reimbursement Agreement) with Barclays. Pursuant to the Reimbursement Agreement, Barclays issued a $65.0 million LOC supporting the Subordinated CP Notes, effective on February 11, 2014. On September 16, 2015, the City reduced the LOC stated amount from $65.0 million to approximately $41.0 million. The LOC provided by Barclays has been extended to February 9, 2018, and can be extended or terminated earlier pursuant to its terms.

The terms of the Barclays LOC are specified in the Reimbursement Agreement. In general, Barclays agrees to advance funds to the issuing and paying agent for the Subordinated CP Notes to pay the principal and interest on maturing Subordinated CP Notes in an amount not to exceed the stated amount of the LOC. In the event that the commercial paper dealer is unable to find investors to purchase Subordinated CP Notes to repay the advance from Barclays, the City is obligated to pay interest to Barclays based on a formula specified in the Reimbursement Agreement and repay principal in accordance with the schedule and the terms also specified in the Reimbursement Agreement.

An event of default under the Reimbursement Agreement would entitle Barclays to demand that no additional Subordinated CP Notes be issued, that the City reimburse Barclays immediately for draws under the LOC, and that all other amounts owed by the City to Barclays be accelerated and become due immediately. Events of default under the Reimbursement Agreement include, among others: a default under the Master Trust Agreement or the issuing and paying agent agreement for the Subordinated CP Notes; non-payment; a breach of a covenant; bankruptcy; and ratings events including a suspension or withdrawal of the long-term, unenhanced debt rating assigned to the Airport Revenue Bonds (other than where the Airport Revenue Bonds shall continue to be rated by any two of Moody’s, Fitch, or S&P), or downgrades by any of Moody’s, Fitch or S&P of its ratings on the Airport Revenue Bonds below “Baa2,” “BBB” and “BBB,” respectively for a period of 120 consecutive calendar days. All amounts payable by the City to Barclays under the Reimbursement Agreement are secured by a lien on the Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues, which lien is subordinate to the lien of the Airport Revenue Bonds.

In connection with the LOC issued by Barclays, the City entered into a separate fee letter to specify the facility fee rate and other charges payable by the Airport. The facility fee rate under the fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the LOC. The facility fee rate is subject to increase in the event that the underlying credit rating of the Airport Revenue Bonds is withdrawn, suspended, or downgraded or upon an event of default under the Reimbursement Agreement. The facility fee rate in effect is 0.425% as of June 30, 2017 and 2016.

Subordinated CP Notes activities for the fiscal years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Beginning balance	$ 34,672,000	$ 37,912,000
Paid	(9,211,000)	(3,240,000)
Ending balance	$ 25,461,000	$ 34,672,000

Balances of Subordinated CP Notes payable as of June 30, 2017 and 2016 were as follows:

As of June 30, 2017	
Series A-2 Subordinated CP Notes maturing on August 10, 2017 were issued with an interest rate of 0.92%	$ 11,992,000
Series B Subordinated CP Notes maturing on August 10, 2017 were issued with an interest rate of 0.94%	13,045,000
Series C Subordinated CP Notes maturing on July 3, 2017 were issued with an interest rate of 1.45%	424,000
Total Subordinated CP Notes payable	$ 25,461,000
As of June 30, 2016	
Series A-2 Subordinated CP Notes maturing on September 15, 2016 were issued with an interest rate of 0.52%	$ 11,992,000
Series B Subordinated CP Notes maturing on September 15, 2016 were issued with an interest rate of 0.54%	13,045,000
Series C Subordinated CP Notes maturing on July 5, 2016 were issued with an interest rate of 0.54%	9,635,000
Total Subordinated CP Notes payable	$ 34,672,000

Although the Subordinated CP Notes have short-term maturities, the Airport's original intent was to pay the remaining balance on a long-term basis based on the assumption that the outstanding Subordinated CP Notes will be paid on a 30-year amortization period with the first principal payments paid in fiscal year 2011. However, the Airport is monitoring the increase in interest rates and paying down the CP as cash flow permits.

(5) Long-Term Obligations

Airport Revenue Bonds are issued primarily to finance the construction of capital improvements at the Airport. Pursuant to the Master Trust Agreement, the City has irrevocably pledged the General Airport Revenues (as defined in the Master Trust Agreement) and certain other funds held or made available under the Master Trust Agreement, first to the payment of Maintenance and Operation Costs of the Enterprise (as defined in the Master Trust Agreement), and second to the payment of principal of and premium, if any, and interest on the bonds. General Airport Revenues generally include all revenues, income, receipts, and moneys derived by the City from the operation of the Airport with the exception of certain expressly excluded revenues.

The net revenues available to pay Debt Service in fiscal year ended June 30, 2017 totaled

$156,577,274, which is composed of $78,701,317 of Net General Airport Revenues (as defined in the Master Trust Agreement) and $77,875,957 of Other Available Funds (as defined in the Master Trust Agreement). Other Available Funds include surplus carryover of $37,278,613, rolling debt service coverage of $18,276,738, CFC Revenues of $18,025,887, and unspent Series 2007B bond proceeds of $4,294,719. The bond Debt Service (as defined in the Master Trust Agreement) paid from the General Airport Revenues and Other Available Funds amounted to $70,871,026, which is net of $24,788,523 of bond Debt Service paid from the accumulated PFC funds.

In prior years' Notes to the Financial Statements, the Airport reported net revenues available to pay debt service in fiscal year ended June 30, 2016 of $151,237,842, which was composed of $72,690,568 of Net General Airport Revenues and $78,547,274 of Other Available Funds. Other Available Funds include surplus carryover of $24,348,572, rolling debt service coverage of $18,333,780, CFC Revenues of $19,887,878, and unspent Series 2007B bond proceeds of $11,082,575. The bond debt service paid from the General Airport Revenues and Other Available Funds amounted to $70,623,116, which is net of $24,828,669 of bond Debt Service paid from the accumulated PFC funds. The CFC revenues available for debt services included in Other Available Funds was restated to be limited to the amount of CFC eligible debt service. The restatement of net revenues available to pay debt service for fiscal year ended June 30, 2016 is as follows: The net revenues available to pay debt service in fiscal year ended June 30, 2016 of $144,156,143, which was composed of $72,690,568 of Net General Airport Revenues and $71,465,575 of Other Available Funds. Other Available Funds include surplus carryover of $24,348,572, rolling debt service coverage of $18,333,780, CFC Revenues of $17,700,648, and unspent Series 2007B bond proceeds of $11,082,575. The bond debt service paid from the General Airport Revenues and Other Available Funds amounted to $70,623,116, which is net of $24,828,669 of bond Debt Service paid from the accumulated PFC funds.

The City has covenanted in the Master Trust Agreement that net revenues available to pay debt service for each fiscal year plus certain Other Available Funds held or made available under the Master Trust Agreement will be at least 125% of annual debt service for such fiscal year. Under the Master Trust Agreement, "Debt Service" means for any specified period the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds. Under the Master Trust Agreement, annual debt service excludes Available PFC Revenues for such fiscal year. Total principal and interest remaining on the bonds is $2,331,350,578, with the final payment due on March 1, 2047.

As of June 30, 2017 and June 30, 2016, the reserve requirement in the General Account of the Bond Reserve Fund is satisfied, in part, by approximately $4.3 million surety bond from Ambac Indemnity Corporation [currently known as Ambac Assurance Corporation, the principal operating subsidiary of Ambac Financial Group Inc., (Ambac)] expiring on March 1, 2018. After expiration of the Ambac surety bond, it is expected that the Reserve Requirement will be met as satisfied in the General Account of the Bond Reserve Fund due to a decrease in the maximum annual debt service as a result of the issuance of the Series 2017A and 2017B Bonds unless the General Account is drawn upon to pay principal or interest on the Airport Revenue Bonds secured by the General Account or is made available to pay to any additional bonds in accordance with the terms of the Master Trust Agreement. The Required Reserve in the General Account of the Bond Reserve Fund secures the Series 2011A-1, 2011A-2, 2012A, 2014A, 2014B, 2014C, 2017A, and 2017B Bonds. According to the Master Trust Agreement, in the event that the Ambac surety bond for any reason terminates and the remaining amount on deposit in the General Account is less than the Required Reserve, the Airport is to address such shortfall by delivering to the trustee a surety bond or a LOC meeting the criteria of a Qualified Reserve Facility (as defined in the Master Trust Agreement) under the Master Trust Agreement, or depositing cash to the General Account in up to twelve equal monthly installments.

Ambac's rating was reduced or withdrawn subsequent to the deposit of the surety bond in the General Account. The Master Trust Agreement does not require that the rating of any surety bond held in the General Account be maintained after the date of deposit.

On May 1, 2013, Ambac emerged from bankruptcy protection which had been filed under Chapter 11 of the Bankruptcy Code. Starting in March 2010, certain of the policy liabilities of Ambac were allocated to a segregated account, which has been subject to a plan of rehabilitation. Policy obligations not allocated to such segregated account, including obligations in respect of the surety bond provided by Ambac on deposit in the general account of the bond reserve fund, are not subject to, and therefore will not be directly impacted by, such rehabilitation proceeding. No assurance can be made regarding the claims paying ability of Ambac on the surety bond described above.

On April 11, 2017, the City issued $624,270,000 of City of San José, California Airport Revenue Refunding Bonds, Series 2017A (AMT) and Series 2017B (non-AMT) to (1) refund outstanding fixed-rate Airport Revenue Bonds Series 2007A (AMT) and Series 2007B (non-AMT) (2) make a deposit into the General Account of the Bond Reserve Fund and (3) pay costs of issuance. The Series 2017A and 2017B Bonds refunded all but one maturity of the Series 2007A and all of the outstanding Series 2007B (collectively, the "Refunded Bonds"). This transaction was a restructuring to eliminate the debt service "spike" that occurred from 2033-2037, creating level debt service from 2035-2037. Even with the restructuring, significant savings were achieved with $83,231,501 in present value savings (12.17% of the refunded bonds). The City completed the refunding to reduce the total debt service payments over the next 30 years by $27,523,933 (prior debt service of $1,266,430,505 and the refunding debt service of $1,238,906,572). The Series 2017A/B Bonds are limited obligations of the City payable solely from and secured by a pledge of General Airport Revenues generated by the Airport, certain funds and accounts held by the trustee or made available under the Master Trust Agreement, after the payment of Maintenance and Operation Costs.

The Series 2017A Bonds were issued in a principal amount of $473,595,000 with fixed coupon interest rates ranging from 4% to 5% and have a final maturity date of March 1, 2047. The Series 2017B Bonds were issued in a principal amount of $150,675,000 and have fixed coupon rates between 2% and 5%, with a final maturity on March 1, 2047. The Series 2017A Bonds maturity in 2042 were issued with a bond insurance policy from Build America Mutual (the "Insured Bonds"). The bond insurance policy was purchased at a cost of 0.15% of the total principal and interest payments of the insured bonds through the optional redemption date in 2027, equal to $83,155. If the Insured Bonds are not called for redemption in 2027, a premium of 0.05% of the principal and interest will be payable annually thereafter while the Insured Bonds are outstanding.

Balances of Bonds payable as of June 30, 2017 and 2016 were as follows:

	2017	2016
2017B Series Airport Revenue Bonds of $150,675,000 with interest rate of 2.0% to 5.0%; payable in annual installments ranging from $1,275,000 to $11,180,000 with the final installment due in March 2047	$ 150,675,000	$ -
2017A Series Airport Revenue Bonds of $473,595,000 with interest rate of 4.0% to 5.0%; payable in annual installments ranging from $4,005,000 to $35,145,000 with the final installment due in March 2047	473,595,000	-
2014C Series Airport Revenue Bonds of $40,285,000 with interest rate of 3.6% to 5.0%; payable in five annual installments ranging from $7,295,000 to $8,860,000 with the first installment in March 2027 and the final installment due in March 2031	40,285,000	40,285,000
2014B Series Airport Revenue Bonds of $28,010,000 at a rate of 3.1% to 5.0%; payable in three annual installments of $7,975,000, $9,665,000, and $10,370,000 in March 2026, March 2027, and March 2028, respectively	28,010,000	28,010,000
2014A Series Airport Revenue Bonds of $57,350,000 at rates of 2.0% to 5.0%; payable in annual installments ranging from $50,000 to $9,175,000 with the final installment due in March 2026	56,090,000	56,185,000
2012A Series Airport Revenue Bonds of $49,140,000 the remaining balance of $8,585,000 with interest rate of 1.5% is due in March 2018	8,585,000	17,045,000
2011B Series Airport Revenue Bonds of $271,820,000 at rates of 4.1% to 6.8%; payable in annual installments ranging from $1,540,000 to $27,330,000 with the final installment due in March 2041	261,635,000	262,790,000
2011A-2 Series Airport Revenue Bonds of $86,380,000 at rates of 4.0% to 5.3%; payable in annual installments ranging from $1,910,000 to $12,220,000 with the final installments due in March 2034	74,340,000	76,430,000
2011A-1 Series Airport Revenue Bonds of $150,405,000 at rates of 5.0% to 6.3%; payable in annual installments ranging from $3,355,000 to $21,115,000 with the final installment due in March 2034	129,305,000	132,970,000
2007B Series Airport Revenue Bonds of $179,260,000 was fully refunded in April 2017	-	172,235,000
2007A Series Airport Revenue Bonds of $545,755,000 was partially refunded in April 2017; the remaining balance of $7,025,000 with interest rate of 5.5% is due in March 2018	7,025,000	527,530,000
Total Bonds payable	$ 1,229,545,000	$ 1,313,480,000

Bonds outstanding and related activities for the fiscal years ended June 30, 2017 and 2016, were as follows:

	Balance at July 1, 2016	Additions	Retirements	Balance at June 30, 2017	Amounts Due Within One Year
2017B Series	$ -	$ 150,675,000	$ -	$ 150,675,000	$ 4,505,000
2017A Series	-	473,595,000	-	473,595,000	14,145,000
2014C Series	40,285,000	-	-	40,285,000	-
2014B Series	28,010,000	-	-	28,010,000	-
2014A Series	56,185,000	-	95,000	56,090,000	50,000
2012A Series	17,045,000	-	8,460,000	8,585,000	8,585,000
2011B Series	262,790,000	-	1,155,000	261,635,000	1,540,000
2011A-2 Series	76,430,000	-	2,090,000	74,340,000	2,200,000
2011A-1 Series	132,970,000	-	3,665,000	129,305,000	3,850,000
2007B Series	172,235,000	-	172,235,000	-	-
2007A Series	527,530,000	-	520,505,000	7,025,000	7,025,000
Total long-term debt	1,313,480,000	624,270,000	708,205,000	1,229,545,000	41,900,000
Add unamortized					
Premium:	21,739,422	66,558,759	946,759	87,351,422	2,518,703
Less unamortized					
Discount:	9,640,533	-	3,076,907	6,563,626	74,475
Total long-term debt, net	$ 1,325,578,889	$ 690,828,759	$ 706,074,852	$ 1,310,332,796	$ 44,344,228

	Balance at July 1, 2015	Additions	Retirements	Balance at June 30, 2016	Amounts Due Within One Year
2014C Series	$ 40,285,000	$ -	$ -	$ 40,285,000	$ -
2014B Series	28,010,000	-	-	28,010,000	-
2014A Series	56,325,000	-	140,000	56,185,000	95,000
2012A Series	25,385,000	-	8,340,000	17,045,000	8,460,000
2011B Series	263,590,000	-	800,000	262,790,000	1,155,000
2011A-2 Series	78,460,000	-	2,030,000	76,430,000	2,090,000
2011A-1 Series	136,505,000	-	3,535,000	132,970,000	3,665,000
2007B Series	174,675,000	-	2,440,000	172,235,000	2,545,000
2007A Series	533,905,000	-	6,375,000	527,530,000	6,690,000
Total long-term debt	1,337,140,000	-	23,660,000	1,313,480,000	24,700,000
Add unamortized:					
Premium	21,826,662	-	87,240	21,739,422	83,060
Less unamortized:					
Discount	9,701,464	-	60,931	9,640,533	71,945
Total long-term debt, net	$ 1,349,265,198	$ -	$ 23,686,309	$ 1,325,578,889	$ 24,711,115

Scheduled maturities of outstanding Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2018	$ 41,900,000	$ 61,865,518
2019	28,915,000	63,586,033
2020	31,040,000	62,217,618
2021	33,205,000	60,701,680
2022-2026	142,945,000	280,214,983
2027-2031	186,360,000	241,027,555
2032-2036	244,355,000	178,641,353
2037-2041	273,615,000	108,905,840
2042-2046	200,885,000	42,328,750
2047	46,325,000	2,316,250
Total	$ 1,229,545,000	$ 1,101,805,580

A number of limitations and restrictions are imposed upon the Airport by covenants relating to certain outstanding Bonds. As of June 30, 2017 and 2016, the Airport believes it is in compliance with all such limitations and restrictions, for which non-compliance would adversely affect its ability to pay debt service.

Other long-term liability activities for the fiscal years ended June 30, 2017 and 2016 were as follows:

	Balance at July 1, 2016	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2017	Amounts Due Within One Year
Self-insurance	$ 2,852,669	$ -	$ -	$ 2,852,669	$ 633,500
Accrued vacation, sick leave and compensatory time	2,385,437	-	187,768	2,197,669	1,586,000
Other postemployment benefits	14,026,167	-	-	14,026,167	-
Total	$ 19,264,273	$ -	$ 187,768	$ 19,076,505	$ 2,219,500

	Balance at July 1, 2015	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2016	Amounts Due Within One Year
Self-insurance	$ 2,741,401	$ 521,666	$ 410,398	$ 2,852,669	$ 563,462
Accrued vacation, sick leave and compensatory time	2,430,355	1,146,294	1,191,212	2,385,437	1,538,001
Other postemployment benefits	13,766,573	2,259,794	2,000,200	14,026,167	-
Pollution remediation liability	714,000	-	714,000	-	-
Total	$ 19,652,329	$ 3,927,754	$ 4,315,810	$ 19,264,273	$ 2,101,463

(6) Lease and Agreements

The City has entered into an Airline Lease Agreement with the various passenger and cargo airlines serving the Airport. The Airline Lease Agreement, which took effect on December 1, 2007, was originally set to expire on June 30, 2012. In August 2011, the City Council authorized the Director of Aviation to extend the term for five years through June 30, 2017. On May 23, 2017, the City Council authorized the Director of Aviation, or Interim Director of Aviation, as applicable, to extend the term for two years through June 30, 2019, which allows the airlines to continue to conduct operations and occupy leased space through the extended term. Pursuant to the City Council authorization, the Airline Lease Agreement was extended for two years until June 30, 2019, with Article 11 amended to remove the Municipally-Funded Air Service Incentive Program, and other provisions were added as required under federal law and regulations. The existing rates and charges structure remained unchanged through the extended term. Negotiations for a new agreement with the airlines are currently underway. The current agreement shall terminate upon execution of a new Airline Lease Agreement between City and the airlines.

The Airline Lease Agreement provides that any passenger airline that (a) signs an agreement substantially similar to the Airline Lease Agreement, (b) provides passenger service at the Airport, (c) leases from the City an amount of exclusive use premises (not including gates) in the terminal deemed sufficient by the Director of Aviation to support the airline's operation, and (d) at the time the airline executes its agreement with the City, operates at least one scheduled flight, scheduled year-round, at least three days per week shall be a Signatory Airline. The Airline Lease Agreement also provides that any air cargo carrier will also be a Signatory Airline if the air cargo carrier (a) signs an agreement with the City substantially similar to the Airline Lease Agreement (other than in connection with terminal facilities), (b) leases from the City cargo support space at the Airport for a term at least equal to the term of the Airline Lease Agreement, (c) guarantees a minimum of 142,000 pounds of maximum gross certificated landed weight per scheduled flight, and (d) at the time it executes its agreement with the City, operates at least five scheduled flights per week.

Any passenger or air cargo carrier that does not meet the minimum requirements to be a Signatory Airline is given the opportunity to become a "Non-Signatory Airline" by executing a non-signatory agreement in a form similar to that of the Airline Lease Agreement. Non-Signatory Airlines are charged a premium of 25% over the rates and charges applicable to Signatory Airlines and do not participate in the review by a "Majority of Interest" of capital projects proposed for the Airport.

Any passenger or air cargo carrier operating at the Airport that is neither a Signatory Airline nor a Non-Signatory Airline will be subject to the Airline Rates and Charges Ordinance, which requires such air carriers to comply with all applicable rules and regulations as established by the Director of Aviation regarding the proper use and occupancy of the Airport or any portion thereof. In addition, the Airline Rates and Charges Ordinance establishes all rates and charges applicable to such airline's operations at and use of the Airport or any portion thereof, including airfield and terminal rates and charges, at a 30% premium over the rates and charges as determined pursuant to the terms of the City's then current Airline Lease Agreement.

The key provisions in the Airline Lease Agreement include compensatory rate making for the terminal cost center and residual rate making for the airfield cost center. The terminal rate per square foot is calculated based on expenses allocable to the Terminal for each fiscal year divided by the total amount of rentable terminal space. Should there be any net remaining revenues after all other obligations are satisfied, the airlines share of the net remaining revenues shall be applied as a credit to the airline terminal rate for the following fiscal year, thus reducing the rates. The landing fee rate is calculated by dividing the expenses allocable to the airfield, offset by airfield revenues, other than landing fees, by the projected aggregated maximum gross landed weight for all aircraft carrying passengers or cargo in commercial service at the Airport during the fiscal year.

For the fiscal years ended June 30, 2017 and 2016, the Airport's revenues as defined in its lease agreements exceeded its expenditures and reserve requirements by $34,030,566 and $37,114,863, respectively. The surplus for fiscal year ended June 30, 2017 will be distributed in accordance with the revenue sharing provisions of the lease agreement as described in the MD&A and/or used in the budget balancing actions for fiscal year 2018. The surplus for the year ended June 30, 2016 was distributed in accordance with the revenue sharing provisions.

In December 2013, the City entered into a ground lease and operating agreement with Signature, which constructed a full-service, fixed based facility on 29-acres of the Airport's west side. The term of the agreement is for 50 years from December 12, 2013 to December 11, 2063. Signature paid interim ground rental equal to 50% of the base ground rental until November 2015, when the last certificate of occupancy was received. From November 2015, and continuing throughout the term of the agreement, Signature will pay 100% of the base ground rental based upon the actual square footage of premises occupied. The base ground rental is subject to a consumer price index adjustment annually and by appraisal every five years. The base ground rental rate effective December 12, 2016 is $2.29 per square foot per year. Rental revenues from the ground lease with Signature were $2,911,120 and $2,309,840 for the fiscal years ended June 30, 2017 and 2016, respectively.

The Airport also enters into leases with concessionaires, cargo carriers, and other business entities for building space and/or the privilege of operating a concession at the Airport. As of June 30, 2017, the remaining terms of these operating leases range from one month to 21 years. The leases with concessionaires are generally based on the greater of a percentage of their sales or a minimum annual guaranteed amount.

Rental revenues from the aforementioned operating leases were $85,960,593 and $85,070,975 for the fiscal years ended June 30, 2017 and 2016, respectively.

The future minimum rentals to be received from the existing operating leases are as follows:

Fiscal Year Ending June 30,	
2018	$ 82,016,073
2019	80,183,579
2020	36,291,925
2021	10,872,614
2022	11,004,415
2023-2027	53,272,310
2028-2032	52,716,096
2033-2037	56,296,107
2038-2042	37,781,651
2043-2047	37,279,407
2048-2052	44,225,307
2053-2057	52,465,368
2058-2062	62,240,717
2063-2064	20,903,226
Total minimum lease rentals	$ 637,548,795

These future minimum rentals are based upon annual rates and charges currently agreed to by the airlines and other tenants.

As of June 30, 2017 and 2016, assets leased to tenants had total historical costs of $1,033,403,403 and $1,026,446,811 and accumulated depreciation of $227,789,156 and $203,222,439, respectively.

Pursuant to the terms of individual agreements entered into with the City, every airline, operator, tenant or any other entity or person, which is party to an agreement with the City authorizing them to conduct business at the Airport, is required to maintain a security deposit on file with the City. The deposit shall be in a form and amount acceptable to the Director of Aviation, often in the form of irrevocable LOC, surety bond, cashier's check or other form acceptable to the Director of Aviation. The Director of Aviation has the authority to revise the amount of security deposit at any time to protect the interests of the City. Each deposit must be maintained in full force and effect during the entire term of the agreement to ensure faithful performance by the other party of all the covenants, terms and conditions of the agreement. Security deposits in the form of cashier's checks are recorded as advances and deposits payable on the accompanying statement of net position. The Airport maintains on file copies of all security deposits, in the form of LOC or surety bond, which are not recorded in the financial statements. The amount on file as of June 30, 2017 and 2016 totaled $50,217,510 and $48,927,874, respectively.

Potential Claim

The passenger airlines that currently operate at the Airport have a potential unasserted claim against the City for overpayment of terminal rents by the airlines. The overpayment of terminal rents by the passenger airlines has resulted from the City's annual calculation of terminal rents in a manner that is not consistent with the terms of the current Airline Lease Agreement between the passenger airlines and the City. Specifically, from Fiscal Year 2008 to the current fiscal year, the City has not included the City office and administrative space at the terminals that should be counted as "Rentable Terminal Space" under the terms of the Airline Lease Agreement for the purpose of calculating terminal rents to be charged to the passenger airlines. The statute of limitations for claims against a government entity such as the City is one (1) year pursuant to California Government Code Section 911.2. If the airlines file a claim, the City will therefore take a position that the City is only liable to the passenger airlines for one year's overpayment of terminal rents in the approximate amount of $2.5 million.

At this time it is impossible to predict the outcome of this potential unasserted claim, the possible loss or range of loss, or whether the unasserted claim will be made and if made, when it would be resolved.

(7) Employees' Retirement System

(a) General Information about the Pension Plan

All full-time and certain part-time employees of the Airport participate in the Federated Plan. The benefits provided by the Federated Plan include pension, death, and disability, which are under the Defined Benefit Pension Plan, as well as medical and dental benefits, which are under the Postemployment Healthcare Plan. Unrepresented executive management and professional employees who are hired directly into a position in the City's unrepresented executive management unit (Unit 99) and who are first hired on or after January 20, 2013, have a one-time irrevocable election to either participate in a defined contribution plan or become a Tier 2 member in the Federated Plan; to be eligible, an employee must not have previously been a member of a City of

San José retirement system.

A stand-alone report is issued for the Federated Plan and is available from the City of San José Office of Retirement Services, 1737 North First Street, Suite 600, San José, California 95112. As a department of the City, the Airport shares benefit costs with the City. The Airport presents the related defined benefit disclosures as a participant in a cost-sharing plan arrangement with the City.

(b) Benefits Provided

Benefits are based on average final compensation, years of service, and cost-of-living increases as specified by the City's Municipal Code. The contribution and benefit provisions and all other requirements are established by the City Charter and the City's Municipal Code. Amendments or changes to contribution requirement and benefits terms are approved by the City Council.

On June 5, 2012, San José voters adopted Measure B which enacted the *Sustainable Retirement Benefits and Compensation Act* (Measure B). Measure B amended the City Charter to, among other changes, (1) increase pension contribution requirements for current employees effective June 23, 2013; (2) require the City to establish an alternative voluntary plan with reduced benefits for current employees (Voluntary Election Plan or VEP) subject to Internal Revenue Service (IRS) approval; (3) place limitations on disability retirements; (4) authorize the City Council to temporarily suspend the cost of living adjustments if the City Council adopts a resolution declaring a fiscal and service level emergency; (5) require the elimination of the Supplemental Retirement Reserve within the Federated Plan; (6) codify in the City Charter contribution requirements for current employees for the retiree health and dental benefits and provide for a reservation of rights for the City Council to terminate or modify any retiree healthcare plan; (7) require the establishment of Tier 2 plans for new employees within the Federated Plan; and (8) reserve to the voters the right to approve future changes to retirement benefits. Measure B has subsequently been the subject of various forms of litigation and the City Council directed City Administration to settle the litigation with the City's various bargaining units. The status of the legal challenges to Measure B and settlement of these legal challenges is discussed in Section IV.B.8 of the Notes to the Basic Financial Statements in the City's June 30, 2017 CAFR.

In December 15, 2015 and January 12, 2016, the City and the bargaining units representing employees in the Federated City Employees Retirement System (FCERS) reached a settlement agreement on the Federated Alternative Pension Reform Settlement Framework (Federated Framework). The terms of the Federated Framework also applied to unrepresented employees, including unrepresented management and executive employees in Unit 99.

The Federated Frameworks include, among other things, revised Tier 2 pension benefits that include increased pension benefits for Tier 2 employees while preserving the 50/50 cost sharing between the City and Tier 2 employees; closing the defined benefit retiree healthcare benefit to new employees, as well as agreement on a new lowest cost medical plan associated with retiree healthcare; and continuing the elimination of the Supplemental Retiree Benefit Reserve (SRBR). The Federated Framework also included an agreement that a ballot measure would be placed on November 8, 2016, election for the voters to replace Measure B as described below. On November 8, 2016, the voters approved the Alternative Pension Reform Act known as Measure F. Measure F included, among other things, prohibiting any enhancements to defined retirement benefits without voter approval; codifying the Tier 2 pension benefit; closing the defined benefit retiree healthcare plan; and prohibiting retroactive defined retirement benefit enhancements.

The specific terms of FCERS are set forth in the Municipal Code. FCERS has different benefit Tiers.

In fiscal year 2017, prior to June 18, 2017, FCERS had Tier 1, Tier 2A, Tier 2B, and Tier 2C. Tier 2A, Tier 2B, and Tier 2C have the same reduced pension benefits as compared to Tier 1. Tier 2A has the same retiree healthcare (medical and dental) benefits as Tier 1. Tier 2B does not have retiree healthcare benefits; however, the City was responsible for the contributions that both the City and the Tier 2B members would have otherwise paid for retiree healthcare had those employees been eligible. Tier 2C has retiree dental benefits but no retiree medical benefits.

Subsequent ordinances amending the Municipal Code implementing the terms of Measure F and the Federated Framework have since been adopted by the City Council and the changes described below became effective on June 18, 2017, which is the first pay period of fiscal year 2018. As implementation issues arise, minor modifications are being made to the provisions of FCERS in the Municipal Code to address these issues.

The payroll for Airport employees covered by the Federated Plan for the fiscal years ended June 30, 2017 and 2016 was $13,693,811 and $13,162,801, respectively. The Airport's total payroll for the fiscal years ended June 30, 2017 and 2016 was $16,630,916 and $15,888,880, respectively.

Effective June 18, 2017, the FCERS has several Tiers as follows:

			Retiree Healthcare	
Tier	**Hire Date**	**Pension**	**Defined Benefit Retiree Healthcare (Medical/Dental)**	**VEBA**[(2)]
Tier 1	- On or before September 29, 2012 - Former Tier 1 who did not take a return of contributions	Tier 1	Medical/Dental	Opt-In[(3)]
Tier 1A	- Former Tier 1 rehired on or after September 30, 2012, through September 27, 2013[(1)] - Former Tier 1 rehired after September 28, 2013, but before June 18, 2017 with 15+ years of City service[(1)]	Tier 1	Medical/Dental	Opt-In[(3)]
Tier 1B	- Former Tier 1 rehired after September 27, 2013, but before June 18, 2017 with less than 5 years of City service[(1)]	Tier 1	Not eligible	Opt-In[(3)]
Tier 1 Classic	- "Classic" membership with California Public Employees' Retirement System (CalPERS)/reciprocal agency hired on or after June 18, 2017	Tier 1	Not eligible	Mandatory[(4)(5)]
Tier 1C	- Former Tier 1 rehired before June 18, 2017 having between 5 and 15 years of City service[(1)]	Tier 1	Dental only	Opt-In[(3)]
Tier 2 (or Tier 2A)	- Hired on or after September 30, 2012, through September 26, 2013	Tier 2	Medical/Dental	Opt-In[(3)(5)]
Tier 2B	- Hired on and after September 27, 2013 and have not met City's eligibility for retiree healthcare	Tier 2	Not eligible	Mandatory[(4)(5)]

[(1)] Employees in these Tiers are responsible for 50% of the amortization costs for having any prior years of service in Tier 2 changed to Tier 1.
[(2)] The City is in the process of implementing a defined contribution Voluntary Employees' Beneficiary Association (VEBA) for retiree healthcare, subject to approval by the IRS. Unrepresented employees may be eligible to opt-in to the VEBA but will not be eligible to make ongoing contributions to the VEBA.
[(3)] Employees in these Tiers will be provided a one-time irrevocable election to remain in the defined benefit retiree healthcare (medical and dental) plan or opt-in to the defined contribution VEBA.
[(4)] Employees in these Tiers will be mandatorily placed into the VEBA once it is implemented.
[(5)] There may be current Tier 2 employees who have "Classic" membership with CalPERS and these employees may be moved to Tier 1 subject to the identification of these employees and confirmation of "Classic" membership with CalPERS or another reciprocal agency. In addition, these employees may be eligible for the one-time irrevocable election to remain in the defined benefit retiree healthcare (medical and dental) plan or opt-in to the defined contributrion VEBA depending on whether they were Tier 2 (2A) or Tier 2B.

The Federated Plan's pension benefits in effect at June 30, 2017, are summarized in the table below. For additional information regarding the Federated Plan's benefits, please contact the City of San José Office of Retirement Services.

	Tier 1 & 1A	Tier 1B	Tier 1C(2)	Tier 2(3)	Tier 2B(1)
Pension Service Required to Leave Contributions in System	5 years			5 years Federated City Service Years of Service (Year of Service = 2080 hours worked in the applicable 12 month period)	
Service Retirement:					
Age/Years of Service	55 with 5 years service 30 years service at any age			62 years with 5 years Federated City Service. May retire on or after 55 years with 5 years Federated City Service. A reduction factor of 5% per year for each year between age 55 and the Tier 2 member's age at retirement before 62, prorated to the closest month.	
Deferred Vested	55 with 5 years service (This applies to members who separate from City service before retirement and leave their contributions in the retirement system)			May commence on or after 55 years with 5 years Federated City Service with actuarial equivalent reduction (This applies to members who separate from City service before retirement and leave their contributions in the retirement system.) Can begin at age 55 with reduction factor of 5% per year for each year between age 55 and the Tier 2 member's age at retirement before age 62, prorated to the closest month.	
Allowance	2.5% x Years of Service x Final Compensation (75% max) If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months			2.0% x Years of Federated City Service x Final Compensation (70% max) "Final Compensation" is the average monthly (or biweekly) base pay for the highest 3 consecutive Years of Federated Service. Excludes premium pay or any other forms of additional compensation	
Final Compensation	Highest one-year average			Highest three-year average	
Disability Retirement (Service Connected)					
Minimum Service	None			None	
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation)			2.0% x Years of Federated City Service x Final Compensation. (Minimum of 40% and maximum of 70% of Final Compensation)	

	Tier 1 & 1A	Tier 1B	Tier 1C[2]	Tier 2[3]	Tier 2B[1]
Disability Retirement (Non-Service Connected)					
Minimum Service	5 years			5 Years Federated City Service	
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation.) If under 55 years old, subtract 0.5% for every year under age 55.			2.0% x Years of Federated City Service x Final Compensation.	
	For those entering the System 9/1/98 or later, the calculation is as follows: 20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service. (Maximum 75% of Final Compensation)			(Minimum of 20% and maximum of 70% of Final Compensation)	
Reciprocity					
Reciprocity	As of December 9, 1994, the City of San José Federated City Employees' Retirement System adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between this retirement system and CalPERS or certain other public agency retirement systems that also have reciprocal agreements with CalPERS. Please call the Retirement Department or CalPERS for more information.				
Cost of Living Adjustments					
Cost of Living Adjustments	Retirees are eligible for a 3% annual cost of living adjustment (COLA). Regular COLA's are compounded and paid each April. There is no prorating of COLA.			Retirees are eligible for annual COLA limited to the lesser of the increase in the Consumer Price Index (San Jose - San Francisco - Oakland, U.S. Bureau of Labor Statistics index, CPIU, December to December), or a back loaded 2% COLA per fiscal year. The back loaded COLA shall be calculated as follows: i. Service at retirement of 1-10 years: 1.25% per year ii. Service at retirement of 1-10 years and hired before June 16, 2017: 1.5% iii. Service at retirement of 11-20 years: 1.5% per year iv. Service at retirement of 21-25 years: 1.75% per year v. Service at retirement of 26 years and above: 2.0% per year The first COLA will be prorated based on the number of months retired.	

[1] Employees hired on and after September 27, 2013. Members who have not met the City's eligibility for either retiree healthcare prior to September 27, 2013, will NOT be eligible for retiree healthcare benefits. Spouses, domestic partners and dependents will also be ineligible for retiree healthcare benefits. Employees in this Tier will be mandatorily placed into the VEBA once it is implemented.

[2] Employees rehired before June 18, 2017 having between 5 and 15 years of City service. Employees in this Tier will be provided a one-time irrevocable election to remain in the defined benefit retiree healthcare (medical and dental) plan or opt-in to the defined contribution VEBA. At age 65, members of the FCERS who remain in the defined benefit plan will be required to enroll in Medicare Parts A & B. If a member does not meet this requirement within 6 months of the date member turns 65, healthcare benefits will cease until such requirements are met.

[3] Employees hired on or after September 30, 2012, through September 26, 2013. Employees in this Tier will be provided a one-time irrevocable election to remain in the defined benefit retiree healthcare (medical and dental) plan or opt-in to the defined contribution VEBA. At age 65, members of the FCERS who remain in the defined benefit retiree healthcare plan will be required to enroll in Medicare Parts A & B. If a member does not meet this requirement within 6 months of the date member turns 65, healthcare benefits will cease until such requirements are met.

The following table summarizes the survivorship pension and health benefits for the FCERS members. Please consult the Municipal Code for complete information.

	Tier 1, 1A, 1B, and 1C
Death Before Retirement	
Nonservice-Connected Death with less than 5 years of service	Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (benefit may not exceed 50% of the salary earned in year prior to death.)
Greater than 5 years of service or Service-Connected Death	To surviving spouse/domestic partner: Years of Service x 2.5% of Final Compensation (40% minimum, 75% maximum, except that "deferred vested" members not eligible for 40% minimum) If no surviving spouse/domestic partner, to surviving children: 1 Child: 25% of spousal/domestic partnership allowance 2 Children: 50% of spousal/domestic partnership allowance 3 Children: 75% of spousal/domestic partnership allowance If no surviving spouse/domestic partner or surviving children: Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (benefit may not exceed 50% of the salary earned in year prior to death)
Death After Retirement	
Standard allowance to surviving spouse/domestic partner or children (Minimum 5 years of service)	To surviving spouse/domestic partner: 50% of Retiree's Allowance If no surviving spouse/domestic partner, to surviving children: 1 Child: 25% of spousal/domestic partnership allowance 2 Children: 50% of spousal/domestic partnership allowance 3 Children: 75% of spousal/domestic partnership allowance If no surviving spouse/domestic partner or surviving children: Estate or beneficiary will receive the difference between employee contributions (including interest) and the total paid to member by the retirement system at the time of death.
Optional Settlements	Retiree may choose an optional settlement at retirement that reduces the allowance to provide a survivorship allowance to a designated beneficiary or a higher survivorship allowance to their spouse/domestic partner.
Special Death Benefit	$500 death benefit paid to estate or designated beneficiary in addition to benefits above.

Note: For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death or remarriage. For members who were at least 55 and had at least 20 years of service at the time of death, or 30 years of service regardless of age, the survivorship allowance to surviving spouse/domestic partner lasts until death.

Note: If there is an allowance payable to a surviving spouse/domestic partner, no allowance will be paid to surviving children. Surviving children receive a monthly survivorship allowance only when there is no surviving spouse/domestic partner.

	Tier 2 and 2B
Death Before Retirement	
Nonservice-Connected Death Not Eligible for Retirement	Return of employee contributions, plus interest.
Eligible for Retirement	To surviving spouse/domestic partner: 2.0% x Years of Federated Service x Final Compensation (70% max) If no surviving spouse/domestic partner, to surviving children until age 18: 1 Child: 25% of spousal/domestic partnership allowance 2 Children: 50% of spousal/domestic partnership allowance 3 Children: 75% of spousal/domestic partnership allowance If no surviving spouse/domestic partner or surviving children: Return of employee contributions, plus death benefit: 1/12 of compensation in year prior to death x years of service (benefit may not exceed 50% of the salary earned in year prior to death.) Employees killed in line of duty - To surviving spouse/domestic partner: Monthly benefit equivalent to 50% of Final Compensation
Death After Retirement	
Survivorship allowance to surviving spouse/domestic partner or children that was elected by the member at retirement (Minimum 5 years of service)	To surviving spouse/domestic partner 50% of Retiree's Allowance If no surviving spouse/domestic partner, to surviving children: 1 Child: 25% of spousal/domestic partnership allowance 2 Children: 50% of spousal/domestic partnership allowance 3 Children: 75% of spousal/domestic partnership allowance If no surviving spouse/domestic partner or surviving children: estate or beneficiary will receive the difference between employee contributions (including interest) and the total paid to member by the retirement system at the time of death.
Optional Settlements	Retiree may choose an optional settlement at retirement that reduces the allowance to provide a survivorship allowance to a designated beneficiary or a higher survivorship allowance to their spouse/domestic partner.

Note: For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death, remarriage, or establishment of a domestic partnership if member was at least 65 with at least 20 years of service (or 55 with a reduction factor of 5%) at the time of death. For death after retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death.

(c) Contributions

Under GASB Statement No. 68, the City's and the participating employees' contributions to the Defined Benefit Pension Plans are based upon an actuarially determined percentage of each employee's pensionable and earnable salary to arrive at an actuarially determined contribution (ADC) sufficient to provide adequate assets to pay benefits when due.

Contribution rates for the Airport and the participating employees for the periods July 1, 2015 through June 18, 2016, June 19, 2016 through June 17, 2017, and June 18, 2017 through June 30, 2017 were established in accordance with actuarially determined requirements computed through actuarial valuations performed as of June 30, 2014, June 30, 2015, and June 30, 2016, respectively, for the Defined Benefit Pension Plan and the Postemployment Healthcare Plan.

	Airport's Contribution[1]		Employees' Contribution	
Pay Period	Defined Benefit Pension	Postemployment Healthcare Plan	Defined Benefit Pension	Postemployment Healthcare Plan
July 1, 2015 - June 18, 2016				
Tier 1	66.16%	9.41%	6.33%	8.76%
Tier 2	5.70%	9.41%	5.70%	8.76%
Tier 2B	5.70%	12.66%	5.70%	0.00%
Tier 2C	5.70%	12.86%	5.70%	0.39%
June 19, 2016 - June 17, 2017				
Tier 1	78.06%	9.41%	6.47%	8.76%
Tier 2	6.04%	9.41%	6.04%	8.76%
Tier 2B	6.04%	12.66%	6.04%	0.00%
Tier 2C	6.04%	12.86%	6.04%	0.39%
June 18, 2017 - June 30, 2017				
Tier 1	94.04%	9.41%	6.60%	8.76%
Tier 1B	94.04%	12.66%	6.60%	0.00%
Tier 1C	94.04%	12.86%	6.60%	0.39%
Tier 2	7.72%	9.41%	7.72%	8.76%
Tier 2B	7.72%	12.66%	7.72%	0.00%

(1) For Tier 1 members, the actual contribution rates paid by the City for fiscal year ended June 30, 2017 differed due to the City funding the ADC amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

For the year ended June 30, 2017, the contributions paid during the measurement period (contributions made during the fiscal year ended June 30, 2016) were as follows:

	Annual Pension Contributions	
	Airport	Participants
Defined Benefit Pension Plan	$ 7,373,508	$ 1,067,499

In fiscal year ended June 30, 2011, the Federated Plan's Boards approved the establishment of a "floor funding method", commencing with fiscal year 2012, setting the City's funding policy contribution amount to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

In January 2016, the Federated Plan's Boards approved a "split unfunded actuarially accrued liability (UAAL)/normal cost" methodology to calculate the payment of ADC for Tier 1 pension benefits. This methodology includes the UAAL portion of the City's contribution to be a dollar amount as recommended by the Federated Plan's actuary in the applicable annual valuation report and approved by the Boards (adjusted for interested based on time of contribution) and the Normal Cost (including administrative expense) portion to be the greater of: the dollar amount recommended by the Federated Plan's actuary in the applicable annual valuation report and approved by the Boards (adjusted for time of contribution); or, the Normal Cost contribution rates from the applicable actuarial valuation multiplied by the actual payroll during the given fiscal year. The resolutions of the Boards setting the pension contribution rates for the fiscal year ended June 30, 2017 provide that the employer's contribution rates are calculated as described above.

The "split UAAL/normal cost methodology" does not apply to Tier 2 members.

(d) Net Pension Liability, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the Airport reported $102,068,534 of net pension liability for its proportionate share of the City's net pension liability. The net pension liability of the Federated Plan was measured as of June 30, 2016, and the total pension liability (TPL) for the Federated Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016 using standard update procedures. The Airport's portion of the net pension liability was based on the Airport's share of its contributions to the Federated Plan relative to the actual contributions. The Airport's proportionate share of the Federated Plan's net pension liability was 3.4% as of June 30, 2016, the measurement date.

For the year ended June 30, 2017, the Airport recognized pension expenses of $14,000,849. As of June 30, 2017, $30,220,347 was reported as deferred outflows of resources, which includes $8,134,457 related to contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018, and $22,085,890 related to the net differences between projected and actual earnings on the Federated Plan's investments as of June 30, 2017. As of June 30, 2017, $185,525 was reported as deferred inflows of resources related to the net differences between projected and actual earnings of the Federated Plan's investments as of June 30, 2017.

The amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

	Deferred Outflows of Resources	Deferred Inflow of Resources
2018	$ 6,986,275	$ (61,842)
2019	6,986,275	(61,842)
2020	5,748,738	(61,841)
2021	2,364,602	-
	$ 22,085,890	$ (185,525)

(e) Actuarial Methods and Assumptions

The significant actuarial methods and assumptions used to compute TPL as of June 30, 2017 and June 30, 2016 are from the actuarial valuation reports with valuation dates of June 30, 2015 and June 30, 2014, respectively:

Description	Method/Assumption (TPL as of June 30, 2017)	Method/Assumption (TPL as of June 30, 2016)
Measurement date	June 30, 2016	June 30, 2015
Valuation date	June 30, 2015	June 30, 2014
Actuarial cost method	Entry age normal cost method	Entry age normal cost method
Actuarial assumptions:		
Inflation rate	2.50%	2.50%
Discount rate	7.00% per annum	7.00% per annum
Post retirement mortality		
(a) Service:	For healthy annuitants, the CalPERS 2009 Healthy Annuitant Mortality Table multiplied by 0.952 for males and 0.921 for females and projected from 2009 on a generational basis using scale MP-2015.	For healthy annuitants, the male and female RP-2000 combined employee and annuitant mortality tables projected to 2015 and set back two years.
(b) Disability:	For disabled annuitants, the CalPERS 2009 Ordinary Disability Table multiplied by 1.051 for males and 1.002 for females and projected from 2009 on a generational basis using scale MP-2015.	For disabled annuitants, the CalPERS ordinary disability table from their 2000-2004 study for miscellaneous employees.
Rate of service retirement, withdrawal, death, disability retirements	Tables based on current experience.	Tables based on current experience.
Salary increases		
Wage Inflation	The base wage inflation assumption of 2.85% plus a merit / longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.	The base wage inflation assumption of 2.85% plus a merit / longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.
Merit increase	For the amortization schedule, payroll is assumed to grow 2.85% per year.	For the amortization schedule, payroll is assumed to grow 2.85% per year.
Cost of living adjustment	Tier 1 - 3% per year; Tier 2 - 1.5% per year	Tier 1 - 3% per year; Tier 2 - 1.5% per year

Long-term Expected Rate of Return on Plan Investments - The assumption for the long-term expected rate of return on investments of 7.00% for the valuation dated June 30, 2015 was selected by estimating the median nominal rate of return based on long-term capital market assumptions provided by the investment consultants, including nominal expected rates of return for each of the asset classes, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the returns. Best estimates of arithmetic real rates of return for each major asset class included in the Federated Plan's target asset allocation as of June 30, 2016, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	28%	7.5%
Private equity	9%	9.4%
Global fixed income	19%	4.0%
Private debt	5%	6.9%
Real assets	23%	6.5%
Absolute return strategies	11%	6.0%
Global tactical asset allocation	5%	5.0%
Cash	0%	2.3%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. It is assumed that members' contributions and Airport's contributions will be made based on the actuarially determined rates based on the Federated Plan Board's funding policies. Based on those assumptions, the Federated Plan's net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities.

Sensitivity of the Net Pension Liability to Changes in Discount Rates - The following presents the Airport's proportionate share of the net pension liability, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 - percentage point lower or 1 - percentage point higher than the measurement date discount rate:

	1% Decrease 6.00%	Measurement Date Discount Rate 7.00%	1% Increase 8.00%
Net pension liability	$ 141,341,780	$ 102,068,534	$ 70,124,644

The allocation was based on 3.4% of the Airport's proportion of the Federated Plan's assets and liabilities at measurement date, June 30, 2016.

As of June 30, 2016, the actuarial valuation date, the Federated Board is utilizing a discount rate of 6.875%. For more details on the current discount rate, please refer to the stand-alone report issued by the Federated Plan.

Pension Plan Fiduciary Net Position - Detailed information about the Federated Plan's fiduciary net position is available in a separately issued Federated Plan financial report.

(f) Payable to the Pension Plan

At June 30, 2017, the Airport had no outstanding contribution payable to the pension plan. Please see, however, Section IV.B.9 of the Notes to the Basic Financial Statements in the City's June 30, 2017 CAFR related to the dispute between the Federated Plan and the City regarding the overpayment of pension benefits. The Airport believes that its proportional share of the amount in dispute is immaterial.

(g) Other Postemployment Benefits

During the fiscal year ended June 30, 2017, the Federated Plan's GASB Statement No. 45-compliant OPEB valuation study as of June 30, 2015, was prepared by Cheiron, Inc., the Federated Plan's actuary. In 2009, the City entered into agreements (Retiree Healthcare Agreements) with the bargaining units representing the Federated Plan members to increase the contribution rates for retiree health and dental benefits in order to phase-in to full funding of the GASB Statement No. 45 annual required contribution (ARC) over a five period ending in fiscal year 2013. The Retiree Healthcare Agreements also provide that the five year phase-in of the ARC will not have an incremental increase of more than 0.75% of pensionable pay in each fiscal year for the employee or City contributions. At the end of the phase-in, the City and active members were to pay the ARC for retiree healthcare benefits. Under the Retiree Healthcare agreements, the ratio of contribution remained unchanged with the contribution for retiree medical benefits split evenly between the City and the employee and retiree dental benefits split in the ratio of 8 to 3 with the City contributing 8/11 of the total contribution.

The fiscal year ended June 30, 2013 was supposed to mark the end of the 0.75% cap and per the Retiree Healthcare Agreements, the employees and the City were required to contribute at the GASB Statement No. 45 ARC for fiscal year ended June 30, 2014. However, the City and the bargaining groups negotiated an extension of the 0.75% cap on increases to medical contributions for 18 months. In October 2014, the City Council approved to extend the cap for an additional six months to June 20, 2015, the last pay period for fiscal year 2015. At the end of fiscal year 2015, the bargaining units and the City jointly agreed to keep the contribution rates the same as fiscal year 2015 until December 20, 2015, at which point the parties would begin to pay the full ARC. However, in December 2015, the Federated Board approved to extend the fiscal year 2015 healthcare rates until the implementation of the settlement of the Measure B litigation, referred to as the "Alternative Pension Reform Framework Settlement Agreement." Pursuant to subsequent agreements with the Federated bargaining units, the City did not implement the full ARC rates and instead opted to extend the rates in effect for fiscal year 2015 until the implementation of the Federated Framework. The Federated Plan's Board approved the extension of the phasein rates in March 2016.

The "floor methodology" described above in Note 7(c) applies to the calculation of the ARC for OPEB for Tier 1, but not Tier 2A and Tier 2B employees, for fiscal year 2017.

The following is the three-year trend information for the Airport's annual OPEB cost (AOC), and contributions made:

Fiscal Year	Postemployment Healthcare Plan				
	ARC	AOC	Contributions	% of Contributions	Unfunded Liability
6/30/2015	$ 2,107,026	$ 1,968,802	$ 1,838,008	93%	$ 13,766,573
6/30/2016	2,446,660	2,259,794	2,000,200	89%	14,026,167
6/30/2017	2,053,763	2,104,783	2,104,783	100%	14,026,167

The City has determined a Citywide OPEB cost based upon an actuarial valuation performed in accordance with GASB Statement No. 45 by the Federated Plan's actuary. The City allocated to the Airport its proportionate share of the Citywide OPEB cost for Federated Plan employee members. The difference between the cumulative OPEB cost allocated and the costs contributed by the Airport was $14,026,167 and $14,026,167 at June 30, 2017 and 2016, respectively, which is recorded as the Airport's net OPEB obligation. The Airport has earmarked funds from the unrestricted net position to pay the full amount of the net OPEB obligation.

The City issues a publicly available CAFR that includes the complete note disclosures and required supplementary information related to the City's pension and other postemployment benefit obligations. A copy of that report may be obtained by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

(8) Related Party Transactions

The City provides certain general support services to the Airport and charges a pro rata fee. The fees charged to the Airport for these services for the fiscal years ended June 30, 2017 and 2016, were $2,556,031 and $3,522,959, respectively. The City also charged the Airport fees of $12,221,498 and $11,507,946 for the fiscal years ended June 30, 2017 and 2016, respectively, for airport rescue and firefighting and police services coverage. Additionally, various City departments charge the Airport for services they rendered on its behalf. These fees and service charges, which totaled $1,310,657 and $1,277,412 for the fiscal years ended June 30, 2017 and 2016, respectively, are included in operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

(9) Risk Management

(a) Insurance Policies

The Airport is covered under the City's annual all-risk property insurance policy with coverage for City property, including coverage for boiler and machinery exposures. The policy also provides coverage for loss due to business interruption and flood coverage. The City does not carry earthquake insurance as it is not available at reasonable rates. A summary of these coverages is provided below for the policy period of October 1, 2016 to October 1, 2017.

Coverage	Limit Per Occurrence	Deductible per Occurrence
Property, including Business Interruption	$1 billion	$100,000
Flood Zone, Special Flood Hazard Area - as defined by the Federal Emergency Management Agency (FEMA)	$25 million per occurrence and annual aggregate	5% of values at risk ($1 million minimum deductible)
Flood, other locations	$100 million per occurrence and annual aggregate	$100,000

The City has airport liability policies covering the Airport for the policy periods of October 1, 2016 to October 1, 2017 and October 1, 2015 to October 1, 2016 including operation of vehicles on premises, which provide a $200 million combined single limit for bodily injury and property damage subject to a deductible of $0 each occurrence and annual aggregate, with a sublimit of $50 million each occurrence and in the annual aggregate for personal injury, and a sublimit of $100 million each occurrence and in the annual aggregate for war liability. During the past three years, there have not been any instances that the amount of claim settlements exceeded the insurance coverage.

A separate automobile liability policy provides coverage for the off-premises operation of Airport vehicles including shuttle bus fleets with a limit of $1 million per occurrence, combined single limit for bodily injury and property damage, and no deductible. Physical damage coverage is obtained for the Airport Shuttle Bus Fleet and is subject to a $10,000 comprehensive and $25,000 collision deductible. Settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

For the policy period of December 18, 2016 to October 1, 2017 and December 18, 2015 to December 18, 2016, the City purchased government fidelity/crime coverage for City losses arising from employee bad acts. Coverage is for financial or property losses and provides a $5,000,000 per occurrence limit for losses resulting from employee theft, forgery or alteration, and inside the premises – theft of money and securities, and provides for a $1,000,000 per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims have a $100,000 deductible per occurrence.

As part of general support services, the City charges the Airport for the cost of general liability, automobile liability, and property insurance coverage including the Airport's pro rata share of broker fees and taxes. The charges are expensed in the year incurred.

(b) Workers' Compensation

The Airport participates in the City's self-insurance program for workers' compensation. Workers' compensation liabilities are accounted for on a separate contribution basis under which workers' compensation liabilities are recorded in the respective funds (enterprise or governmental) to which they relate. Estimated workers' compensation liabilities at year-end are determined using actuarial methods or other estimating techniques. The claims payments and liability include an estimate of allocated loss adjustment expenses and claims that have been incurred but not yet reported.

The Airport recorded the following with respect to its self-insured workers' compensation liability:

	2017	2016
Accrued liability, beginning of fiscal year	$ 2,852,669	$ 2,741,401
Claims payments and adjustments	-	(410,397)
Provision for current year claims and changes in prior year estimates	-	521,665
Accrued liability, end of fiscal year	$ 2,852,669	$ 2,852,669

(c) Airport Owner Controlled Insurance Program

On March 31, 2004, the City bound certain liability insurance coverage (see chart below) for major components of the "2004 Security Projects" (currently referred to as the North Concourse Project) through an Owner Controlled Insurance Program (OCIP) from Chartis, formerly American International Group, AIU Holdings, Inc., and AIU LLC (AIU). The OCIP is a single insurance program that provides commercial general liability, excess liability and workers' compensation insurance coverage for construction job site risks of the project owner, general contractors, and all subcontractors associated with construction at the designated project site.

Coverage	Limits	Deductible per Occurrence
General liability	$2 million per occurrence/ $4 million aggregate	$250,000
Workers' compensation	Statutory	$250,000
Employers' liability	$2 million per accident	$250,000
Excess liability	$150,000,000	None

The North Concourse OCIP required the City to fund a claims loss reserve fund with Chartis in the amount of $3.9 million. The full amount of the claims loss reserve had been deposited with Chartis and was recorded as advances and deposits in the accompanying statement of net position. The claims loss reserve fund is available to Chartis to pay claims within the City's deductible, subject to an aggregate maximum loss exposure within coverage limits to the City of $3.9 million.

The North Concourse Project was completed in the fall of 2008. Chartis is currently in the process of closing out the North Concourse OCIP and is auditing the project payroll and cost factors associated with the premium. The closing out process for OCIP includes an actuarial review, which examines outstanding claims. The City was able to negotiate the return of a large portion of the unused claims reserve in advance of the 10-year coverage term. Since March 2010, Chartis has returned $2,626,550 to the Airport. Chartis will continue to hold the remaining funds in the claims loss reserve fund until such time as the exposure to risk of claims ceases or the City opts to cash out the remaining funds in exchange for accepting responsibility for potential future claims.

Activities relating to the North Concourse OCIP claims reserve fund for the fiscal years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Beginning balance	$ 851,415	$ 919,173
Interest earned	2,668	555
Reserve returned	(27,050)	(68,313)
Ending balance	$ 827,033	$ 851,415

On March 15, 2007, the City bought additional insurance coverages through Chartis for major components of the TAIP through another OCIP (the TAIP OCIP). The coverages for this program are as follows:

Coverage	Limits	Deductible per Occurrence
General liability	$2 million per occurrence/ $4 million aggregate	$250,000
Workers' compensation	Statutory	$250,000
Employers' liability	$1 million per accident	$250,000
Excess liability	$200,000,000	None

The liability under the TAIP OCIP is based upon an estimated payroll of $92.5 million for the covered projects and a construction period of 45 months, commencing on March 15, 2007 through December 31, 2010. The terms of the TAIP OCIP require the City to fund a claims loss reserve fund with Chartis in the amount of $8.9 million. The claims loss reserve fund is available to Chartis to pay claims within the City's deductible subject to an aggregate maximum loss exposure within coverage limits to the City of $8.9 million. The City was able to negotiate to fund 74% of the claims loss reserve and interest generated remains in the fund. The full amount of $6.5 million was deposited with Chartis in fiscal year 2009 and was recorded as advances and deposits in the accompanying statement of net position. Since August 2013, as part of the annual loss reserve analysis by Chartis, a total amount of $1,635,986 has been returned to the Airport.

Activities relating to the TAIP OCIP claims reserve fund for the fiscal years ended June 30, 2017 and 2016 were as follows:

	2017	2016
Beginning balance	$ 2,116,260	$ 2,253,446
Interest earned	8,421	2,331
Reserve returned	(7,441)	(49,719)
Losses paid	(151,093)	(89,798)
Ending balance	$ 1,966,147	$ 2,116,260

The City was obligated to maintain the TAIP OCIP through final acceptance of the TAIP, pursuant to the terms of its design-build contract with Hensel Phelps (HP). The term of the TAIP OCIP expired on June 30, 2011. All work covered under the contract with HP has been completed and accepted. Chartis will continue to hold the remaining funds in the claims loss reserve fund until such time as the exposure to risk of claims ceases or the City opts to cash out the remaining funds in exchange for accepting responsibility for potential future claims.

(10) Commitments and Contingencies

(a) Lease Commitments

In September 2009, the Airport entered into a restated operating lease and maintenance agreement for ten CNG powered buses from December 2007 to May 2017. In May 2017, the restated agreement was amended to extend through May 2019, with a one year option to extend. Rental and maintenance expenses were $1,322,884 and $1,322,482 for fiscal years ended June 30, 2017 and 2016, respectively.

The future minimum lease and maintenance payments required under the existing agreement for the ten CNG powered buses are as follows:

Fiscal Year Ending June 30,		Amount
2018	$	844,200
2019		773,850
Total minimum lease payments	$	1,618,050

(b) Purchase Commitments and Capital Outlay Projections

As of June 30, 2017, the Airport was obligated for purchase commitments of approximately $20.4 million primarily for the runway incursion mitigation, perimeter security technology infrastructure, southeast ramp reconstruction, Terminal B gates 29 and 30, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber approximately $129 million on capital projects during the next five fiscal years. It is anticipated that funding for such capital projects will be provided primarily by proceeds from federal grants, bond proceeds, and other Airport revenues.

(c) Master Plan

In 1997, after extensive planning and environmental studies and reports, the City Council approved the new Master Plan. In a Record of Decision issued on December 6, 1999, the FAA conditionally approved a new ALP for the Airport displaying the Master Plan projects and unconditionally approved all of the near-term projects. Both the Master Plan and the ALP have been amended several times since 1997 and currently are intended to provide facility improvements needed to accommodate forecast demand in the year 2027 for commercial passenger service, air cargo, and general aviation. Implementation of the Master Plan has been ongoing, collectively comprising improvements to the Airport's terminal facilities, roadways, parking facilities, and airfield facilities, and includes 1.075 million square feet of passenger terminal facilities comprised of up to 49 gates; parking and garage facilities comprised of up to 16,200 public parking spaces, 2,600 employee parking spaces, and 10,000 rental-car parking spaces (including 2,000 ready-return spaces); air cargo facilities; ground transportation, roadway, and other access improvements; and airfield improvements. In the fall of 2005, and in recognition of how current market conditions were impacting passenger growth, the Airport and its airline tenants reexamined the Master Plan and developed the TAIP, a program for implementing the Master Plan by aligning ongoing and planned construction activities with available fiscal resources, taking into account revised passenger growth projections. In June 2006, the City Council approved an amendment to the Master Plan to incorporate the TAIP and other ADP revisions. Funding for Master Plan projects is from several sources, including grants, PFC, airline rates and charges, airport revenue bonds, and subordinated commercial paper proceeds.

In June 2010, the City Council approved the most recent amendment to the Master Plan that updated projected aviation demand and facility requirements. This amendment to the Master Plan modified specific components of the ADP. Pursuant to the amended Master Plan, the former interim long-term public parking and employee parking lots on the northwest side of the Airport (which have been relocated to the east side terminal area) are designated for development of facilities to accommodate projected growth in general aviation demand. The 29-acre Signature fixed based operations facility is located in this portion of the Airport, and an additional 15 acres north of the FAA air traffic control tower remains available for future general aviation development opportunities.

(d) FAA Audit of Use of Airport Revenue

Federal law requires all airport owners that receive federal assistance, such as the City, to use airport revenues for the capital or operating costs of the Airport. As a general rule, any use of airport revenues by an airport owner for costs that cannot properly be considered airport capital or operating costs is deemed to be improper revenue diversion. On June 2, 2010, auditors from the FAA provided the City with a draft of its audit findings alleging improper use of Airport revenues by the City in three areas of expenditure. On August 14, 2015, as the result of discussions and correspondence with City staff, the FAA notified the City that it has closed two of the three audit issues. The remaining audit issue is described below.

Cost Allocations - The City uses both direct and indirect methodologies to allocate costs to the Airport. The FAA auditors found the direct cost allocations to be acceptable. The FAA contends that the City's indirect methodology does not correlate to the cost of services actually provided by the City to the Airport. Consequently, the auditors have recommended that the City re-allocate its costs charged to the Airport for fiscal years 2005 through 2010 using an allocation methodology that reflects services actually provided to the Airport and repay any overcharges to the Airport, with interest. The City believes the allocation methodology used to allocate costs to the Airport is in compliance with federal cost allocation guidance. In an effort to resolve the issue, the City proposed and implemented a cap on the indirect cost allocations for certain City departments at 10%, which was the approximate rate charged to the Airport in pre-capital intensive years. This resulted in a total credit of $5.6 million that would be applied equally to the Airport cost allocation plan over a seven year period beginning in fiscal year 2012-2013. The City also proposed to adjust its indirect cost allocation methodology in an effort to address FAA concerns, including removal of debt expenditures from the relative expenditures base, continuing with the 10% cap, and monitoring a rolling five-year average of the relative expenditure base to smooth out expenditure fluctuations, which were implemented in fiscal year 2015-2016.

On August 14, 2015, the FAA accepted the corrective actions that the City has already taken, however, the FAA, disagrees with the City's inclusion of capital expenditures in the allocation of indirect costs. The City will continue discussions with the FAA, but cannot predict the final outcome of the audit.

Potential Claim from FAA Regarding Reuse of Guadalupe Gardens

In early 2002, the City Council approved a Master Plan for Guadalupe Gardens, consisting of approximately 120 acres of mostly vacant, City-owned property located south of the Airport, much of which falls within an FAA-established safety zone. The City acquired the Guadalupe Gardens properties using FAA grants for airport approach protection and noise compatibility, and the FAA grant agreements consequently required FAA approval of any planned City-use of the properties acquired with grant proceeds. By letter dated August 9, 2002, addressed to the City's Director of Aviation, the FAA San Francisco Airport District Office ("ADO") approved the City's Master Plan for reuse of Guadalupe Gardens for runway and approach protection, and the City finalized the Master Plan in reliance upon the FAA approval.

During discussions regarding proposals to develop certain portions of the Guadalupe Gardens, the FAA has taken the position that the City must dispose of any portion of the Guadalupe Gardens that is no longer needed for noise compatibility purposes. Citing provisions of federal law that require recipients of FAA grants for acquisition of land for noise compatibility purposes to dispose of any such acquired land when no longer needed by the airport owner for noise compatibility purposes, the FAA contends that the FAA ADO erred in its 2002 approval of the Guadalupe Gardens Master Plan and that the City is obligated to prepare an inventory of the Guadalupe Gardens to identify those parcels that were acquired by the City with noise compatibility grant proceeds. This inventory would then be used to prepare for FAA review and approval of a disposition plan for those parcels no longer needed by the City for noise compatibility. Proceeds of the sale of the parcels proportionate to the FAA grant share of the original purchase price would be required to be used for other approved noise compatibility projects at the Airport or returned to the FAA.

The City believes that it has viable defenses to any potential claim by the FAA with regard to Guadalupe Gardens. The FAA ADO's 2002 approval of the Guadalupe Gardens Master Plan constituted an official FAA approval of the City's reuse of the parcels acquired with proceeds from FAA noise compatibility grants, and the approval expressly provides that the entire Guadalupe Gardens is necessary for the continuing aeronautical purpose of runway and approach protection. Having received official FAA approval of its reuse of the parcels, the City believes it is under no obligation to take any further action to secure further FAA approval of its continuing use of the Guadalupe Gardens. However, the City cannot predict the final outcome of any such potential claim by the FAA.

(e) Workers' Compensation Program Audit

In 2016, the City's Workers' Compensation Program underwent two audits by the State's Department of Industrial Relations (DIR): a routine three-tier Profile Audit Review (PAR) of randomly selected claims conducted every five years and a Target Utilization Review audit triggered by workers' complaints regarding the City's utilization review and procedures for requests for authorization of medical treatment of work-related injuries and illnesses. Since June 2013, a combination of in-house City staff and a Third Party Administrator (TPA) has administered the City's workers' compensation claims. The City's utilization review process is conducted by the TPA.

The PAR audit, consisting of three tiers, proceeded to a more comprehensive Full Compliance Audit with an additional and expanded selection of files, including denied claims. The City failed each of the three tiers of the Full Compliance Audit, resulting in the State DIR assessing the following amounts, which arise from the City's delay in processing claims: (1) a penalty in the amount of $142,215; (2) additional disability payments in the amount of $16,089.91 and (3) additional medical and medical legal payments owed to providers in the approximate amount of $16,000, on which interest at the rate of 7% per annum continues to accrue until the date of payment. The City made the payment of the assessed amounts in December 2016. The DIR will be monitoring the City's claim review process through calendar year 2018.

The City is subject to a re-audit in approximately December 2018 and must pass the re-audit or its ability to retain its status as a self-insured employer may be jeopardized. Additionally, failure to pass two consecutive Full Compliance Audits would expose the City to the risk of assessment of a civil penalty, currently a one-time payment in an amount not to exceed $100,000. In the event that the City were unable to retain its status as a self-insured employer, the City would be required to procure workers' compensation insurance coverage for its employees, including employees assigned to the Airport Department. The City believes that the purchase of workers' compensation insurance coverage will be significantly more expensive than a self-insured program.

The Target Utilization Review audit reviewed files from the first phase of the routine audit, but with a focus on the City's utilization review process and procedure. This audit commenced in late October 2016 and concluded in January 2017. Only the portion of the City's Workers' Compensation Program administered by the in-house City staff was subject to the Full Compliance Audit. Both the in-house staff and the TPA were subject to the Target Utilization Review. The in-house program was assessed penalties of $3,000 for three (3) failures to respond to requests for medical treatment. The City received the final Audit report on January 5, 2017 and payment was issued by January 31, 2017.

In addition to these audits, the State DIR's Administrative Director of the Division of Workers' Compensation issued an Order to Show Cause, assessing $120,000 in administrative penalties for the City's failure to properly address independent medical review appeals of utilization review non-certifications of medical treatment requests in 24 claims. The penalties have been assessed, primarily, for failure to timely provide responsive documents to the company under contract with the State that performs independent medical review. The penalties are assessed at the rate of $500 per day for each day the response is untimely, up to a maximum of $5,000 per claim. The City paid the penalties in November 2016.

The City believes the failures identified in the Full Compliance Audit are largely attributable to the staffing levels in the City's Workers' Compensation Program. While the adjuster caseloads for the TPA are within an industry standard of 150 cases per adjuster, the adjuster caseloads for the in-house staff are above this level, with caseloads that have periodically reached close to or in excess of 500 cases per adjuster. To address the in-house staffing needs and compliance with State law requirements, the following adjustments have been made: all four (4) budgeted Workers Compensation Adjuster positions have been filled with permanent staff rather than temporary employees, which the City believes should improve the recruitment and retention of adjusters; and four (4) temporary adjuster and administrative support positions have been added to address the current workload and backlog issues. In addition, the City filled a management position within the City's Workers' Compensation Program which the City believes will improve day-to-day management of the program. The City believes that these positions within the City's Workers' Compensation Program will reduce the current caseload, enable the City's in-house staff to address and correct the State audit findings, and better manage new claims and ensure compliance with State requirements.

(f) Litigation

Between May 2013 and January 2014, SJJC Aviation Services, LLC filed three lawsuits seeking to block the Signature fixed base operation project at the Airport. SJJC Aviation Services, LLC is an incumbent tenant at the Airport that conducts fixed base operations under the name “Atlantic Aviation,” and the Signature fixed base operation, which commenced operations at the Airport in late 2015, is in competition with Atlantic Aviation at the Airport.

The first lawsuit (RFP lawsuit), filed in May 2013 in the Superior Court of the State of California in Santa Clara County, challenged the City’s request for proposal (RFP) process and the resulting award of the lease and operating agreement to Signature. The Superior Court entered judgment dismissing the RFP lawsuit with prejudice on May 2, 2014, and SJJC Aviation Services subsequently filed an appeal to the Sixth District Court of Appeal on May 16, 2014. The Sixth District Court of Appeal issued a decision in May 2017 in favor of the City, affirming the trial court's dismissal of the challenge to the City's 2012 RFP.

The remaining two lawsuits filed in May and December 2013 in the Superior Court of the State of California in Santa Clara County, seek to block the Signature project under the California Environmental Quality Act (CEQA). In both CEQA lawsuits, SJJC Aviation Services alleged that the City violated CEQA by approving the Signature project without adequate environmental review. The Superior Court subsequently consolidated the two CEQA lawsuits. The City successfully defended its CEQA environmental review and received a judgment in its favor on December 23, 2014, and SJJC subsequently filed an appeal to the Sixth District Court of Appeal on February 5, 2015. The Sixth District Court of Appeal also issued a decision in May 2017 in favor of the City with regard to the CEQA challenge. The Court of Appeal remanded the case to the Superior Court to set aside two preliminary Council resolutions approving the Signature project, but the Court ultimately determined that the City complied with CEQA and upheld subsequent Council resolutions approving the Signature project.

In light of the fact that the Court of Appeal upheld the City's approval of the Signature project, the parties subsequently agreed to settle the CEQA lawsuit without any payment by either party and without further proceedings before the Superior Court.

There are several pending lawsuits in which the Airport is involved in the normal course of its operation. The Airport’s and the City’s management believe that any potential exposure will not have a material effect on the Airport’s financial position or changes in financial position.

(11) Subsequent Event

The Airport evaluated events from June 30, 2017 through the date the CAFR was issued. There were no subsequent events to be disclosed.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)

Required Supplementary Information (Unaudited)
Last 10 Fiscal Years

Schedule of the Proportionate Share of the Net Pension Liability (dollars in thousands)

	2017	2016	2015	2014
Proportion of the collective net pension liability	3.4 %	3.6 %	3.8 %	3.7 %
Proportionate share of the collective net pension liability	$ 102,069	$ 81,313	$ 64,650	$ 74,527
Proportionate share of the plan fiduciary net position	$ 176,566	$ 180,366	$ 183,603	$ 166,205
Covered payroll	$ 13,694	$ 13,163	$ 12,903	$ 12,532
Proportionate share of the collective net pension liability as percentage of covered payroll	745.4 %	617.7 %	501.0 %	594.7 %
Plan fiduciary net position as a percentage of the total pension liability	63.4 %	68.9 %	74.0 %	69.0 %

Schedule of Contributions (dollars in thousands)

	2017	2016	2015	2014
Actuarially determined contribution	$ 8,134	$ 7,374	$ 7,103	$ 6,654
Contributions in relation to the actuarially determined contributions	$ 8,134	$ 7,374	$ 7,103	$ 6,654
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 13,694	$ 13,163	$ 12,903	$ 12,532
Contributions as a percentage of covered payroll	59.4 %	56.0 %	55.0 %	53.1 %

Note to Schedules

The Airport as a cost-sharing department of the City is required to recognize a liability for its proportionate share of the City's net pension liability. The Airport recognizes pension expense and reports deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

The schedules present information to illustrate changes in the Airport's proportionate share of the net pension liability and contributions over a ten-year period when the information is available. However, until a 10-year trend is compiled, governments should present information for those years for which information is available.

Detailed note disclosures can be found the the Required Supplementary Information (Unaudited) section in the City's June 30, 2017 CAFR.

STATISTICAL

A new, state-of-the-art monument sign was completed on the Airport's west side at the Coleman Avenue and Airport Boulevard gateway. The materials compliment the architecture of the Airport's passenger terminals, and a digital feature highlights the Airport's new flights and other important information 24 hours a day. The sign features LED lighting which uses reduced energy and is long lasting, complimented by beautiful landscaping with drought resistant plants and a drip system using recycled water.

The iPal Playground, an interactive play space featuring the child sized iPal humanoid social robot, was introduced at the Airport in early 2017, bringing the first installation of its kind in the country. The playground includes a maze, as well as an interactive play space where passengers can sing, dance, and talk with iPal, and explore the robot's education apps.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
SILICON VALLEY'S AIRPORT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)

Statistical Section
June 30, 2017

This part of the comprehensive annual financial report for the Airport presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Airport's overall financial health.

Contents **Schedule**

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)

Statistical Section
June 30, 2017

Contents	**Schedule**

Operating Information

These schedules contain service and infrastructure data related to services the Airport provides and the activities it performs.

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Schedule A
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ANNUAL REVENUES, EXPENSES, CHANGES IN NET POSITION, AND NET POSITION
LAST TEN FISCAL YEARS
(in $ 000's)

	2008	2009	2010	2011[1]	2012
Operating revenues:					
Airline rates and charges:					
Landing fees	$ 13,084	$ 14,504	$ 13,190	$ 13,370	$ 11,414
Terminal rental	26,539	29,716	33,459	34,446	39,864
Total airline rates and charges	39,623	44,220	46,649	47,816	51,278
Terminal buildings/concessions	11,470	11,947	11,157	16,877	15,770
Airfield	2,833	3,171	2,791	2,925	2,783
Parking and roadway	48,369	44,227	38,934	47,320	51,023
Fuel handling fees	1,806	1,474	1,310	1,504	1,690
General aviation/other	4,789	5,826	5,909	4,521	4,431
Customer facility charges[1]	6,351	6,713	6,021	-	-
Total operating revenues	115,241	117,578	112,771	120,963	126,975
Operating expenses:					
Terminal buildings/concessions	31,790	28,813	31,701	33,019	23,659
Airfield	22,692	16,170	10,911	9,749	9,069
Parking and roadway	27,936	26,853	24,032	25,344	25,514
Fuel handling costs	311	557	885	288	556
General aviation	3,428	4,072	3,052	2,409	1,676
General and administrative	32,879	28,268	23,624	19,095	18,328
Depreciation and amortization	22,834	20,647	55,288	51,532	51,520
Total operating expenses	141,870	125,380	149,493	141,436	130,322
Operating income (loss)	(26,629)	(7,802)	(36,722)	(20,473)	(3,347)
Nonoperating revenues (expenses):					
Passenger facility charges	21,224	17,416	17,043	17,311	16,787
Customer facility charges[1]	-	-	-	6,840	10,137
Investment income	15,446	8,138	311	1,613	2,217
Interest expense	(11,737)	(11,404)	(10,750)	(54,430)	(70,009)
Bond issuance costs	-	-	-	-	(4,141)
Operating grants	8,444	4,625	1,150	701	670
Loss on disposal of capital assets	-	(3,537)	(11,733)	-	(9)
Other, net	2,767	4,227	200	1,438	698
Total nonoperating revenues (expenses), net	36,144	19,465	(3,779)	(26,527)	(43,650)
Income (loss) before capital contributions	9,515	11,663	(40,501)	(47,000)	(46,997)
Capital contributions	4,970	12,868	34,722	10,862	7,399
Change in net position	$ 14,485	$ 24,531	$ (5,779)	$ (36,138)	$ (39,598)
Net position at year-end					
Net investment in capital assets	$ 267,321	$ 316,935	$ 314,664	$ 272,598	$ 242,916
Restricted	84,491	45,260	61,349	64,128	69,350
Unrestricted	82,200	96,348	76,751	79,900	58,811
Net position at year-end[2]	$ 434,012	$ 458,543	$ 452,764	$ 416,626	$ 371,077

[1] CFC are used to pay for capital costs and related debt service associated with the ConRAC and certain operating expenses related to the transportation of rental car customers. CFC were reclassified from operating to nonoperating revenue beginning in fiscal year 2011 when the Airport started using CFC for the debt service associated with the ConRAC. Effective July 1, 2016, the Airport started using a portion of CFC revenues to pay for transportation costs, which is recorded as operating income.

Source: Finance and Administration, Norman Y. Mineta San José International Airport, City of San José

Schedule A
(Concluded)

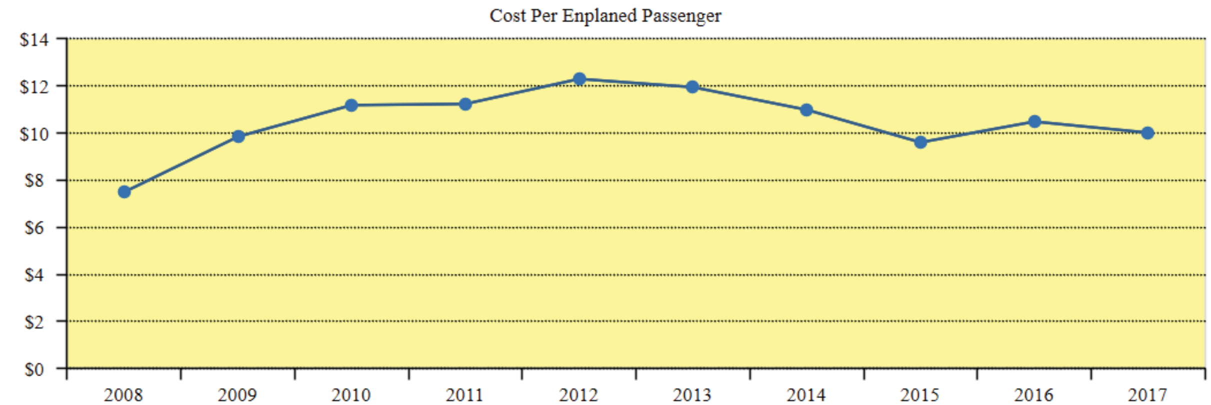
NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ANNUAL REVENUES, EXPENSES, CHANGES IN NET POSITION, AND NET POSITION
LAST TEN FISCAL YEARS
(in $ 000's)

	2013	2014	2015(2)	2016	2017(1)
Operating revenues:					
Airline rates and charges:					
Landing fees	$ 12,888	$ 11,973	$ 11,856	$ 13,095	$ 18,370
Terminal rental	38,256	38,130	34,372	40,800	39,778
Total airline rates and charges	51,144	50,103	46,228	53,895	58,148
Terminal buildings/concessions	15,102	15,423	16,271	17,576	20,207
Airfield	3,038	3,553	3,993	4,891	7,307
Parking and roadway	46,700	47,268	49,049	53,704	52,514
Fuel handling fees	2,361	3,170	3,257	3,226	3,080
General aviation/other	4,770	6,193	7,183	8,661	9,748
Customer facility charges(1)	-	-	-	-	1,931
Total operating revenues	123,115	125,710	125,981	141,953	152,935
Operating expenses:					
Terminal buildings/concessions	23,303	24,233	23,833	27,724	31,115
Airfield	8,707	9,570	9,891	12,767	16,776
Parking and roadway	16,631	16,343	17,170	16,684	16,046
Fuel handling costs	1,065	11	28	(565)	16
General aviation	1,605	1,609	2,006	1,963	1,383
General and administrative	18,763	19,877	18,208	19,334	23,057
Depreciation and amortization	54,353	54,027	53,437	51,864	46,449
Total operating expenses	124,427	125,670	124,573	129,771	134,842
Operating income (loss)	(1,312)	40	1,408	12,182	18,093
Nonoperating revenues (expenses):					
Passenger facility charges	17,294	18,161	19,291	20,603	23,097
Customer facility charges(1)	13,385	15,493	18,690	19,888	18,026
Investment income	(257)	1,571	1,222	2,444	1,591
Interest expense	(75,058)	(73,836)	(72,237)	(71,245)	(67,440)
Bond issuance costs	(196)	-	(976)	-	(2,492)
Operating grants	565	605	610	497	1,169
Loss on disposal of capital assets	-	(481)	-	-	-
Other, net	451	614	806	1,902	603
Total nonoperating revenues (expenses), net	(43,816)	(37,873)	(32,594)	(25,911)	(25,446)
Income (loss) before capital contributions	(45,127)	(37,833)	(31,186)	(13,729)	(7,353)
Capital contributions	6,954	4,843	937	5,760	10,120
Change in net position	$ (38,173)	$ (32,990)	$ (30,249)	$ (7,969)	$ 2,767
Net position at year-end					
Net investment in capital assets	$ 209,381	$ 169,870	$ 126,350	$ 95,800	$ 82,801
Restricted	65,408	67,848	56,752	61,308	64,907
Unrestricted	58,114	62,195	18,689	36,714	48,881
Net position at year-end(2)	$ 332,903	$ 299,913	$ 201,791	$ 193,822	$ 196,589

(2) As of July 1, 2014, the Airport restated the beginning net position in the amount of $67,874 due to the implementation of GASB Statement Nos. 68 and 71. The Airport did not restate beginning net position for fiscal years prior to FY 14-15, because amounts were not available.

Source: Finance and Administration, Norman Y. Mineta San José International Airport, City of San José

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRLINE COST PER ENPLANED PASSENGER
LAST TEN FISCAL YEARS
($ and Passengers in 000's)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Airline revenues:										
Terminal rental	$ 26,539	$ 29,716	$ 33,459	$ 34,446	$ 39,864	$ 38,256	$ 38,130	$ 34,372	$ 40,800	$ 39,778
Landing fees (passenger carriers)	12,252	13,560	12,443	12,582	10,838	12,298	11,451	11,361	12,528	17,697
Total	38,791	43,276	45,902	47,028	50,702	50,554	49,581	45,733	53,328	57,475
Enplaned passengers	5,179	4,400	4,107	4,189	4,125	4,235	4,517	4,765	5,088	5,740
Airline cost per enplaned passenger (not in 000's)	$ 7.49	$ 9.84	$ 11.18	$ 11.23	$ 12.29	$ 11.94	$ 10.98	$ 9.60	$ 10.48	$ 10.01

Source: Norman Y. Mineta San José International Airport audited financial statements and activity reports

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
GROSS CONCESSION REVENUE PER ENPLANED PASSENGER
LAST TEN FISCAL YEARS
($ and Passengers in 000's)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gross concession revenue[1]										
Public parking[2]	$ 28,625	$ 23,632	$ 21,260	$ 22,081	$ 22,943	$ 24,814	$ 26,759	$ 27,845	$ 29,392	$ 28,635
Rental cars	156,227	127,661	114,614	125,730	126,333	129,643	142,439	149,384	157,857	162,142
Food and beverage	20,041	16,753	16,493	21,141	22,280	24,216	27,350	30,078	32,870	39,060
Advertising	1,892	1,923	1,736	1,903	1,873	2,355	2,506	2,245	2,368	3,550
Gift shop & retail	7,957	7,380	8,868	11,290	11,983	12,668	13,475	14,130	15,742	17,636
In-flight kitchen	5,819	6,173	8,580	9,823	8,920	10,680	13,114	15,904	22,893	40,790
Total gross concession revenue	$ 220,561	$ 183,522	$ 171,551	$ 191,968	$ 194,332	$ 204,376	$ 225,643	$ 239,586	$ 261,122	$ 291,813
Enplaned passengers	5,179	4,400	4,107	4,189	4,125	4,235	4,517	4,765	5,088	5,740
Gross concession revenue per enplaned passenger (not in 000's)	$ 42.59	$ 41.71	$ 41.77	$ 45.83	$ 47.11	$ 48.26	$ 49.95	$ 50.28	$ 51.32	$ 50.84

[1] Gross revenues of major concessionaires only.
[2] Gross public parking revenues only.

Source: Norman Y. Mineta San José International Aiport activity reports and concession records

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SCHEDULED AIRLINE RATES AND CHARGES
FISCAL YEAR 2008 THROUGH FISCAL YEAR 2017

	2008[1]	2008[2]	2009	2010	2011	2012	Unit
Landing fees:	$ 1.44	$ 2.00	$ 2.24	$ 2.32	$ 2.47	$ 2.14	per 1,000 lbs. MGLW[5]
Terminal rental rates:							
Group A							
Ticket counter and queuing, skycap/curbside check-in							
Preferential	-	73,729	81,192	145,136	241,041	319,205	per counter
Common	-	35	63	57	73	97	per hour
Airline ticket office, Club/VIP	-	166.07	237.81	204.57	157.18	184.19	per sq. ft.
Holdroom (gate)							
Preferential	-	418,598	481,687	726,212	742,245	872,527	per gate
Common	-	228	330	497	496	598	per turn
Group B							
Baggage claim[3]	-	132.86	190.25	163.66	125.74	147.35	per sq. ft.
Group C							
Baggage make-up[4]/Operations space	-	83.04	118.91	102.29	78.59	92.09	per sq. ft.
Blended rental rates							
Ticket counter	351.00	-	-	-	-	-	per sq. ft.
Operations	316.00	-	-	-	-	-	per sq. ft.
Holdroom	263.00	-	-	-	-	-	per sq. ft.
Baggage claim[3]	175.00	-	-	-	-	-	per sq. ft.
Baggage make-up/Storage	123.00	-	-	-	-	-	per sq. ft.

(1) These rates and charges were calculated using blended rates for Terminal A and C with concurrence of the airlines for the period July 1 to November 30, 2007. A new Airline-Airport Lease and Operating Agreement took effect on December 1, 2007.
(2) These rates and charges were for the period December 1, 2007 to June 30, 2016 and were calculated based on the provisions of the current Airline-Airport Lease and Operating Agreement which took effect on December 1, 2007.

Source: Norman Y. Mineta San José International Airport annual rates and charges analysis.

Schedule D
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SCHEDULED AIRLINE RATES AND CHARGES
FISCAL YEAR 2008 THROUGH FISCAL YEAR 2017

	2013	2014	2015	2016	2017	Unit
Landing fees:	$ 2.38	$ 2.22	$ 2.09	$ 2.13	$ 2.70	per 1,000 lbs. MGLW[5]
Terminal rental rates:						
Group A						
Ticket counter and queuing, skycap/curbside check-in						
Preferential	296,954	293,680	235,177	287,230	273,042	per counter
Common	90	98	94	88	54	per hour
Airline ticket office, Club/VIP	186.55	192.73	178.08	195.75	186.08	per sq. ft.
Holdroom (gate)						
Preferential	886,424	915,350	775,820	883,722	763,701	per gate
Common	607	591	470	552	521	per turn
Group B						
Baggage claim[3]	149.24	154.19	142.47	156.60	148.86	per sq. ft.
Group C						
Baggage make-up[4]/Operations space	93.28	96.37	89.04	97.87	93.04	per sq. ft.
Blended rental rates						
Ticket counter	-	-	-	-	-	
Operations	-	-	-	-	-	
Holdroom	-	-	-	-	-	
Baggage claim[3]	-	-	-	-	-	
Baggage make-up/Storage	-	-	-	-	-	

[3] The baggage claim requirement is allocated among the airlines using the 20/80 formula. 20% of the revenue requirement is divided equally among the domestic airlines. The remaining 80% of the revenue requirement is distributed among the airlines based on the number of domestic deplaned passengers.
[4] The baggage make-up requirement is allocated among the airlines using the 20/80 formula. 20% of the revenue requirement is divided equally among all airlines. The remaining 80% of the revenue requirement is distributed among the airlines based on the number of all enplaned passengers.
[5] MGLW - Maximum Gross Landing Weight

Source: Norman Y. Mineta San José International Airport annual rates and charges analysis.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
RATIOS OF OUSTANDING DEBT AND DEBT SERVICE[1]
LAST TEN FISCAL YEARS
($ and Passengers in 000's)

	2008	2009	2010	2011	2012
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds	$ 1,057,386	$ 1,046,606	$ 1,035,266	$ 1,023,304	$ 1,415,552
Commercial paper notes	186,190	323,561	417,348	410,079	47,937
Total outstanding debt	1,243,576	1,370,167	1,452,614	1,433,383	1,463,489
Enplaned passengers	5,179	4,400	4,107	4,189	4,125
Total outstanding debt per enplaned passenger (not in 000's)	$ 240	$ 311	$ 354	$ 342	$ 355
Debt service					
Revenue bonds[2] [3]	$ 21,567	$ 23,037	$ 31,367	$ 53,890	$ 80,725
Commercial paper notes [4] [5]	710	292	734	16,605	6,818
Total debt service	22,277	23,329	32,101	70,495	87,543
Less: Funds available for debt service					
Passenger facility charges	-	-	4,588	21,388	21,336
Customer facility charges[6] [7]	-	-	-	6,840	10,137
Unspent bond proceeds[6]	-	-	-	-	1,713
Net debt service	$ 22,277	$ 23,329	$ 27,513	$ 42,267	$ 54,357
Net debt service per enplaned passenger (not in 000's)	$ 4.30	$ 5.30	$ 6.70	$ 10.09	$ 13.18

[1] Debt Limit information is not shown because the City does not establish or impose a debt limit.

[2] Under the Master Trust Agreement (MTA) dated July 1, 2001, and as amended and supplemented to date (Master Trust), "Bond Debt Service" means for any specified period the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds. Also, under the Master Trust, the City may designate Passenger Facility Charges as "Available Passenger Facility Charges" for payment of eligible debt service. The amount of Debt Service is reduced by the amount of Available Passenger Facility Charges designated by the City and deposited with the Trustee to pay Bond Debt Service.

[3] Per the Master Trust, rates used to calculate the interest payable on variable rate bonds, Series 2004A&B Airport Revenue Bonds, which were outstanding during fiscal year 2008, were the actual interest rates that were in effect for the relevant period of calculation.

Source: Finance and Administration, Norman Y. Mineta San José International Airport, City of San José

Schedule E
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
RATIOS OF OUSTANDING DEBT AND DEBT SERVICE[1]
LAST TEN FISCAL YEARS
($ and Passengers in 000's)

	2013	2014	2015[7]	2016[7]	2017[7]
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds	$ 1,398,332	$ 1,376,038	$ 1,349,265	$ 1,325,579	$ 1,310,333
Commercial paper notes	45,380	41,159	37,912	34,672	25,461
Total outstanding debt	1,443,712	1,417,197	1,387,177	1,360,251	1,335,794
Enplaned passengers	4,235	4,517	4,765	5,088	5,740
Total outstanding debt per enplaned passenger (not in 000's)	$ 341	$ 314	$ 291	$ 267	$ 233
Debt service					
Revenue bonds[2] [3]	$ 86,325	$ 95,068	$ 96,083	$ 95,452	$ 95,660
Commercial paper notes [4] [5]	4,043	2,859	2,213	2,116	1,728
Total debt service	90,368	97,927	98,296	97,568	97,388
Less: Funds available for debt service					
Passenger facility charges	22,100	25,747	25,202	24,829	24,789
Customer facility charges[6] [7]	13,385	15,494	17,412	17,701	18,026
Unspent bond proceeds[6]	5,802	11,082	11,082	11,083	4,295
Net debt service	$ 49,081	$ 45,604	$ 44,600	$ 43,955	$ 50,278
Net debt service per enplaned passenger (not in 000's)	$ 11.59	$ 10.10	$ 9.36	$ 8.64	$ 8.76

[4] As required by the Letter of Credit and Reimbursement Agreements related to the Airport's Commercial Paper (CP) Program, the principal amount of the CP is assumed to be amortized on a substantially level debt service for a period of 25 years commencing on the estimated completion date of the respective project to which such obligations relate or the date of issuance if the CP proceeds were not used for a project. As also required, the interest rate on the CP is assumed to be equal to an interest rate calculated by multiplying the average interest rate during the 90-day period prior to the end of the fiscal year by 1.15, as certified by a certificate of a financial advisor. As permitted by the Letter of Credit and Reimbursement Agreements, the outstanding CP as of June 30, 2011 was adjusted to reflect the repayment of certain CP from the proceeds of the Airport Revenue Bond Series 2011A. Under the Letter of Credit and Reimbursement Agreements in effect for fiscal years 2008 through 2010, the calculation of debt service did not include the CP, which funded capitalizable projects during those fiscal years.

[5] Includes letter of credit fees associated with subordinated commercial paper.

[6] Fiscal years 2010 through 2012 were revised to reflect "Other Available Funds for Debt Service." Under the MTA, the Airport may for any period elect to designate Customer Facility Charges and Unspent Bond Proceeds as “Other Available Funds” eligible for payment of debt service.

[7] CFC revenues available for debt service were restated in fiscal years 2015 and 2016 to be limited to the amount of CFC eligible debt service.

Source: Finance and Administration, Norman Y. Mineta San José International Airport, City of San José

Schedule F

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
DEBT SERVICE COVERAGE FOR LAST TEN FISCAL YEARS
(in $ 000's)

Years	Adjusted General Airport Revenues[1]	Operating Expenses[2] [3]	Net Revenues	Other Available Funds[9]	Net Revenues Available for Debt Service	Total Bond Debt Service[4]	Available PFC Revenues[4]	Net Bond Debt Service Payable from Revenues	**Coverage Ratio - Bonds**	Estimated CP Debt Service[6] [7]	**Coverage Ratio - Bonds & CP**
2008	$ 119,651	$ 95,615	$ 24,036	$ 44,175	$ 68,211	$ 21,567[5]	$ -	$ 21,567	**3.16**	$ 710	**3.06**
2009	120,041	91,051	28,990	49,053	78,043	23,037	-	23,037	**3.39**	292	**3.35**
2010	110,226	82,711	27,515	51,610	79,125	31,367	4,588	26,779	**2.95**	734	**2.88**
2011	123,538	76,850	46,688	52,447	99,135	53,890	21,388	32,502	**3.05**	16,605	**2.02**
2012	129,573	67,875	61,698	58,917	120,615	80,725	21,336	59,389	**2.03**	6,818	**1.82**
2013	124,851	64,974	59,877	66,006	125,883	86,325	22,100	64,225	**1.96**	4,043	**1.84**
2014	127,717	66,319	61,398	75,157	136,555	95,068	25,747	69,321	**1.97**	2,859	**1.89**
2015	128,038	70,054[8]	57,984	78,026[10]	136,010	96,083	25,202	70,881	**1.92**	2,213	**1.86**
2016	145,809	73,118	72,691	71,466[10]	144,157	95,452	24,829	70,623	**2.04**	2,116	**1.98**
2017	156,278	77,577	78,701	77,876	156,577	95,660	24,789	70,871	**2.21**	1,728	**2.16**

(1) Does not include PFC revenues, AIP grant proceeds, or CFC revenues classified as nonoperating revenues. PFC revenues and AIP grant proceeds are included in the Statements of Revenues, Expenses, and Changes in Net Position as nonoperating revenues. Beginning in fiscal year 2011, CFC revenues were reclassified from operating to nonoperating revenue. Beginning fiscal year 2017, the Airport started using a portion of CFC revenues to pay for transportation costs, which is recorded as operating income.

(2) Includes operating expenses less depreciation and expenses paid from sources other than General Airport Revenues.

(3) Excludes letter of credit fees associated with subordinated commercial paper. Letter of credit fees, net of capitalized fees, are reflected as part of operating expenses for accounting purposes. However, fees imposed pursuant to the Reimbursement Agreements relating to such letters of credit are Subordinate Obligations and are not incorporated in operating expenses for purposes of calculating debt service coverage.

(4) Under the Master Trust Agreement (MTA) dated July 1, 2001, and as amended and supplemented to date (Master Trust), "Bond Debt Service" means for any specified period the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds. Also, under the Master Trust, the City may designate Passenger Facility Charges as "Available Passenger Facility Charges" for payment of eligible debt service. The amount of Debt Service is reduced by the amount of Available Passenger Facility Charges designated by the City and deposited with the Trustee to pay Bond Debt Service.

(5) Per the Master Trust, rates used to calculate the interest payable on variable rate bonds, Series 2004A&B Airport Revenue Bonds, which were outstanding during fiscal year 2008, were the actual interest rates that were in effect for the relevant period of calculation.

(6) As required by the Letter of Credit and Reimbursement Agreements related to the Airport's CP Program, the principal amount of the CP is assumed to be amortized on a substantially level debt service for a period of 25 years commencing on the estimated completion date of the respective project to which such obligations relate or the date of issuance if the CP proceeds were not used for a project. As also required, the interest rate on the CP is assumed to be equal to an interest rate calculated by multiplying the average interest rate during the 90-day period prior to the end of the fiscal year by 1.15, as certified by a certificate of a financial advisor. As permitted by the Letter of Credit and Reimbursement Agreements, the outstanding CP as of June 30, 2011 was adjusted to reflect the repayment of certain CP from the proceeds of the Airport Revenue Bond Series 2011A. Under the Letter of Credit and Reimbursement Agreements in effect for fiscal years 2008 through 2010, the calculation of debt service did not include the CP, which funded capitalizable projects during those fiscal years.

(7) Includes letter of credit fees associated with subordinated commercial paper.

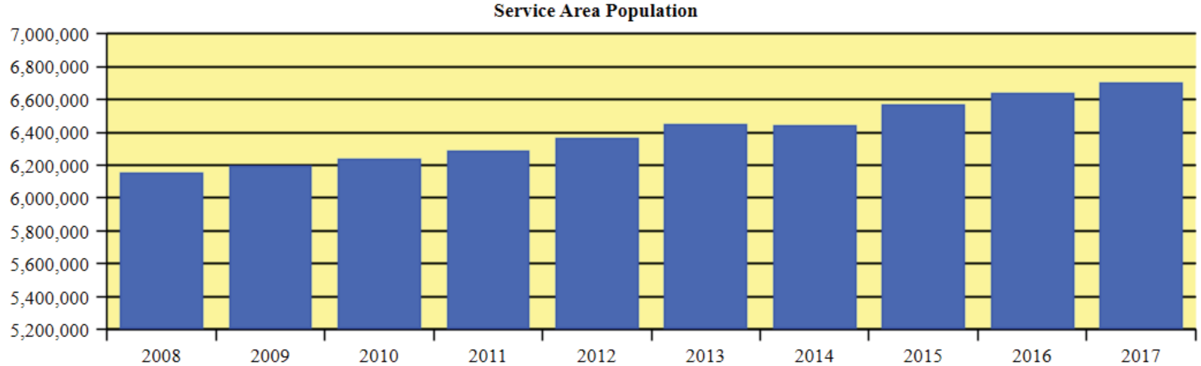
(8) Fiscal year 2015 operating expenses were revised to exclude expenses related to GASB Statement No. 68.

(9) Other Available Funds include the Rolling Coverage Amount, uncommitted monies in the General Revenue Fund from the prior fiscal year, unspent bond proceeds in FY 12 through FY 17, and CFC Revenues, in an amount not to exceed the amount of eligible debt service and transportation costs.

(10) Other Available Funds was restated to include CFC revenues available for debt services not to exceed the amount of CFC eligible debt service and transportation costs.

Source: Finance and Administration, Norman Y. Mineta San José International Airport, City of San José

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SERVICE AREA POPULATION IN THE AIR TRADE AREA
LAST TEN CALENDAR YEARS AS OF JANUARY 1

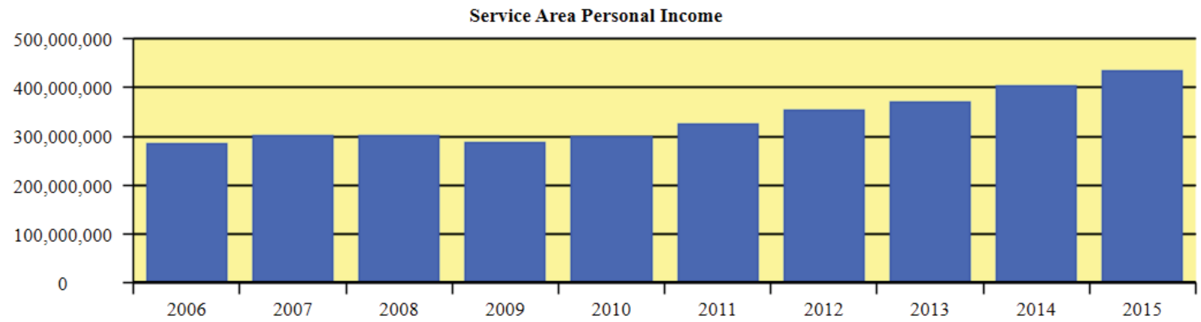


	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2008	1,497,799	412,233	55,068	713,818	1,767,204	260,892	253,026	677,833	511,226	6,149,099
2009	1,509,240	415,108	55,272	718,614	1,781,427	262,552	255,399	684,057	514,003	6,195,672
2010	1,517,756	416,968	55,474	722,372	1,794,337	263,954	257,098	689,160	516,244	6,233,363
2011	1,530,206	419,586	56,137	727,793	1,813,702	265,348	260,039	693,013	519,350	6,285,174
2012	1,550,119	422,754	57,079	736,647	1,840,895	268,189	262,390	701,745	523,038	6,362,856
2013	1,573,254	425,756	57,517	745,193	1,868,558	271,595	264,922	710,731	526,042	6,443,568
2014	1,574,497	424,774	57,909	745,635	1,868,038	269,322	264,567	708,678	528,157	6,441,577
2015	1,610,765	432,637	56,445	759,155	1,903,974	273,594	269,280	723,761	534,902	6,564,513
2016[(1)]	1,629,233	438,171	56,621	765,895	1,922,619	275,557	271,547	735,677	541,466	6,636,786
2017	1,645,359	442,365	56,854	770,203	1,938,180	276,603	274,665	746,868	548,057	6,699,154

(1) Some data reported previously were revised to reflect the most recent information

Source: California Department of Finance, Demographic Research Unit

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SERVICE AREA PERSONAL INCOME IN THE AIR TRADE AREA
LAST TEN AVAILABLE CALENDAR YEARS[1]
(in $ 000's)



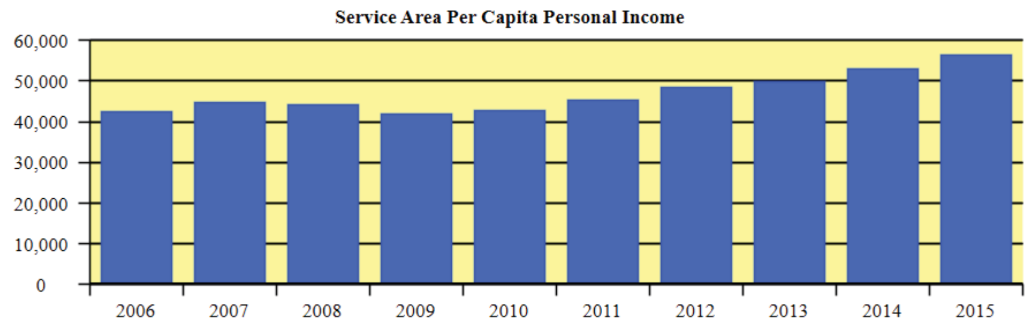
	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2006	$ 69,413,342	$ 16,593,766	$ 1,888,615	$ 47,439,966	$ 95,739,260	$ 12,093,124	$ 6,153,715	$ 19,676,512	$ 15,050,420	$ 284,048,720
2007	72,269,758	17,079,370	1,996,555	50,186,023	102,922,133	12,881,411	6,918,424	20,817,871	15,801,138	300,872,683
2008	73,944,674	16,931,392	1,967,929	49,148,183	102,433,735	12,940,365	6,826,882	21,029,219	15,857,505	301,079,884
2009	70,463,233	16,732,911	1,904,402	46,631,310	95,588,054	12,112,253	6,771,237	20,747,584	15,697,151	286,648,135
2010	72,870,527	16,958,117	1,920,847	47,787,433	102,432,990	12,361,716	7,117,031	21,214,529	16,232,916	298,896,106
2011	78,550,471	17,668,188	2,037,248	51,931,876	113,461,610	13,284,573	7,797,651	22,369,055	17,095,084	324,195,756
2012	84,503,175	18,496,346	2,153,480	58,665,994	124,801,907	14,251,103	8,038,978	23,682,855	17,957,396	352,551,234
2013	85,173,987	19,184,636	2,279,346	64,281,690	133,654,835	13,456,565	8,635,380	24,470,917	18,399,577	369,536,933
2014[2]	93,290,149	20,028,430	2,364,002	69,717,150	147,251,454	14,814,476	9,197,957	26,089,638	19,869,327	402,622,583
2015	101,370,460	21,623,627	2,565,863	74,641,211	158,728,715	15,696,689	9,714,034	28,150,538	21,236,783	433,727,920

(1) Information for calendar years 2016 and 2017 is not available.

(2) Some data reported previously were revised to reflect the most recent information.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SERVICE AREA PER CAPITA PERSONAL INCOME IN THE AIR TRADE AREA
LAST TEN AVAILABLE CALENDAR YEARS[1]



	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Average PCPI
2006	$ 48,054	$ 41,295	$ 34,894	$ 68,736	$ 56,612	$ 48,062	$ 25,083	$ 29,686	$ 29,823	$ 42,472
2007	49,646	42,446	36,924	72,330	60,117	50,854	27,836	31,161	31,115	44,714
2008	50,057	41,701	36,264	69,830	58,837	50,446	27,249	31,308	31,152	44,094
2009	47,021	40,786	34,984	65,345	54,153	46,584	26,838	30,613	30,686	41,890
2010	48,144	40,732	34,558	66,362	57,336	46,925	27,706	30,857	31,500	42,680
2011	51,286	41,906	36,273	71,232	62,623	50,138	29,995	32,157	33,005	45,402
2012	54,379	43,411	37,867	79,420	67,974	53,473	30,726	33,777	34,437	48,385
2013	53,798	44,707	39,576	85,653	71,431	49,942	32,774	34,709	34,961	49,728
2014[2]	57,842	46,438	40,543	91,935	77,663	54,585	34,567	36,483	37,352	53,045
2015	61,879	49,836	43,643	97,553	82,756	57,257	36,185	38,769	39,445	56,369

(1) Information for calendar years 2016 and 2017 is not available.
(2) Some data reported previously were revised to reflect the most recent information.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Schedule J

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
PRINCIPAL EMPLOYERS IN THE CITY OF SAN JOSE
CURRENT AND NINE YEARS AGO

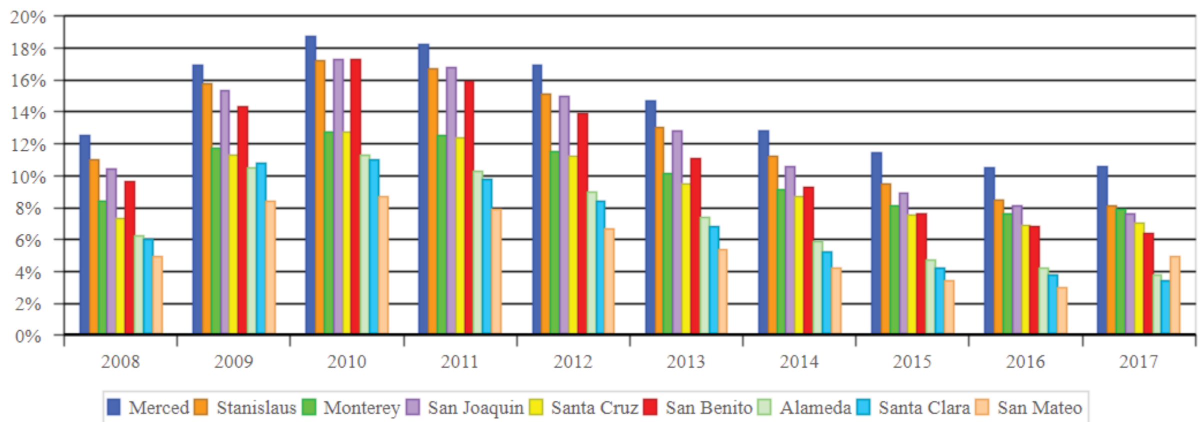
	2017			2008		
Company or Organization	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
County of Santa Clara	17,800	1	1.8%	15,240	2	1.8%
Cisco Systems	14,000	2	1.4%	18,950	1	2.3%
City of San José [1]	6,159	3	0.6%	6,990	4	0.8%
San José State University	4,300	4	0.4%	3,100	5	0.4%
Western Digital/HGST	3,000	5	0.3%	N/A[2]	N/A[2]	-
eBay	2,800	6	0.3%	3,000	6	0.4%
Paypal, Inc.	2,800	7	0.3%	N/A[2]	N/A[2]	-
IBM Corporation	2,800	8	0.3%	7,450	3	0.9%
Adobe Systems, Inc.	2,100	9	0.2%	2,000	12	0.2%
Kaiser Permanente	2,100	10	0.2%	2,100	11	0.3%
Good Samaritan Health System	2,000	11	0.2%	1,850	13	0.2%
Target Corporation	1,900	12	0.2%	N/A[2]	N/A[2]	-
Brocade Communication	1,700	13	0.2%	N/A[2]	N/A[2]	-
Cadence Design Systems, Inc.	1,600	14	0.2%	1,800	15	0.2%
Maxim Integrated Products	1,600	15	0.2%	N/A[2]	N/A[2]	-

(1) Full-time employees

(2) Companies or organizations not included in top 15 principal employers in 2008

Source: California Employment Development Department, Labor Market Information Division, City of San José, Office of Economic Development

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SERVICE AREA ANNUAL AVERAGE UNEMPLOYMENT RATE IN THE AIR TRADE AREA
LAST TEN CALENDAR YEARS



	2008	2009	2010	2011	2012	2013	2014	2015	2016[1]	2017[2]
Merced	12.5 %	16.9 %	18.7 %	18.2 %	16.9 %	14.7 %	12.8 %	11.4 %	10.5 %	10.6 %
Stanislaus	11.0 %	15.8 %	17.2 %	16.7 %	15.1 %	13.0 %	11.2 %	9.5 %	8.5 %	8.1 %
Monterey	8.4 %	11.7 %	12.7 %	12.5 %	11.5 %	10.1 %	9.1 %	8.1 %	7.6 %	7.9 %
San Joaquin	10.4 %	15.3 %	17.3 %	16.8 %	15.0 %	12.8 %	10.6 %	8.9 %	8.1 %	7.6 %
Santa Cruz	7.3 %	11.3 %	12.7 %	12.4 %	11.2 %	9.5 %	8.7 %	7.5 %	6.9 %	7.0 %
San Benito	9.6 %	14.3 %	17.3 %	15.9 %	13.9 %	11.1 %	9.3 %	7.6 %	6.8 %	6.4 %
Alameda	6.2 %	10.5 %	11.3 %	10.3 %	9.0 %	7.4 %	5.9 %	4.7 %	4.2 %	3.8 %
Santa Clara	6.0 %	10.8 %	11.0 %	9.8 %	8.4 %	6.8 %	5.2 %	4.2 %	3.8 %	3.4 %
San Mateo[3]	4.9 %	8.4 %	8.7 %	7.9 %	6.7 %	5.4 %	4.2 %	3.4 %	3.0 %	4.9 %

(1) Some data reported previously were revised to reflect the most recent information.

(2) Information for 2017 is the average of January to July 2017.

(3) Information for 2015 and 2016 was updated to San Mateo County only.

Source: California Employment Development Department, Labor Market Information Division

Schedule L

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRPORT EMPLOYEES
LAST TEN FISCAL YEARS

	Budgeted Full-time-Equivalent[1] Employees as of Fiscal Year-End									
Functional Area	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Acoustical Treatment Program (ACT)	7	4	-	-	-	-	-	-	-	-
Administration	40	35	31	27	27	27	27	28	28	30
Air service development	5	2	2	1	1	1	1	1	1	1
Airport technology services	21	19	16	13	13	13	13	13	11	11
Airside operations	47	47	38	35	40	42	43	43	43	51
Customer service and outreach	10	8	6	5	6	7	7	6	8	10
Capital and airport development	28	27	26	18	14	15	15	15	18	19
Environmental	3	4	3	1	1	1	1	1	1	2
Facilities (building services, trades, and maintenance)	155	135	128	64	66	64	64	64	61	68
Landside operations and services	62	56	47	34	29	9	8	8	8	9
Property management	13	12	9	8	8	8	8	8	8	10
	391	348	305	206	205	187	187	187	187	211

[1] A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080.

Source: Norman Y. Mineta San José International Airport, Budget & Administration Section

Schedule M

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRPORT INFORMATION
June 30, 2017

Location:	Four miles north of downtown San José, "Capital of Silicon Valley"			
Area:	1,050 acres			
Elevation:	62.2 ft.			
Airport code:	SJC			
Runways:	11/29	North/South	4599 x 100	ft.
	12R/30L	North/South	11,000 x 150	ft. ILS/VOR/GPS
	12L/30R	North/South	11,000 x 150	ft. GPS (VOR 30R only)
Terminal:	Airlines		252,135	sq. ft.
	Concessions and Other Rentables		68,606	sq. ft.
	Public/Common		200,546	sq. ft.
	Airport		311,678	sq. ft.
	Vacant		35,453	sq. ft.
	Other		116,770	sq. ft.
	Total		985,188	sq. ft.
	Number of passenger gates - Terminal A and FIS		16	
	Number of passenger gates - Terminal B		12	
	Number of loading bridges		28	
	Number of concessionaires in terminal		47	
		30 Food & Beverage Concessions		
		17 Retail Concessions		
	Number of rental car brands		10	
Apron:	Commercial Airlines		1,130,894	sq. ft.
	Cargo Airlines		596,482	sq. ft.
	Fixed Based Operator (FBO)		1,362,771	sq. ft.
	General Aviation West		436,659	sq. ft.
	Total		3,526,806	sq. ft.
Public parking spaces:				
	Hourly - Terminal A Garage		1,160	
	Hourly - Terminal B Garage & Surface		974	
	Daily Lots		1,358	
	Economy Lot		1,673	
	Total		5,165	
Cargo:	Air Freight Building		21,403	sq. ft.
International:	Customs / Federal Inspection Service Facility			
Tower:	Operational hours 0600 - 0000, after hours CTAF 124.0/TRACON 24/7			
FBOs:	Atlantic San José			
	AvBase			
	Signature Flight Support			

Source: Norman Y. Mineta San José International Airport, City of San José

Schedule N
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
FISCAL YEARS 2008 THROUGH 2012
(Ranked by Fiscal Year 2017 Results)

	2008		2009		2010		2011		2012	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	2,333,432	45.1 %	2,082,271	47.3 %	2,121,917	51.7 %	2,187,033	52.2 %	2,192,234	53.1 %
Alaska Airlines[1]	445,689	8.6 %	345,419	7.9 %	393,982	9.6 %	561,400	13.4 %	609,315	14.8 %
Delta Airlines[2]	197,465	3.8 %	157,739	3.6 %	175,775	4.3 %	216,757	5.2 %	218,447	5.3 %
American Airlines[3]	1,086,169	21.0 %	887,112	20.2 %	692,293	16.9 %	620,195	14.8 %	571,167	13.8 %
United Airlines[4]	595,209	11.5 %	420,317	9.6 %	376,879	9.2 %	357,283	8.5 %	298,808	7.2 %
Hawaiian Airlines	84,259	1.6 %	81,397	1.9 %	72,266	1.8 %	85,571	2.0 %	103,483	2.5 %
JetBlue Airways	116,776	2.3 %	148,643	3.4 %	95,118	2.3 %	80,797	1.9 %	76,063	1.8 %
Volaris	-	-	-	-	8,072	0.2 %	48,325	1.2 %	49,709	1.2 %
British Airways	-	-	-	-	-	-	-	-	-	-
All Nippon Airways	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
Hainan Airlines	-	-	-	-	-	-	-	-	-	-
Lufthansa	-	-	-	-	-	-	-	-	-	-
Air China Airlines	-	-	-	-	-	-	-	-	-	-
All other airlines[5]	319,604	6.2 %	276,664	6.3 %	169,551	4.1 %	31,862	0.8 %	5,659	0.1 %
Total[7]	5,178,603	100.0 %	4,399,562	100.0 %	4,105,853	100.0 %	4,189,223	100.0 %	4,124,885	100.0 %

(1) Includes enplaned passengers on flights operated by Horizon and Skywest.

(2) Includes enplaned passengers on flights operated by Skywest and Compass Airlines.

(3) In December 2013, the American Airlines and US Airways ("American Airlines Group") merger was completed. Passengers previously reported under US Airways are now grouped with American Airlines. The enplanements include flights operated by Skywest, Mesa Airlines, and Compass Airlines.

Source: Norman Y. Mineta San José International Airport activity reports

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
FISCAL YEARS 2013 THROUGH 2017
(Ranked by Fiscal Year 2017 Results)

	2013[6]		2014		2015		2016		2017	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	2,169,956	51.2 %	2,280,346	50.5 %	2,420,333	50.8 %	2,507,648	49.3 %	2,607,667	45.4 %
Alaska Airlines[1]	727,616	17.2 %	704,944	15.6 %	750,673	15.8 %	795,136	15.6 %	988,852	17.2 %
Delta Airlines[2]	228,824	5.4 %	332,544	7.4 %	463,746	9.7 %	551,084	10.8 %	648,825	11.3 %
American Airlines[3]	587,829	13.9 %	601,104	13.3 %	604,952	12.7 %	642,626	12.6 %	634,827	11.1 %
United Airlines[4]	253,837	6.0 %	231,287	5.1 %	186,656	3.9 %	184,570	3.6 %	237,281	4.1 %
Hawaiian Airlines	116,928	2.8 %	113,381	2.5 %	161,707	3.4 %	164,088	3.2 %	153,379	2.7 %
JetBlue Airways	71,506	1.7 %	70,860	1.6 %	71,577	1.5 %	73,950	1.5 %	151,587	2.6 %
Volaris	49,700	1.2 %	51,056	1.1 %	51,185	1.1 %	58,385	1.1 %	61,585	1.1 %
British Airways	-	-	-	-	-	-	9,872	0.2 %	54,145	0.9 %
All Nippon Airways	3,273	0.1 %	42,999	1.0 %	47,560	1.0 %	49,717	1.0 %	49,160	0.9 %
Air Canada	-	-	-	-	-	-	6,882	0.1 %	46,701	0.8 %
Hainan Airlines	-	-	-	-	1,849	0.0 %	34,939	0.7 %	44,123	0.8 %
Lufthansa	-	-	-	-	-	-	-	-	40,490	0.7 %
Air China Airlines	-	-	-	-	-	-	-	-	15,511	0.3 %
All other airlines[5]	25,284	0.6 %	88,500	2.0 %	4,763	0.1 %	8,808	0.2 %	5,636	0.1 %
Total[7]	4,234,753	100.0 %	4,517,021	100.0 %	4,765,001	100.0 %	5,087,705	100.0 %	5,739,769	100.0 %

[4] Continental and United merged in October 2010. The combined airlines (named "United Airlines") received FAA approval to operate under a single certificate in December 2011. The enplanements include flights operated by Skywest.

[5] Consists of charter airlines and airlines no longer serving the Airport, including Virgin America. Virgin America operated at the Airport from May 2013 to May 2014.

[6] 2013 enplanements for "All other airlines" has been revised to show corrected information.

[7] Percentage totals may not add due to rounding.

Source: Norman Y. Mineta San José International Airport activity reports

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRLINE LANDED WEIGHTS (1,000's lb)
LAST TEN FISCAL YEARS

Airline[1]	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Air Canada	-	-	-	-	-	-	-	-	8,103	57,831
Air China Airlines	-	-	-	-	-	-	-	-	-	51,359
Alaska Airlines	557,090	449,070	507,257	693,168	680,586	806,403	790,691	825,699	864,768	1,127,836
All Nippon Airways	-	-	-	-	-	9,880	138,114	138,700	140,925	138,790
American Airlines	1,288,451	1,056,475	760,177	692,995	643,199	664,570	669,391	653,971	726,312	730,283
British Airways	-	-	-	-	-	-	-	-	24,650	152,150
Delta Airlines	240,802	190,950	196,914	230,537	233,473	252,297	386,609	537,959	677,209	829,238
Lufthansa	-	-	-	-	-	-	-	-	-	99,364
Frontier Airlines	153,166	158,644	78,484	672	-	672	499	269	-	-
Hainan Airlines	-	-	-	-	-	-	-	4,180	80,559	97,695
Hawaiian Airlines	115,545	109,970	94,075	110,895	133,520	161,560	154,290	230,520	230,052	206,901
JetBlue Airways	147,688	188,439	115,710	91,292	82,903	79,348	77,215	75,508	82,039	199,784
Mexicana Airlines	100,668	86,527	76,916	10,890	-	-	-	-	-	-
Northwest Airlines	101,591	101,284	51,691	-	-	-	-	-	-	-
Southwest Airlines	3,366,428	3,236,828	3,033,408	2,877,878	2,917,030	2,838,160	2,819,208	2,884,182	2,976,117	3,161,461
United Airlines	756,971	522,979	452,916	413,524	355,121	293,930	269,572	206,682	214,585	268,074
Volaris	-	-	8,320	54,663	59,451	52,014	51,472	55,653	59,565	61,549
All other airlines	83,726	28,902	34,649	44,488	20,108	54,361	179,532	15,137	29,020	19,857
Subtotal	6,912,126	6,130,069	5,410,517	5,221,002	5,125,391	5,213,194	5,536,593	5,628,460	6,113,904	7,202,172
Cargo Carriers										
Air Transport Int'l.	59,379	56,042	57,159	71,055	12,015	250	-	-	-	-
Airborne Express	57,392	1,088	-	-	-	-	-	-	-	-
Fedex	241,953	231,594	168,403	164,642	163,213	158,845	152,417	150,160	164,527	149,908
United Parcel Service	133,653	132,055	96,505	83,136	93,250	88,940	82,584	86,546	101,377	98,944
All other cargo airlines	247	309	200	352	270	33	-	-	440	168
Subtotal	492,624	421,088	322,267	319,185	268,748	248,067	235,002	236,706	266,344	249,020
Total	7,404,750	6,551,157	5,732,784	5,540,187	5,394,139	5,461,261	5,771,595	5,865,167	6,380,248	7,451,193

(1) See notes on Schedule N.
Totals may not add due to rounding.

Source: Norman Y. Mineta San José International Airport activity reports

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRLINE FLIGHT OPERATIONS BY AIRLINE AND CARGO CARRIER
LAST TEN FISCAL YEARS

Airline[1]	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Air Canada	-	-	-	-	-	-	-	-	214	1,538
Air China Airlines	-	-	-	-	-	-	-	-	-	256
Alaska Airlines	10,362	8,604	9,928	13,370	12,948	15,172	13,960	13,936	14,314	20,330
All Nippon Airways	-	-	-	-	-	52	726	730	732	730
American Airlines	30,534	25,310	16,308	13,448	12,452	12,672	12,374	12,172	12,356	12,042
British Airways	-	-	-	-	-	-	-	-	116	716
Delta Airlines	7,012	4,008	4,344	4,656	4,784	4,810	8,596	12,702	14,300	15,958
Frontier Airlines	2,360	2,426	1,202	10	-	10	8	4	-	-
Hainan Airlines	-	-	-	-	-	-	-	22	424	504
Hawaiian Airlines	732	732	620	732	882	1,036	1,014	1,462	1,462	1,324
JetBlue Airways	2,102	2,986	1,876	1,284	1,166	1,116	1,086	1,062	1,146	2,740
Lufthansa	-	-	-	-	-	-	-	-	-	476
Mexicana Airlines	1,430	1,250	1,126	160	-	-	-	-	-	-
Northwest Airlines	1,446	1,410	746	-	-	-	-	-	-	-
Southwest Airlines	54,974	52,414	48,942	46,584	47,002	45,486	44,942	45,654	46,918	48,538
United Airlines	14,960	10,654	9,986	7,432	6,072	5,600	5,052	3,714	3,444	4,042
Volaris	-	-	124	812	886	770	752	774	820	846
All other airlines	452	704	598	778	286	784	2,546	226	394	296
Subtotal	126,364	110,498	95,800	89,266	86,478	87,508	91,056	92,458	96,640	110,336
Cargo Carriers										
Air Transport Int'l.	452	426	434	538	88	2	-	-	-	-
Airborne Express	422	8	-	-	-	-	-	-	-	-
Fedex	1,324	1,264	958	926	928	918	918	920	936	928
United Parcel Service	916	854	672	566	652	610	550	580	670	664
All other cargo airlines	26	6	12	16	10	6	-	-	8	4
Subtotal	3,140	2,558	2,076	2,046	1,678	1,536	1,468	1,500	1,614	1,596
Total	129,504	113,056	97,876	91,312	88,156	89,044	92,524	93,958	98,254	111,932

(1) See notes on Schedule N.

Source: Norman Y. Mineta San José International Airport activity reports

Schedule Q
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SCHEDULED/ALL-CARGO AIRLINE SERVICE

CARRIER	NONSTOP SERVICE
SCHEDULED DOMESTIC AIRLINE SERVICE	
Alaska Airlines	Boise (BOI) Burbank (BUR) Eugene (EUG) Honolulu, Oahu (HNL) Kahului, Maui (OGG) Kona, Hawaii (KOA) Lihue, Kauai (LIH) Newark (EWR) Orange County (SNA) Portland (PDX) Reno (RNO) Salt Lake City (SLC) San Diego (SAN) Seattle (SEA)
American Airlines	Charlotte (CLT) Chicago/O'Hare (ORD) Dallas/Ft. Worth (DFW) Los Angeles (LAX) Phoenix (PHX)
Delta Air Lines	Atlanta (ATL) Las Vegas (LAS) Los Angeles (LAX) Minneapolis/St. Paul (MSP) Salt Lake City (SLC) Seattle (SEA)
Hawaiian Airlines	Honolulu, Oahu (HNL) Kahului, Maui (OGG)
JetBlue Airways	Boston (BOS) Long Beach (LGB) New York (JFK)
Southwest Airlines	Austin (AUS) Baltimore/Washington (BWI) Burbank (BUR) Chicago/Midway (MDW) Dallas Love Field (DAL) Denver (DEN) Las Vegas (LAS) Los Angeles (LAX) Ontario (ONT) Orange County (SNA) Phoenix (PHX) Portland (PDX) Reno (RNO) Salt Lake City (SLC) San Diego (SAN) Seattle (SEA)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
SCHEDULED/ALL-CARGO AIRLINE SERVICE

CARRIER	NONSTOP SERVICE
United Airlines	Chicago/O'Hare (ORD) Denver (DEN) Houson (IAH) Newark (EWR)
SCHEDULED FOREIGN AIRLINE SERVICE	
Alaska Airlines	Cabo San Lucas (SJD) Guadalajara (GDL)
Air Canada	Vancouver (YVR)
Air China	Shanghai (PVG)
All Nippon Airways	Tokyo-Narita (NRT)
British Airways	London (LHR)
Lufthansa	Frankfurt (FRA)
Hainan Airlines	Beijing (PEK)
Volaris	Guadalajara (GDL)
ALL-CARGO AIRLINES	
Federal Express Corporation	
United Parcel Service	

Source: Norman Y. Mineta San José International Airport activity reports

Schedule R

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
PASSENGERS, MAIL, FREIGHT, AND CARGO STATISTICS
LAST TEN FISCAL YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Passengers (1,000's):										
Enplanements	5,179	4,400	4,107	4,189	4,125	4,235	4,517	4,765	5,088	5,740
Deplanements	5,202	4,422	4,125	4,200	4,131	4,254	4,546	4,790	5,125	5,775
Total passengers	10,381	8,822	8,232	8,389	8,256	8,489	9,063	9,555	10,213	11,515
Mail/freight/cargo (1,000 lbs):										
Mail	3,044	1,987	3,357	2,264	1,160	1,431	1,135	1,546	1,786	1,856
Freight/express	7,101	5,995	5,432	5,060	5,303	6,172	16,156	18,257	22,344	42,126
Cargo	166,509	129,809	97,578	87,329	77,303	78,766	86,239	84,203	92,294	78,013
Total mail/freight/cargo	176,654	137,791	106,367	94,653	83,766	86,369	103,530	104,006	116,424	121,995

Source: Norman Y. Mineta San José International Airport activity reports

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
HISTORICAL AIRCRAFT OPERATIONS[1]
LAST TEN FISCAL YEARS

Fiscal Year	Air Carrier Operations[2]	Cargo Operations	Total Commercial Operations	Percent Commercial Operations	General Aviation Operations	Military Operations	Total Operations
2008	126,364	3,140	129,504	70.1 %	55,146	64	184,714
2009	110,498	2,558	113,056	70.7 %	46,674	242	159,972
2010	95,800	2,076	97,876	74.4 %	33,439	275	131,590
2011	89,266	2,046	91,312	74.8 %	30,503	276	122,091
2012	86,478	1,678	88,156	73.4 %	31,664	285	120,105
2013	87,508	1,536	89,044	73.8 %	31,321	210	120,575
2014	91,056	1,468	92,524	75.6 %	29,619	208	122,351
2015	92,458	1,500	93,958	73.7 %	33,246	213	127,417
2016	96,640	1,614	98,254	74.7 %	33,048	259	131,561
2017	110,336	1,596	111,932	76.3 %	34,551	239	146,722
Annual compound growth rate							
FY 2008 through FY 2017	(1.3)%	(6.5)%	(1.4)%		(4.6)%	14.1 %	(2.3)%

(1) An aircraft operation is defined as the takeoff or landing of an aircraft.
(2) Includes domestic, including regional commuter operations, and international airlines.

Source: Norman Y. Mineta San José International Airport activity reports

BOND DISCLOSURE

The Airport installed four high-tech one-way exit lanes at the south end of the Terminal B concourse, which enhances the flow of exiting travelers while maintaining the safety and security of passengers waiting for their flights. The exit lanes automatically open for people exiting but will sound an alarm if someone approaches from the opposite direction. If alarms are activated, the series of exit doors will not open until cleared by Airport law enforcement officers.

With dramatic growth of international service in the past two years, the Airport needed to expand and improve its International Arrivals Building to better accommodate the surge in passengers. The Airport added 2,700 square feet and a second baggage carousel in the secure Customs area where passengers can now gather their belongings faster and more efficiently. The project also added 3,085 square feet of an enclosed, temperature controlled waiting area for friends and family of passengers.

Bond Disclosure Report

June 30, 2017

In accordance with the requirements of the Disclosure Agreements for the City of San José Airport Revenue Bonds Series 2007A, 2011A-1, 2011A-2, 2011B, and Airport Revenue Refunding Bonds Series 2012A, 2014A, 2014B, 2014C, 2017A, and 2017B, the Airport is including this section to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the Rule).

In April 2017, the City issued Airport Revenue Refunding Bonds Series 2017A and 2017B, to current refund all but one maturity of the Series 2007A and all of the 2007B Bonds, which terminated the reporting obligations of the refunded bonds. The Airport Revenue Bonds Series 2007A and 2007B in the amount of $683.5 million were refunded with the issuance of Airport Revenue Refunding Bonds Series 2017A and 2017B Bonds. Additional information about the Airport's revenue bonds can be found in Note 5 to the financial statements

Section 4 of the Disclosure Agreements requires the City to provide an Annual Report, which is consistent with the requirements of Section 4 of the Disclosure Agreements, no later than six months after the end of the City's fiscal year. The Annual Report may be submitted to the Municipal Securities Rulemaking Board's EMMA system as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of the Disclosure Agreements. The Bond Disclosure Report included in this CAFR meets the requirements of Section 4 of the Disclosure Agreements.

Annual Report

The following items are required by the Disclosure Agreements to be included in the Annual Report:

- ♦ Audited financial statements of the Airport, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board and further modified according to applicable State law.

  Refer to the Financial Section, pages 1 - 64 of this report.

- ♦ A schedule showing the debt service requirements (required only to the extent there are changes).

  Refer to Table 1, page 93 of the Bond Disclosure Section of this report

- ♦ A schedule showing, for the Airport's most recently completed fiscal year, historical passenger enplanements.

  Refer to Table 2, page 94 of the Bond Disclosure Section of this report.

- ♦ A table showing, for the Airport's most recently completed fiscal year, historical connecting enplaned passenger traffic.

  Refer to Table 3, page 95 of the Bond Disclosure Section of this report.

- ♦ A schedule showing, for the Airport's most recently completed fiscal year, historical aircraft operations.

  Refer to Schedule S, page 90 of the Statistical Section of this report.

- ♦ A schedule showing, for the Airport's most recently completed fiscal year, historical landing weight.

  Refer to Table 4, page 96 of the Bond Disclosure Section of this report.

- ♦ A list showing, for the Airport's most recently completed fiscal year, air carriers serving the Airport.

  Refer to Schedule Q, pages 87 and 88 of the Statistical Section of this report.

- ♦ A schedule showing, for the Airport's most recently completed fiscal year, airline activity shares of commercial passengers.

Refer to Schedule N, pages 83 and 84 of the Statistical Section of this report.

- A table showing, for the Airport's most recently completed fiscal year, summary of revenues and maintenance and operation expenses.

  Refer to Financial Section, Exhibit II, page 20 of this report.

- A table showing, for the Airport's most recently completed fiscal year, historical debt service coverage.

  Refer to Schedule F, page 75 of the Statistical Section of this report.

REPORTING OF SIGNIFICANT EVENTS

Airport revenue bond ratings

The underlying ratings of the outstanding Airport Revenue Bonds are "A-", "A2" and "A-" by Standard & Poor's (S&P), Moody's Investors Service (Moody's), and Fitch Ratings (Fitch), respectively. With respect to the outstanding Airport Revenue Bonds, Fitch and Moody's reaffirmed a stable rating outlook and S&P revised the rating outlook from stable to positive.

Table 1

SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
BOND DEBT SERVICE REQUIREMENTS

Year Ending June 30	Total Debt Service Requirements on Outstanding Bonds [1]	Principal Requirements on Series 2007 A Bonds	Interest Requirements on Series 2007 A Bonds	Total Debt Service Requirements on Series 2007 A Bonds	Principal Requirements on Series 2017 A Bonds	Interest Requirements on Series 2017 A Bonds	Total Debt Service Requirements on Series 2017 A Bonds	Principal Requirements on Series 2017 B Bonds	Interest Requirements on Series 2017 B Bonds	Total Debt Service Requirements on Series 2017 B Bonds	Total Debt Service Requirements on All Bonds
2018	$ 50,471,521	7,025,000	386,375	7,411,375	14,145,000	20,801,733	34,946,733	4,505,000	6,430,889	10,935,889	103,765,518
2019	$ 47,841,683				11,245,000	22,694,700	33,939,700	3,575,000	7,144,650	10,719,650	92,501,033
2020	$ 47,987,768				12,210,000	22,132,450	34,342,450	3,890,000	7,037,400	10,927,400	93,257,618
2021	$ 48,637,930				12,795,000	21,521,950	34,316,950	4,070,000	6,881,800	10,951,800	93,906,680
2022	$ 48,739,520				13,435,000	20,882,200	34,317,200	4,275,000	6,678,300	10,953,300	94,010,020
2023	$ 49,435,803				4,415,000	20,210,450	24,625,450	1,400,000	6,464,550	7,864,550	81,925,803
2024	$ 49,859,395				4,970,000	19,989,700	24,959,700	1,575,000	6,394,550	7,969,550	82,788,645
2025	$ 50,062,933				5,725,000	19,741,200	25,466,200	1,820,000	6,315,800	8,135,800	83,664,933
2026	$ 48,955,833				4,655,000	19,454,950	24,109,950	1,480,000	6,224,800	7,704,800	80,770,583
2027	$ 50,016,048				4,005,000	19,222,200	23,227,200	1,275,000	6,150,800	7,425,800	80,669,048
2028	$ 50,661,475				4,420,000	19,021,950	23,441,950	1,400,000	6,087,050	7,487,050	81,590,475
2029	$ 56,573,055				4,545,000	18,800,950	23,345,950	1,450,000	6,017,050	7,467,050	87,386,055
2030	$ 57,328,853				4,950,000	18,573,700	23,523,700	1,570,000	5,944,550	7,514,550	88,367,103
2031	$ 57,722,625				5,655,000	18,326,200	23,981,200	1,805,000	5,866,050	7,671,050	89,374,875
2032	$ 59,380,565				5,465,000	18,043,450	23,508,450	1,735,000	5,775,800	7,510,800	90,399,815
2033	$ 60,023,513				6,045,000	17,770,200	23,815,200	1,925,000	5,689,050	7,614,050	91,452,763
2034	$ 60,314,875				6,655,000	17,467,950	24,122,950	2,115,000	5,592,800	7,707,800	92,145,625
2035	$ 25,589,435				19,740,000	17,135,200	36,875,200	6,285,000	5,487,050	11,772,050	74,236,685
2036	$ 26,120,465				20,730,000	16,148,200	36,878,200	6,590,000	5,172,800	11,762,800	74,761,465
2037	$ 26,657,335				21,765,000	15,111,700	36,876,700	6,920,000	4,843,300	11,763,300	75,297,335
2038	$ 27,237,763				22,850,000	14,023,450	36,873,450	7,275,000	4,497,300	11,772,300	75,883,513
2039	$ 27,746,495				23,990,000	12,880,950	36,870,950	7,635,000	4,133,550	11,768,550	76,385,995
2040	$ 28,530,233				25,190,000	11,681,450	36,871,450	8,015,000	3,751,800	11,766,800	77,168,483
2041	$ 29,137,515				26,455,000	10,421,950	36,876,950	8,420,000	3,351,050	11,771,050	77,785,515
2042	$ -				27,780,000	9,099,200	36,879,200	8,835,000	2,930,050	11,765,050	48,644,250
2043	$ -				28,910,000	7,988,000	36,898,000	9,200,000	2,541,750	11,741,750	48,639,750
2044	$ -				30,360,000	6,542,500	36,902,500	9,660,000	2,081,750	11,741,750	48,644,250
2045	$ -				31,875,000	5,024,500	36,899,500	10,145,000	1,598,750	11,743,750	48,643,250
2046	$ -				33,470,000	3,430,750	36,900,750	10,650,000	1,091,500	11,741,500	48,642,250
2047	$ -				35,145,000	1,757,250	36,902,250	11,180,000	559,000	11,739,000	48,641,250
Totals[2]	$1,085,032,631	7,025,000	386,375	7,411,375	473,595,000	465,901,033	939,496,033	150,675,000	148,735,539	299,410,539	2,331,350,578

[1] These amounts pertain to total debt service requirements on outstanding Airport Revenue Bonds Series 2011A, 2011B, 2012A, 2014A, 2014B, and 2014C.

[2] Totals may not add due to rounding.

Source: City of San José

Table 2

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
HISTORICAL PASSENGER ENPLANEMENTS
LAST TEN FISCAL YEARS

Fiscal Year	Air Carrier Domestic Enplanements[1]	Air Carrier International Enplanements	Total Enplanements	Total Percent Change
2008	5,111,144	67,459	5,178,603	(2.6)%
2009	4,339,181	60,381	4,399,562	(15.0)%
2010	4,043,416	62,437	4,105,853	(6.7)%
2011	4,111,260	77,963	4,189,223	2.0 %
2012	4,041,624	83,261	4,124,885	(1.5)%
2013	4,124,464	110,289	4,234,753	2.7 %
2014	4,353,383	163,638	4,517,021	6.7 %
2015	4,592,047	172,954	4,765,001	5.5 %
2016	4,847,098	240,607	5,087,705	6.8 %
2017	5,334,312	405,457	5,739,769	12.8 %
Annual compound growth rate				
FY 2008 through FY 2017	0.4 %	19.6 %	1.0 %	

[1] Includes commuter enplanements previously reported separately.

Source: Norman Y Mineta San José International Airport activity reports

Table 3

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
HISTORICAL CONNECTING/ENPLANED PASSENGER TRAFFIC
LAST TEN FISCAL YEARS

Fiscal Year	Total Enplanements	Total Origin and Destination Enplanements	Total Connecting Enplanements	Connecting Enplanements as a Percentage of Total Enplanements
2008	5,178,603	5,044,473	134,130	2.6%
2009	4,399,562	4,281,747	117,815	2.7%
2010	4,105,853	3,996,223	109,630	2.7%
2011	4,189,223	4,083,459	105,764	2.5%
2012	4,124,885	4,013,758	111,127	2.7%
2013	4,234,753	4,146,393	88,360	2.1%
2014	4,517,021	4,426,965	90,056	2.0%
2015	4,765,001	4,665,281	99,720	2.1%
2016	5,087,705	5,001,106	86,599	1.7%
2017	5,739,769	5,627,790	111,979	2.0%
Annual compound growth rate				
FY 2008 through FY 2017	1.0 %	1.1 %	(1.8)%	

Source: Norman Y. Mineta San José International Airport activity reports

Table 4

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
HISTORICAL MAXIMUM GROSS LANDING WEIGHT
LAST TEN FISCAL YEARS
(In 1,000 lbs)

Fiscal Year	Air Carrier[1]	Cargo[2]	Total[3]
2008	6,912,126	492,624	7,404,750
2009	6,130,069	421,088	6,551,157
2010	5,410,517	322,267	5,732,784
2011	5,221,002	319,185	5,540,187
2012	5,125,391	268,748	5,394,139
2013	5,213,194	248,067	5,461,261
2014	5,536,594	235,002	5,771,596
2015	5,628,460	236,706	5,865,166
2016	6,113,903	266,344	6,380,247
2017	7,202,172	249,020	7,451,192
Annual compound growth rate			
FY 2008 through FY 2017	0.4 %	(6.6)%	0.1 %

(1) Includes domestic, international air carriers. Also includes commuter carriers which were previously reported separately.

(2) Includes all-cargo airlines.

(3) Totals may not add due to rounding.

Source: Norman Y. Mineta San José International Airport activity reports