ANNUAL COMPREHENSIVE FINANCIAL REPORT

SAN JOSE MINETA INTERNATIONAL AIRPORT

San José, California

A Department of the City of San José

Fiscal Years Ended June 30, 2024 and 2023

SJC SAN JOSE MINETA INTERNATIONAL AIRPORT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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Prepared by:
Finance and Administration
Kim Hawk, CPA (inactive)
Deputy Director

SJC SAN JOSE MINETA INTERNATIONAL AIRPORT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

San José Mineta International Airport
(A Department of the City of San José)
Annual Comprehensive Financial Report
Fiscal Years Ended June 30, 2024 and 2023

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In FY 24, SJC had a total of 11.9 million passengers. Spirit expanded its SJC service with new nonstop flights to Baltimore-Washington, Los Angeles, and Portland in June 2024. The new routes were accompanied by increased flight frequencies to Las Vegas and San Diego. ZIPAIR also increased the frequency of its route to Tokyo for the Summer 2024 travel season.

SAN JOSE MINETA INTERNATIONAL AIRPORT
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FISCAL YEARS ENDED JUNE 30, 2024 AND 2023

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GEOGRAPHIC LOCATOR MAP

● Primary Service Area
● Secondary Service Area
✈ San José Mineta International Airport

SAN JOSE MINETA INTERNATIONAL AIRPORT

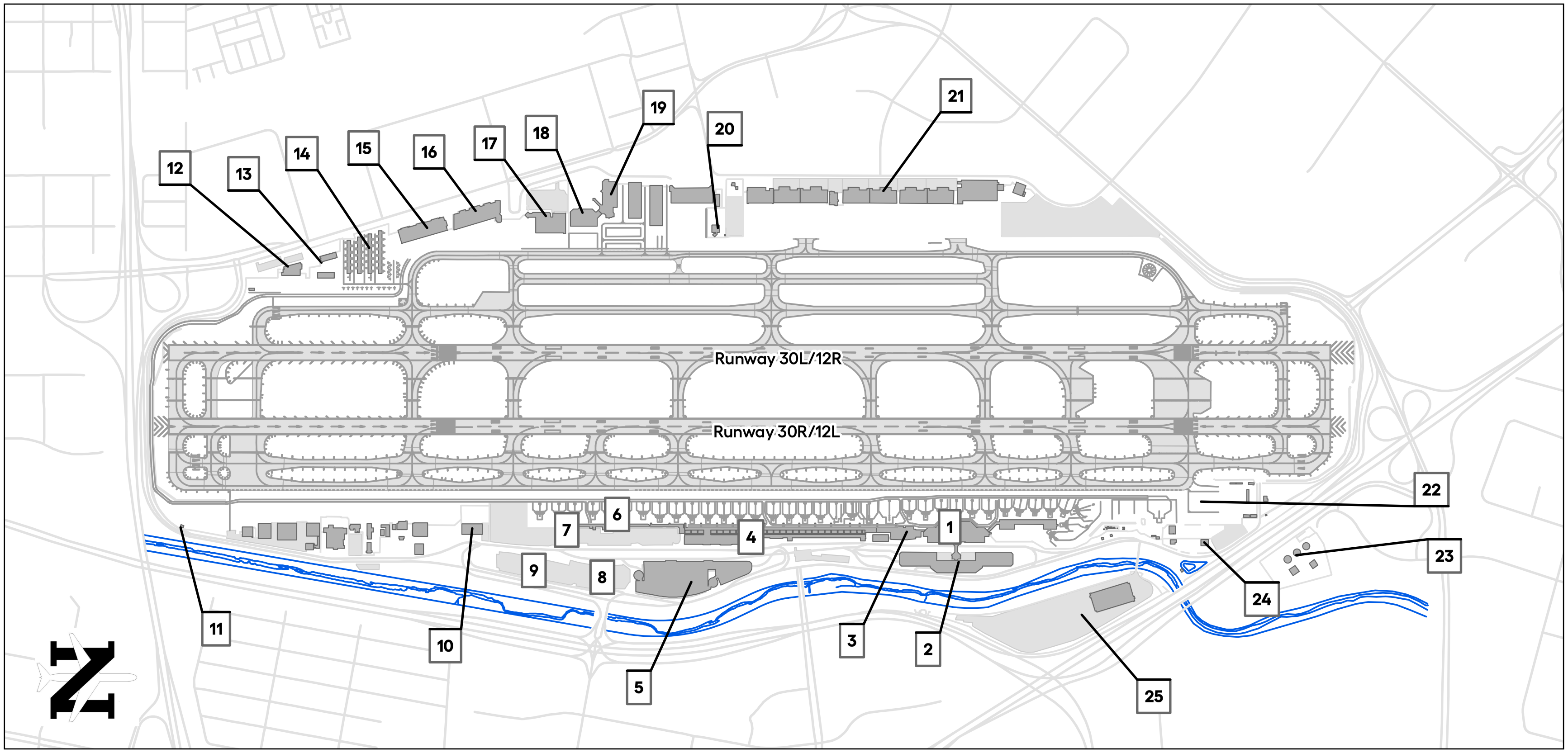
San José, California

A Department of the City of San José

Fiscal Years Ended June 30, 2024 and 2023

Reduced View of Service Areas

San José Mineta International Airport



Map Legend

1. Terminal A
2. Lot 2
3. Federal Inspection Services
4. Terminal B
5. Consolidated Rental Car Center
6. Interim Facility Gates 31-36
7. Lot 5
8. Lot 3
9. Lot 4
10. Air Freight
11. South Main Point of Entry
12. Fire Station 20
13. Facilities and Vehicle Maintenance Campus
14. General Aviation West
15. AvBase Aviation
16. Atlantic South
17. Aviation Hangar
18. FAA-Flight Standards District Office
19. Atlantic San José (Fueling and Transit Services)
20. FAA Air Traffic Control Tower
21. Signature Flight Support
22. North Air Cargo
23. Fuel Farm Location
24. SJPD Airport Division
25. Economy Lot 1

LOCATOR MAP

SEPT 2024

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

SJC SAN JOSE MINETA INTERNATIONAL AIRPORT

CITY OF SAN JOSE CAPITAL OF SILICON VALLEY

November 18, 2024

CITIZENS OF THE CITY OF SAN JOSE
HONORABLE MAYOR AND CITY COUNCIL

The Annual Comprehensive Financial Report (ACFR) of the San José Mineta International Airport (Airport or SJC), a department of the City of San José (City), for the fiscal years ended June 30, 2024 and 2023, 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 and Analysis (MD&A) is contained in the Financial Section of the ACFR 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 Macias Gini & O'Connell LLP, Certified Public Accountants. The audit firm issued an unmodified opinion on the Airport's financial statements for the fiscal year ended June 30, 2024 and fiscal year ended June 30, 2023. 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 Citywide Single Audit Report. The auditor's report on the Airport's financial statements is included in the Financial Section of this report.

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 some 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 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

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

1701 Airport Boulevard, Suite B-1130 • San José, CA 95110-1206 • Tel: 408.392.3600 • Fax: 408.441.4591 • www.flysanjose.com

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 O&D, 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. Airport management closely monitors its operating budget cost and continues to look for ways to increase non-airline revenues. As of June 30, 2024, carriers at the Airport served 41 nonstop markets with 176 peak daily departures compared to 41 nonstop markets with 186 peak daily departures as of June 30, 2023. Capital projects to implement the Airport's Master Plan are prioritized to keep pace with the passenger growth trend. Financial ratings were reaffirmed by Fitch Ratings, Inc., S&P Global Ratings, and Moody's Investors Service.

The Airport has an objective of maintaining a competitive cost per enplaned passenger (CPE). The FY 23 and FY 24 adjusted CPE reflects actual net terminal revenues and the Airlines' portion of the net revenue sharing. The adjusted CPE was $13.67 in FY 23 and $15.81 in FY 24. The FY 25 adjusted CPE is based on the forecasted net terminal revenues and the Airlines' portion of the net revenue sharing, which is estimated to be $17.93 based on a number of assumptions, which may or may not materialize.

The City and the Airport continue to partner with business stakeholders such as the San Jose Chamber of Commerce and others to help attract new airlines and routes. In an effort to attract new service, the Airport and airports across the nation have developed and enhanced air service support programs. These support programs are so common that the Federal Aviation Administration (FAA) has published guidelines that airports should follow 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 that qualifies under specific guidelines. The terms and conditions of the airline air service support program can be modified at any time by the City Council. For qualifying flights, there is a waiver of landing fees provided for a period of between 12 and 18 months. The minimum frequency of the new flight must be three times weekly nonstop service for 12 consecutive months or four consecutive months for international seasonal service. In the current air service support program, there are no fee waivers for ticket counters or boarding gates, with the exception of new entrant carriers that have not previously had service at the Airport. The program provides for dedicated marketing funds ranging from $25,000 to $500,000, depending on the type of new service provided. In cases where an airline introduces multiple low frequency routes within a 12-month period, the Director of Aviation also has the discretion to recognize the contribution of these additional services and extend the program benefits, including landing fee waivers and the award of marketing funds not to exceed $100,000.

The Airport's current Airline-Airport Lease and Operating Agreement (Airline Lease Agreement) with the various passenger and cargo airlines serving the Airport was effective on July 1, 2019, with a termination date of June 30, 2029. Additionally, the Airline Lease Agreement may be extended for two consecutive five-year renewal periods, from July 1, 2029 to June 30, 2034 and from July 1, 2034 to June 30, 2039 by mutual written agreement of Airline and the City. For additional information about the Airline Lease Agreement, see the Airline Rates and Charges section of the MD&A as well as Note 6, Airport Leases, to the financial statements.

Population and Income

The City is the county seat of Santa Clara County. It is the 13th 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 969,491 as of January 1, 2024, reflecting a decline of 0.1% 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 increased slightly from 2023 to 2024, with the population increasing from 1,902,799 to 1,903,198 as of January 1, 2024. Population in the six counties comprising the primary service area for the Airport declined 0.2% from 2023, compared to a population increase for the state of 0.2%. In total, the population of the primary service area decreased by 8,542 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. 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 16, 2023, for 2022, Santa Clara County had a PCPI of $144,399 and was 187% of the state average of $77,036, 221% of the national average of $65,470, and ranked fourth 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) 2021	Personal Income 2022	% Change 2021-2022	Per Capita Personal Income (Dollars) 2021	Per Capita Personal Income 2022	% Change 2021-2022	2022 Rank
Santa Clara	$ 272,711,739	$ 270,162,197	(0.9)%	$ 144,552	$ 144,399	(0.1)%	4
Alameda	162,176,203	159,241,119	(1.8)%	98,657	97,754	(0.9)%	5
San Mateo	129,090,019	127,657,596	(1.1)%	174,668	175,070	0.2%	1
Monterey	28,333,347	28,189,179	(0.5)%	64,799	65,123	0.5%	21
Santa Cruz	23,183,258	22,832,350	(1.5)%	88,997	86,365	(3.0)%	8
San Benito	4,143,744	4,169,135	0.6%	62,148	61,693	(0.7)%	23
California	$ 3,013,676,929	$ 3,006,647,281	(0.2)%	$ 76,991	$ 77,036	0.1%	
United States	$21,392,812,000	$21,820,248,000	2.0%	$ 64,430	$ 65,470	1.6%	

Per capita income decreased by 0.1% from 2021 in Santa Clara County compared to an increase of 0.1% and 1.6% for California and the nation, respectively.[3]

Employment

Employment levels in Santa Clara County have decreased by 1,100 from 1,003,700 in 2022 to 1,002,600 in 2023. As of June 2024, employment levels are reported just under one million. With 41,700 unemployed, Santa Clara County's unemployment rate of 4.1% as of June 2024 has increased about 0.5 points, compared

[2] *California Department of Finance*
[3] *U.S. Department of Commerce, Bureau of Economic Analysis*

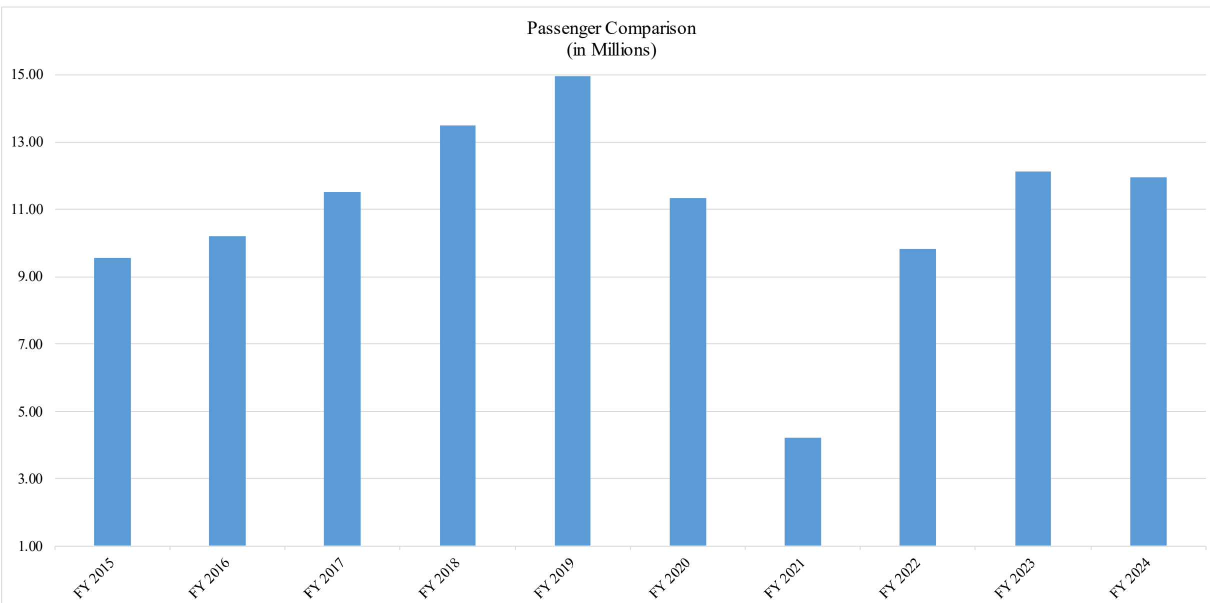
to June 2023[4] and is lower than the 5.2% unemployment rate for California[5] and the same as the 4.1% rate for the U.S.[5]

San José Mineta International Airport: Passenger and Air Traffic

The Airport is classified as a medium-hub airport by the FAA and ranked as the 43rd busiest airport in the nation in terms of total passengers according to Airports Council International-North America statistics, as of calendar year 2023. As of June 30, 2024, 10 carriers provided scheduled passenger service to 41 destinations, including eight mainline carriers and two international carriers. In addition, two all-cargo carriers provided scheduled cargo service at the Airport.

For FY 24, the Airport enplaned and deplaned 11.9 million passengers, which represents a decrease of 1.5% from the previous fiscal year.

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



For FY 24, the Airport experienced an overall decrease of 2.7% in traffic operations due to decreases in the passenger carrier (a decrease of 6,906 or 6.1%) and cargo carrier (a decrease of 100 or 6.6%) operations. The overall decrease was partially offset by increases in the following categories: military (an increase of 111 or 426.9%), local general aviation operations (an increase of 650 or 13.4%), and general aviation itinerant operations (an increase of 1,726 or 3.6%).

Airport Master Plan

In 1997, after extensive planning and environmental studies, the San José City Council approved a comprehensive update to the previous 1980 Master Plan. In turn, the FAA in 1999 conditionally approved a new Airport Layout Plan (ALP) displaying the proposed Master Plan projects and unconditionally approved all the near-term projects. Both the Master Plan and the ALP, which identify facility improvements needed to accommodate forecast demand for commercial passenger service, air cargo, and

[4] *Employment Development Department – State of California*
[5] *U.S. Department of Labor, Bureau of Labor Statistics*

general aviation, have been kept up to date through periodic amendments. Implementation of the Master Plan has been ongoing, and since 1997 has included major runway extensions, new taxiways, new terminal buildings, parking garages, roadways, and environmental mitigation programs.

The most recent amendment to the Master Plan was approved by the City Council in April 2020. This amendment extended the planning horizon year out to 2037, incorporated the airfield reconfiguration improvements recommended in an FAA-funded Runway Incursion Mitigation/Design Standards Analysis Study, modified the passenger, cargo, and general aviation facility improvement program to serve projected 2037 demand, and added a proposed business hotel to the passenger terminal complex. The Master Plan is currently intended to serve a projected 2037 demand of 22.5 million annual passengers and 184,000 annual passenger airline aircraft operations with a total of 238,000 aircraft operations. The amendment to the Airport Master Plan also includes up to 42 airline terminal gates in 1.8 million square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

The Master Plan's Terminal Area Improvement Program (TAIP) Phase II projects (also referred to as the "New Terminal Project") will consist primarily of the design and construction of a Terminal C extending from the south end of existing Terminal B, including a total of 16 additional airline gates plus a new parking garage. Eight of those 16 future gates will replace existing interim gates bolted on to the south end of Terminal B in 2018 and 2019 to accommodate increases in airline flights and passenger volume. Two of the 16 gates will be relocated from Terminals A and B for operational efficiency. Pursuant to the terms of the current Signatory Airline Lease Agreement and subject only to prior consultation with the Signatory Airlines, the City retains sole discretion to proceed to construct the New Terminal Project upon its determination that an increase in terminal capacity to be achieved by the New Terminal Project is needed. After completing its consultation with the Signatory Airlines, and having given due consideration to the information provided by the Signatory Airlines, the City may proceed with the New Terminal Project if the City determines, in its sole discretion, that the New Terminal Project continues to be needed and can be financed on reasonable terms.

At the time of this report, there are three Master Plan projects under construction. The first is the full-length New Taxiway V on the west side of the Airport, which will replace the former general aviation Runway 11/29, officially closed in 2022. The second and third Master Plan projects under construction are the Facilities and Vehicle Maintenance Campus and the San José Police Department Airwing Hanger, both relocating from the east side of the Airport to the southwest quadrant of the Airport.

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, include the following:

- <u>Air Service Development</u>

  Passenger levels for the fiscal year are over 11.9 million. While passenger levels declined 1.5% from the prior year, maintaining nearly 1 million passengers per month is very strong.

International:

International enplanements increased 13.5% in FY 24. The Airport has two international carriers as of June 30, 2024.

In June 2024, ZIPAIR increased nonstop service to six times per week to Tokyo Narita International Airport (NRT).

Domestic:

In June 2024, Spirit Airlines launched twice daily nonstop service to Los Angeles International Airport (LAX) and daily nonstop service to Portland International Airport (PDX), and four weekly flights to Baltimore/Washington International Thurgood Marshall Airport (BWI).

- American Rescue Plan Act (ARP Act) Funding

  In December 2021, the Airport was awarded $48.9 million in ARP Act funds, available to the City on a reimbursable basis for up to four years and will be used to pay for operating expenses. An additional $6.6 million in ARP Act funds was awarded to provide relief from rent and Minimum Annual Guarantee (MAG) to in-terminal airport concessions. In addition, the ARP Act provided $1.6 million in matching funds to increase the federal share of federal FY 21 AIP grants to 100%, eliminating the requirement for the Airport to provide a percentage of funds. The Airport received reimbursement for the full $6.6 million in concession relief in FY 22 and reimbursements for operating expenses totaling $28.9 million and $10.0 million in FY 23 and FY 24, respectively. The federal grants are administered by the FAA.

- New Taxiway V Funding

  In September 2022 and July 2023, the Airport was awarded $10.8 million and $9.6 million, respectively, in federal funding for the New Taxiway V Phase 1A and 1B projects, which are part of the larger Airfield Configuration Updates project. The federal grants are administered by the FAA. For funding awarded after June 30, 2024, see Note 12, Subsequent Events.

- Zero Emissions Vehicle Funding

  In September 2023, the Airport was awarded $3.3 million in federal funding under the Airport Zero Emissions Vehicle and Infrastructure Pilot Program to purchase four electric buses. This project supports the Airport's ongoing sustainability efforts and aligns with California's goal of achieving carbon neutrality. The federal grant is administered by the FAA. For funding awarded after June 30, 2024, see Note 12, Subsequent Events.

- Best Midsize U.S. Airport

  In November 2023, the Airport was recognized as the Best Midsize Airport in the United States, according to the Wall Steet Journal's 2023 Airport Rankings. The rankings assessed the 50 busiest U.S. airports across 30 factors. The Airport excelled in reliability, value, and convenience.

- Marketing and Communications Video and Film Production Award

  In November 2023, the Airport was awarded the Marketing and Communications Video and Film Production Award by Airports Council International-North America. This award represents the best overall production of an airport video, film, web commercial, or television commercial.

- Best Airport for a Short Layover

  In December 2023, the Airport was ranked as the best U.S. airport for short layovers. Upgraded Points focused on data from 50 of the busiest U.S. airports using factors such as shopping options, availability of restaurants, on-time flight percentages, average delay durations, and off-airport amenities.

- Norman Y. Mineta Statue Unveiling

  In January 2024, the Airport hosted a public celebration to unveil a statue honoring Norman Y. Mineta, after whom the Airport is named. The six-foot tall bronze sculpture stands on a pedestal of Montana granite in Terminal B.

- 75th Anniversary

  In February 2024, the Airport celebrated 75 years of service for the Bay Area community, acknowledging the Airport's beginnings and commitment to connecting people and places. In tribute to its first arriving passengers, a group of 2,550 baby chickens, anniversary events at the Airport featured creative acknowledgements of those feathered pioneers in various forms and sizes.

- New Carsharing Option

  In April 2024, Getaround, an innovative and eco-friendly peer-to-peer renal platform launched at the Airport. Utilizing advanced technology, Getaround simplifies carsharing with its proprietary cloud and in-car Connect system, facilitating a seamless, contactless rental experience.

- Airport Carbon Accreditation

  In May 2024, the Airport was upgraded to Level 2 certification in the Airport Carbon Accreditation program, receiving an award for this achievement at the Airports Council International-North America Annual Conference and Exhibition. Airport Carbon Accreditation is the only global carbon management certification program for airports, providing a common framework for active carbon management with measurable goals and recognition through six levels of certification for the efforts of airports to reduce their carbon emissions. The Airport received Level 1 Airport Carbon Accreditation in 2021 and has demonstrated consistent year-over-year reductions in greenhouse gas emissions.

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.

In FY 24, the Airport recorded 11.9 million passengers, which is slightly down from FY 23 (-1.5%). The Airport experienced over one million passengers for six months in FY 24. Commercial airlines continue to modify their flight schedules on a rolling basis in response to changes in passenger demand, internal staffing readiness, and other industry influences. A projected increase of 4.7% is expected in FY 25, bringing the total projected FY 25 passengers to 12.5 million.

The Airport continues to actively collaborate with the City's Office of Economic Development as well as local business groups like the San Jose Chamber of Commerce and others to pursue air service development opportunities and customer service enhancements. Efforts include starting to explore and develop non-aviation revenue opportunities such as a freight facility, hotel, and the retail program at the Airport. Current focus is on reconnecting with SJC passengers to rebuild and enhance the customer experience, collaborative partnerships with tenants to foster more stable long-term revenue streams, leveraging technology to increase efficiencies, and keeping the airline CPE at a competitive level. City Council direction to Airport staff is to use its best efforts to maintain a CPE that is competitive with other airports in the region.

The FY 25 Adopted Budget included net zero position adds to the Airport team. Three full-time positions were added to the Airport team and three vacant full-time positions were eliminated as part of a Citywide effort to evaluate vacant positions. The added positions increase capacity for a wide variety of responsibilities. The Division Manager position provides capacity for management and oversight of the Airport's sustainability program, geographic information systems and mapping, and tenant improvement projects, while the Associate Engineering Technician position supports the design and development of signage including regulatory, advisories, and wayfinding throughout the terminals, parking lots, roadways, and adjacent Airport parcels. An Accountant position was added to provide capacity for financial reporting activities including new accounting pronouncements and preparation of the Airport's ACFR.

There are expenditure increases for cost of living adjustments to existing agreements, water and electric utility cost adjustments, and additional contract security hours to support the newly implemented Transportation Security Administration (TSA) randomized employee screening. The Airport maintains its focus on providing a great passenger experience based on the reliability and ease of using the Airport, keeping strong customer service, and other desired amenities.

Conservative budget and fiscal policies have led to a surplus for FY 24. After completion of the year-end closing and annual audit, the FY 24 actual net remaining revenues were $20.3 million and will be allocated in accordance with the revenue sharing provisions of the Airline Lease Agreement. As noted in the financial statements, the participating airline revenue sharing portion was $8.8 million for FY 24.

The Airport's Strategic Plan 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, and Invest in the Organization.

The Airport's FY 25-29 Adopted Capital Improvement Program (CIP) contains projects reflecting all of the Airport's strategic priorities. The Airport's focus is on groundwork and preliminary projects that position the Airport well for future large-scale projects. It is important that the Airport continue to support all of the airlines by maintaining reasonable costs, improving safety and security, leveraging technology, maintaining infrastructure, and providing a favorable environment for the passengers and tenants.

The FY 25-29 Adopted CIP budget funding of $682.3 million is primarily for projects and debt service, of which $232.0 million is allocated to FY 25. Over the five-year CIP, funding allocated to pay debt service on outstanding bonds totals $111.9 million. A total of $90.5 million is allocated to general non-construction activities and public art projects, leaving $479.9 million for capital construction over the next five years.

Program highlights of the Airport's FY 25-29 Adopted CIP are as follows:

- $200.2 million for Short-Term Parking Garage. This allocation provides funding for the design and construction of a multi-story parking structure needed to replace the parking spaces that will be lost when the New Terminal Project (Terminal C) begins. The garage will be constructed so that it can be converted into office space if the demand for parking sees a decline in the future. This project is funded in the term of the current CIP.

- $64.8 million for the Belly Freight Facility. This allocation provides funding for the construction of a new air cargo terminal of approximately 150,000 square feet that will be used to process and store belly freight carried by commercial passenger airlines, pharmaceuticals, perishables, high value goods, and concessionaire supplies. The facility will include refrigerated storage for temperature-sensitive cargo and TSA security screening units for faster inspection and processing. This project is funded in the term of the current CIP.

- $63.2 million for Airfield Configuration Updates (formerly known as Runway Incursion Mitigation and as Airfield Geometric Implementation) is 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 and includes construction of the New Taxiway V that replaces former Runway 11/29. This project is partially funded in the term of the current CIP but continues beyond the five-year CIP.

- $52.9 million for the Terminal B Ramp Rehabilitation provides for the reconstruction of the apron south of the existing terminal. This project anticipates the potential development of the terminal and extends the apron to accommodate additional gates and/or ground boarding to maximize functionality and efficiency of the terminal. 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 Phases 1, 2, and 3 of the project or $17.4 million and represents a significant expenditure illustrated in the Airfield Facilities spending category. Future funding is for Phases 4 and 5 of the apron. This project is funded in the term of the current CIP.

- $19.0 million for Parking Accessibility Upgrades which funds parking and roadway accessibility improvements and modernization for various locations including path of travel, parking lots, and the Terminal A Ground Transportation Island. Upgrades will increase operational efficiency and improve accessibility. Funding for this project is within the term of the current CIP.

- $8.8 million for the Terminal A Ramp Rehabilitation provides for the reconstruction of the airside parking apron for Terminal A-Plus. The apron area to be replaced includes four contiguous pavement sections with Pavement Condition Index values rated as Poor. The four contiguous pavement sections are anticipated to be replaced in two phases and includes approximately 241,000 square feet of apron. This project is partially funded in the term of the current CIP, but continues beyond the five-year CIP.

FINANCIAL INFORMATION

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Single Audit, Passenger Facility Charge (PFC), and Customer Facility Charge (CFC)

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 over federal awards in place, and whether the Airport has complied with all applicable laws and regulations. The City's Single Audit for the fiscal year ended June 30, 2024 is still in progress.

The Airport was authorized to impose PFC effective September 1, 1992. Legislation authorizing the collection of PFC revenues 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. As part of the compliance audit of the PFC program, tests are made to determine compliance with the PFC internal control system in place and whether the Airport has complied with all applicable laws and regulations. The PFC program audit for the fiscal year ended June 30, 2024 is still in progress.

Pursuant to California Government Code Sections 50474.1-50474.3 (formerly California Civil Code Section 1936), since May 2000, the City required rental car companies to collect a CFC from their customers renting vehicles at the Airport. 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 the San José Mineta International Airport for its ACFR for the fiscal year ended June 30, 2023. This was the 27th 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 ACFR. 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 ACFR 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 ACFR 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 Macias Gini & O'Connell LLP should also be acknowledged as a significant contributor to a fine product.

Respectfully submitted,

Mukesh (Mookie) Patel, C.M.
Director of Aviation

Kim Hawk, CPA (inactive)
Deputy Director
Finance and Administration Division

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**San José Mineta International Airport
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

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

ELECTED OFFICIALS:

Matt Mahan	Mayor
Rosemary Kamei	Council Member, District 1
Sergio Jimenez	Council Member, District 2
Omar Torres	Council Member, District 3
David Cohen	Council Member, District 4
Peter Ortiz	Council Member, District 5
Devora Davis	Council Member, District 6
Bien Doan	Council Member, District 7
Domingo Candelas	Council Member, District 8
Pam Foley	Council Member, District 9
Arjun Batra	Council Member, District 10

AIRPORT COMMISSION:

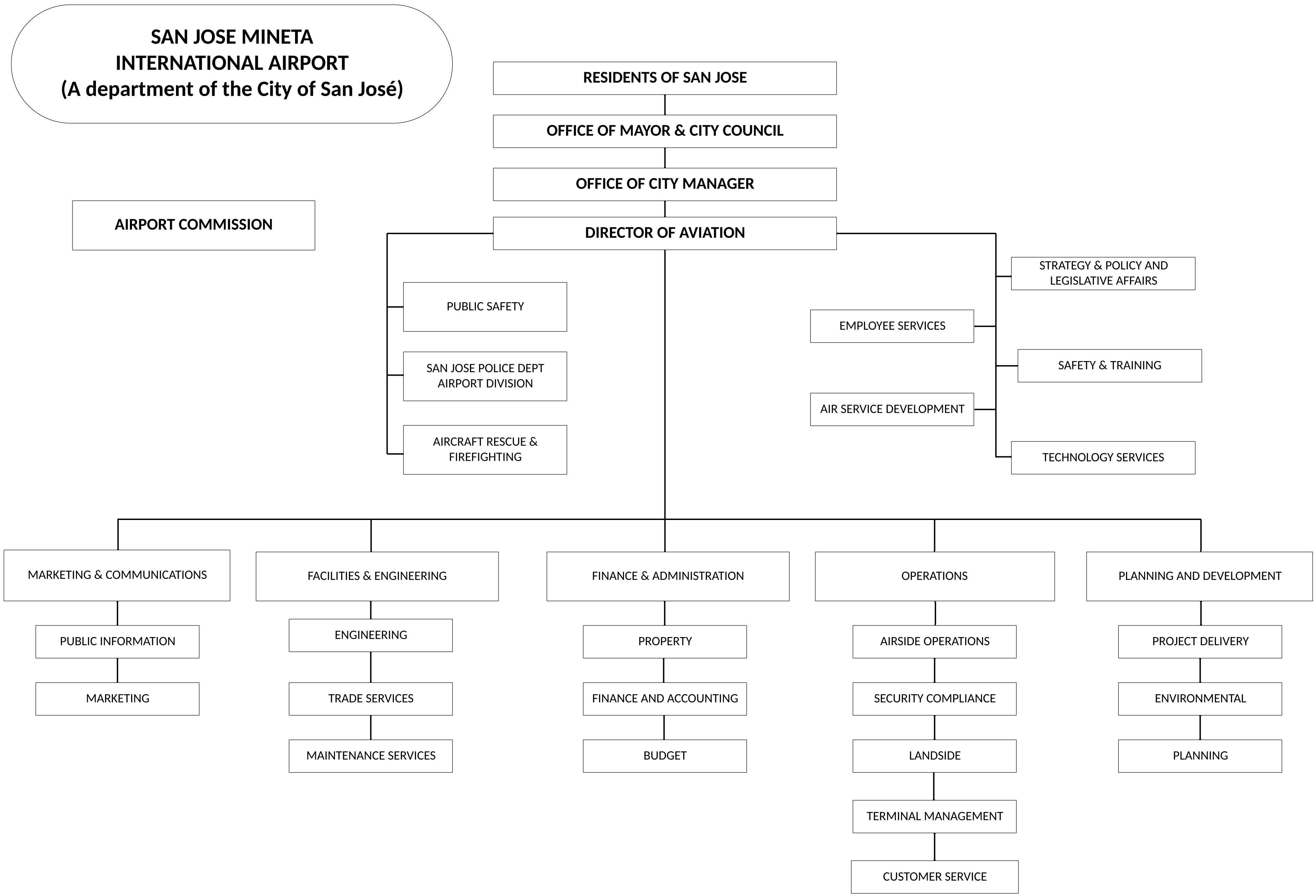
Joe Head	Chair
Nick Patel	Vice Chair
Catherine Hendrix	Member
Greg Richardson	Member
Jasvinder Sohal	Member
John Leipelt	Member
Mike Campbell	Member
Robert Hencken	Member
Surjit Bains	Member
David Cohen	Council Member/Airport Liaison

CITY OFFICIAL:

Jennifer A. Maguire	City Manager
Vacant	Director of Finance

AIRPORT DEPARTMENT:

Mukesh (Mookie) Patel, C.M.	Director of Aviation
Patricia A. Singh	Assistant Director of Aviation
Rosalyn F. Bond, A.A.E., ACE	Deputy Director, Airport Operations
Kim Hawk, CPA (inactive)	Deputy Director, Finance & Administration
Gene Frazier, MPA, C.M.	Deputy Director, Facilities & Engineering
Fai Ali, P.E., C.M., PMP, CCM	Deputy Director, Planning & Development
Scott Wintner	Deputy Director, Marketing & Communications
Lieutenant William Murphy	San José Police Dept. – Airport Division


SAN JOSE MINETA
INTERNATIONAL AIRPORT
(A department of the City of San José)
AIRPORT COMMISSION
RESIDENTS OF SAN JOSE
OFFICE OF MAYOR & CITY COUNCIL
OFFICE OF CITY MANAGER
DIRECTOR OF AVIATION
PUBLIC SAFETY
SAN JOSE POLICE DEPT AIRPORT DIVISION
AIRCRAFT RESCUE & FIREFIGHTING
STRATEGY & POLICY AND LEGISLATIVE AFFAIRS
EMPLOYEE SERVICES
SAFETY & TRAINING
AIR SERVICE DEVELOPMENT
TECHNOLOGY SERVICES
MARKETING & COMMUNICATIONS
PUBLIC INFORMATION
MARKETING
FACILITIES & ENGINEERING
ENGINEERING
TRADE SERVICES
MAINTENANCE SERVICES
FINANCE & ADMINISTRATION
PROPERTY
FINANCE AND ACCOUNTING
BUDGET
OPERATIONS
AIRSIDE OPERATIONS
SECURITY COMPLIANCE
LANDSIDE
TERMINAL MANAGEMENT
CUSTOMER SERVICE
PLANNING AND DEVELOPMENT
PROJECT DELIVERY
ENVIRONMENTAL
PLANNING
SAN JOSE MINETA INTERNATIONAL AIRPORT

FINANCIAL

In August 2023, SJC and Elevate Gourmet Brands celebrated the long-awaited grand opening of San José Mac + Cheese Kitchen in Terminal B. The new concept features decadent Mac + Cheese creations for all day dining. It also hosts a full bar, boasting local Bay Area craft beers and wines from the world-famous Central Coast, Napa, and Sonoma Valleys, plus a full menu of specialty cocktails.

SJC launched "Meet the Chefs" in February 2024, a new culinary program designed to enhance the passenger experience. This innovative series offers travelers the unique opportunity to enjoy live cooking demonstrations by celebrated chefs from the Airport's restaurants. “Meet the Chefs” kicked off with a demonstration from Jim Stump at Jim Stump’s Taproom + Kitchen in Terminal B.

The Terminal B Peet’s Coffee and Starbucks locations both received a refresh in FY 24, with new modern and vibrant designs and an expanded mobile order pick-up counter at Starbucks.

MGO. Certified Public Accountants

Independent Auditor's Report

City Council
City of San José, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San José Mineta International Airport (Airport), a department of the City of San José, California (City), as of and for the fiscal years ended June 30, 2024 and 2023, and the related notes to the financial statements, listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Airport, as of June 30, 2024 and 2023, and the changes in its financial position and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Airport and do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Macias Gini & O'Connell LLP
2121 N. California Boulevard, Suite 750
Walnut Creek, CA 94596

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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, the schedule of contributions (pension), the schedule of the proportionate share of the net other postemployment benefits (OPEB) liability, and the schedule of contributions (OPEB), collectively identified as Required Supplementary Information in the accompanying table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the 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

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory, statistical and bond disclosure sections but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2024 on our consideration of the Airport’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Airport’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Airport’s internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 18, 2024

This section of the San José Mineta International Airport (Airport) Annual Comprehensive Financial Report (ACFR) presents a narrative overview and analysis of the financial activities of the Airport for the fiscal years ended June 30, 2024 and 2023. The Airport is a department of the City of San José (City).

AIRPORT ACTIVITIES HIGHLIGHTS

A total of approximately 11.9 million passengers traveled through the Airport in fiscal year (FY) 24 compared to approximately 12.1 million in FY 23, resulting in a slight decline in passenger traffic of 1.5%. The Airport experienced an increase in passenger traffic of 23.6% and 132.2% in FY 23 and FY 22, respectively.

International passengers increased 13.6% in FY 24 primarily due to ZIPAIR having operated for the entire fiscal year and an increase in ZIPAIR's service. ZIPAIR began service to Tokyo with three flights per week in December 2022 and increased frequency to five flights per week in January 2023. A sixth weekly flight operated for the month of June 2024. Volaris continued its service to Guadalajara, León, Morelia, and Zacatecas. Alaska Airlines continued to offer non-stop service to Guadalajara, Los Cabos, and Puerto Vallarta throughout the year. Domestic passengers remained relatively flat FY 24 over FY 23.

As of June 30, 2024, Airport carriers served 41 nonstop markets. Daily departures ranged from 100 minimum to 176 peak departures in FY 24, compared to 41 nonstop markets with 186 peak daily departures in FY 23, and 40 nonstop markets with 181 peak daily departures in FY 22.

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

	2024	2023	2022
Flight operations	163,761	168,280	151,233
	(2.7)%	*11.3%*	*35.4%*
Landed weight by passenger (1,000 lbs)	7,045,138	7,455,867	6,071,623
	(5.5)%	*22.8%*	*63.4%*
Landed weight by cargo carriers (1,000 lbs)	222,401	227,712	197,662
	(2.3)%	*15.2%*	*(6.1)%*
Total enplaned and deplaned passengers	11,941,377	12,128,398	9,813,775
	(1.5)%	*23.6%*	*132.2%*
Enplaned passengers	5,963,267	6,065,475	4,911,206
	(1.7)%	*23.5%*	*131.0%*
Deplaned passengers	5,978,110	6,062,923	4,902,569
	(1.4)%	*23.7%*	*133.4%*
Domestic passengers	11,253,778	11,522,927	9,335,508
	(2.3)%	*23.4%*	*136.6%*
International passengers	687,599	605,471	478,267
	13.6%	*26.6%*	*70.0%*
Cargo tonnage (in tons)	32,019	36,612	35,676
	(12.5)%	*2.6%*	*(11.6)%*
Parking (vehicles) exits	863,278	870,845	695,136
	(0.9)%	*25.3%*	*85.0%*

FINANCIAL HIGHLIGHTS

The Airport posted an increase in net position for the 2024 fiscal year.[1]

- Operating revenues increased by 11.2% from $199.8 million in FY 23 to $222.1 million in FY 24.
- Operating expenses before depreciation increased by 10.2% from $108.7 million in FY 23 to $119.7 million in FY 24.
- Operating income before depreciation increased by 12.4% from $91.1 million in FY 23 to $102.4 million in FY 24.
- Depreciation and amortization increased by 1.6% from $56.3 million in FY 23 to $57.2 million in FY 24.
- The above resulted in an operating income before nonoperating revenues and expenses of $34.8 million in FY 23 and an operating income before nonoperating revenues and expenses of $45.2 million in FY 24.
- Nonoperating revenues, net of nonoperating expenses, decreased 43.2% from $22.4 million in FY 23 to $12.7 million in FY 24.
- Capital contributions mainly from federal government grants increased by 41.8% from $12.2 million in FY 23 to $17.3 million in FY 24.
- Change in net position from current year activities increased $75.2 million. The increase in operating revenues, investment income, Customer Facility Charges (CFC) and capital contributions along with a decrease in interest expense, were partially offset by the decrease in the American Rescue Plan Act (ARP Act) grant and Passenger Facility Charges (PFC) revenues, the increase in operating expenses, and the increase in net revenue sharing with participating airlines.

In addition, the Airport posted an increase in net position for the 2023 fiscal year.[2]

- Operating revenues increased by 12.2% from $178.0 million in FY 22 to $199.8 million in FY 23.
- Operating expenses before depreciation increased by 9.9% from $98.8 million in FY 22 to $108.7 million in FY 23.
- Operating income before depreciation increased by 15.1% from $79.2 million in FY 22 to $91.1 million in FY 23.
- Depreciation and amortization increased by 0.5% from $56.0 million in FY 22 to $56.3 million in FY 23.
- The above resulted in an operating income before nonoperating revenues and expenses of $23.2

[1] Certain amounts for the fiscal year ended June 30, 2023 have been reclassified in order to be consistent with the presentation for the fiscal year ended June 30, 2024. These reclassifications had no effect on the change in net position for the fiscal year ended June 30, 2023.

[2] Certain amounts for the fiscal years ended June 30, 2023 and June 30, 2022 have been reclassified in order to be consistent with the presentation of the fiscal year ended June 30, 2024. These reclassifications had no effect on the change in net position for the fiscal years ended June 30, 2023 and 2022.

million in FY 22 and an operating income before nonoperating revenues and expenses of $34.8 million in FY 23.

- Nonoperating revenues, net of nonoperating expenses, increased 312.2% from $10.6 million net nonoperating expenses in FY 22 to $22.4 million net nonoperating revenues in FY 23.
- Capital contributions mainly from federal government grants increased by 106.1% from $5.9 million in FY 22 to $12.2 million in FY 23.
- Change in net position from current year activities increased $69.4 million. The increase in operating revenues, investment income, PFC revenues, and CFC revenues resulting from the increase in passenger activity, the increase in capital contributions, the decrease in net revenue sharing with participating airlines, were partially offset by the increase in operating and interest expenses, and the decrease in grant revenues.

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, 2024, 2023, and 2022:

	2024	2023[1]	2022[1]
Operating revenues	$ 222,138	$ 199,795	$ 178,041
Operating expenses before depreciation	(119,740)	(108,673)	(98,841)
Operating income before depreciation	102,398	91,122	79,200
Depreciation and amortization	(57,192)	(56,297)	(56,040)
Operating income (loss)	**45,206**	**34,825**	**23,160**
Nonoperating revenues and expenses, net	12,727	22,398	(10,556)
Income before capital contributions	57,933	57,223	12,604
Capital contributions	17,290	12,195	5,894
Change in net position	**75,223**	**69,418**	**18,498**
Net position - beginning	**313,218**	**243,800**	**225,301**
Net position - ending	**$ 388,441**	**$ 313,218**	**$ 243,800**

[1] Certain revenue amounts have been reclassified in order to be consistent with the presentation for FY 24. These reclassifications had no effect on the change in net position.

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 $388.4 million, $313.2 million, and $243.8 million at June 30, 2024, 2023, and 2022, respectively, a $75.2 million increase from June 30, 2023 to June 30, 2024 and a $69.4 million increase from June 30, 2022 to June 30, 2023.

A condensed summary of the Airport's net position (in thousands) at June 30, 2024, 2023, and 2022 is as follows:

	2024	2023	2022
Assets:			
Unrestricted assets	$ 278,179	$ 229,861	$ 206,728
Restricted assets	156,499	152,898	134,114
Net capital assets	1,221,322	1,213,598	1,238,766
Other assets	11,453	13,280	10,223
Total assets	**1,667,453**	**1,609,637**	**1,589,831**
Deferred outflows of resources:			
Pension	16,941	14,599	15,768
OPEB	3,167	3,925	2,595
Loss on refunding of debt	10,070	10,552	11,034
Total deferred outflows of resources	**30,178**	**29,076**	**29,397**
Liabilities:			
Current liabilities - unrestricted	57,754	37,894	79,284
Current liabilities - restricted	48,179	45,460	23,511
Noncurrent liabilities	1,189,260	1,226,492	1,235,838
Total liabilities	**1,295,193**	**1,309,846**	**1,338,633**
Deferred inflows of resources:			
Pension	1,538	905	22,955
OPEB	1,791	1,518	3,664
Lease	10,668	13,226	10,177
Total deferred inflows of resources	**13,997**	**15,649**	**36,796**
Net position:			
Net investment in capital assets	183,326	170,653	158,132
Restricted	58,201	54,680	48,905
Unrestricted	146,914	87,885	36,763
Net position	**$ 388,441**	**$ 313,218**	**$ 243,800**

2024 versus 2023

Deferred inflows of resources decreased 10.6%, or $1.7 million. The decrease was driven by the change in deferred inflows of resources related to leases from $13.2 million at June 30, 2023 to $10.7 million at June 30, 2024 due to the amortization of existing leases, refer to Airport Leases, Note 6, for additional details. Detailed information about the Federated City Employees' Retirement System (FCERS), which is a single employer defined benefit retirement system that covers substantially all benefited non-sworn City employees, except for certain unrepresented employees, can be found in Retirement Systems, Note 8, to the financial statements.

Total liabilities declined 1.1%, or $14.7 million. Noncurrent liabilities decreased 3.0%, or $37.2 million, due to a decline in bonds payable and a decrease in the net pension and other postemployment benefits (OPEB) liability. Unrestricted current liabilities increased 52.4%, or $19.9 million, due to an increase in commercial paper notes payable and accounts payable from unrestricted assets. Restricted current liabilities increased 6.0%, or $2.7 million, due to an increase in the current portion of bonds payable.

Total assets increased 3.6%, or $57.8 million. Current, unrestricted assets increased 21.0%, or $48.3

million, due to an increase in cash and investments held in City Treasury, accrued interest, and in accounts receivables and grants receivables. The increase in cash and investments held by City Treasury were a result of increase in cash received from operating activities, investment income, and federal relief grants, partially offset by the use of cash in capital and related financing activities. Restricted assets increased 2.4%, or $3.6 million, due to an increase in cash and investments held in City Treasury partially offset by a decrease in cash and investments held with fiscal agents. Other assets decreased 13.8%, or $1.8 million, due to the decrease in the lease receivable balance partially offset by the increase in the Direct Lease Concession Loan Program (DLCLP) concession loan receivable. The DLCLP is designed to offer financial support to smaller businesses at the Airport. These financial resources are intended to cover construction expenses associated with the establishment of food and beverage or retail concessions at the Airport through loan funding by the City.

The largest portion of the Airport's net position, 47.2% and 54.5% at June 30, 2024 and 2023, 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 Government Code Sections 50474.1-50474.3, respectively.

<u>2023 versus 2022</u>

Deferred inflows of resources decreased 57.5%, or $21.1 million. Deferred inflows of resources related to pension drove the decrease with a change of 96.1%, or $22.1 million, from $23.0 million at June 30, 2022 to $0.9 million at June 30, 2023, which reflects the decrease in the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience, and changes of assumptions. Deferred inflows of resources related to OPEB decreased by $2.1 million primarily due to a decrease between expected and actual experience on OPEB plan investments. Detailed information about the FCERS, which is a single employer defined benefit retirement system that covers substantially all benefited non-sworn City employees, except for certain unrepresented employees, can be found in Note 8 to the financial statements. Deferred inflows of resources related to leases increased by $3.0 million, partially offsetting the pension and OPEB decrease, due to the recognition of a new in-scope lease under GASB 87, *Leases*. Additional details about the lease can be found in Airport Leases, Note 6.

Total liabilities declined 2.2%, or $28.8 million. Unrestricted current liabilities decreased 52.2%, or $41.4 million, due to a decrease in commercial paper notes payable and accounts payable from unrestricted assets. Restricted current liabilities increased by 93.4%, or $21.9 million, due to the increase in the current portion of bonds payable. Noncurrent liabilities decreased 0.8%, or $9.3 million, due to a decline in bonds payable, partially offset by an increase in net pension and OPEB liability.

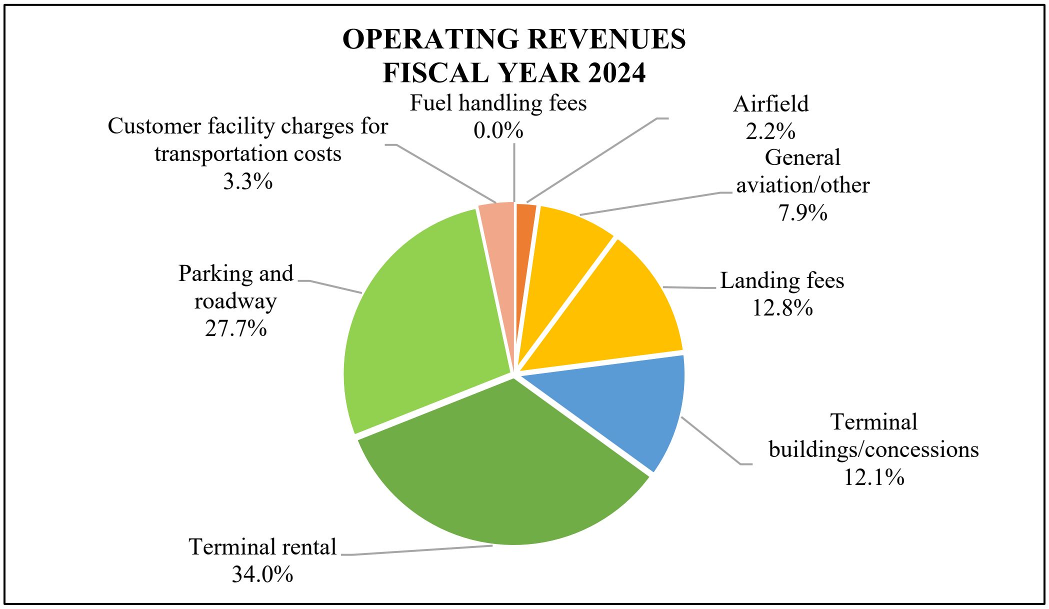
Total assets increased 1.2%, or $19.8 million. Current, unrestricted assets increased 11.2%, or $23.1 million, due to an increase in cash and investments held in City Treasury partially offset by a decrease in account and grants receivables. Restricted assets increased 14.0%, or $18.8 million, due to an increase in cash and investments held in City Treasury and with fiscal agents. Other assets increased $3.1 million due to the DLCLP concession loan receivable and increase in the lease receivable balances.

The largest portion of the Airport's net position, 54.5% and 64.9% at June 30, 2023 and 2022, 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 Government 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, 2024:



As illustrated in the above chart, airline terminal rental revenue, represents 34% of the total operating revenues.

The next largest category is parking and roadway revenue, which represents 27.7% of the total operating revenues. Parking and roadway revenues include public parking, utility and concession fees from rental cars, employee parking, Transportation Network Companies (TNCs), taxicab and other ground transportation fees, and facility and ground rents from rental car companies for use of the Consolidated Rental Car Facility (ConRAC) located at the Airport. Facility rent for the ConRAC will vary each year as it 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 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 FY 24, the City recognized $7.4 million of CFC revenues, or 3.3%, as operating revenues. In FY 23, the City recognized $7.5 million of CFC revenues, or 3.7%, as operating revenues.

Landing fees from passenger and cargo carriers represent 12.8% of the total operating revenues.

Revenues from terminal buildings/concessions, which came in at 12.1% of total operating revenues, include food and beverage, news and gift shops, and advertising. Fees for the use of the Federal Inspection Service facility and rental of space, other than airline space, are also included in this category.

General aviation/other revenues are 7.9% of total operating revenues and are comprised of rents for aircraft hangars, aircraft parking spaces, fees from the in-flight kitchen services, fees from ground service providers, 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 2.2%, combined, of the total operating revenues. The airfield area category is comprised of jet flowage fees, a fee charged to operators for engaging in the activity of retail sales of aviation fuel petroleum products, other airfield revenues, and air carrier parking fees. Fuel handling fees include sales of diesel, unleaded, and propane.

A summary of revenues (in thousands) for the fiscal years ended June 30, 2024, 2023, and 2022 is as follows:

	2024	2023[1]	2022[1]
Operating revenues:			
Landing fees	$ 28,413	$ 28,525	$ 24,545
Terminal rental	75,522	60,314	68,490
Terminal buildings/concessions	26,759	22,432	13,164
Airfield	4,985	4,755	4,263
Parking and roadway	61,471	59,877	47,023
Fuel handling fees	96	77	57
General aviation/other	17,463	16,322	14,810
Customer facility charges for transportation costs	7,429	7,493	5,689
Total operating revenues	**222,138**	**199,795**	**178,041**
Nonoperating revenues:			
Passenger facility charges	$ 22,484	$ 23,215	$ 19,674
Customer facility charges for debt service	9,995	8,997	7,967
Investment income (loss)	17,751	5,519	(4,681)
Lease interest income	373	246	274
Operating grants	315	486	718
CARES Act airport grants	-	-	12,095
CRRSA Act airport grants	-	-	13,422
ARP Act grants	10,000	28,911	6,586
Other, net	404	533	164
Total nonoperating revenues	**61,322**	**67,907**	**56,219**
Capital contributions	17,290	12,195	5,894
Total revenues	**$ 300,750**	**$ 279,897**	**$ 240,154**

[1] Certain revenue amounts have been reclassified in order to be consistent with the presentation for FY 24. These reclassifications had no effect on the change in net position.

2024 versus 2023[3]

Total operating revenues increased 11.2% from $199.8 million in FY 23 to $222.1 million in FY 24.

Terminal rental revenues increased 25.2%, or $15.2 million, due to an increase in the average terminal rate from $227.55 in FY 23 to $262.14 in FY 24. Additionally, in FY 24, the terminal true up increased terminal revenues at year end by $6.9 million compared to a terminal true-up payout of $0.3 million in FY 23.

Terminal buildings/concessions posted an increase of 19.3%, or $4.3 million, due to an increase in advertising and federal inspection services (FIS) revenues. FIS revenues increased as a result of the increase in international passengers.

Parking and roadway revenues increased by 2.7%, or $1.6 million, mainly due to an increase in ground transportation revenues (including TNCs trip fee revenues).

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 the terminals and the ConRAC. Total CFC revenues increased 5.7%, or $0.9 million, from the FY 23 level.

PFC revenues are the charges to eligible passengers enplaning at the Airport. The Airport must use these fees to fund certain Federal Aviation Administration (FAA) approved projects and associated debt service. PFC revenues decreased by 3.2%, or $0.7 million, reflective of the decrease in passenger activity.

Investment income increased by $12.2 million, or 221.6%, from $5.5 million in FY 23 to $17.8 million in FY 24, resulting from higher interest rates and the impact of fair value adjustments.

In March 2021, the Airport was awarded $48.9 million in ARP Act funds. The funds were made available to the Airport on a reimbursable basis for up to four years and could be used to pay for operating expenses. The Airport received reimbursement for $10.0 million and $28.9 million for costs in FY 24 and FY23, respectively.

Capital contributions earned during FY 24 pertained to grant reimbursements from the FAA, mainly for the Airport Accessibility Upgrades, and the New Taxiway V.

2023 versus 2022[4]

Total operating revenues increased 12.2% from $178.0 million in FY 22 to $199.8 million in FY 23.

Landing fees increased 16.2%, or $4.0 million, due to an increase in air activity. Although the landing fee rate decreased from $4.00 to $3.78 per thousand pounds, the decrease was offset by the 22.6% increase in landed weights year-over-year.

Terminal rental revenues decreased 11.9%, or $8.2 million, due to a decrease in the terminal true-up adjusted at year end. In FY 22, the terminal true up increased terminal revenues at year end by $14.8

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[3] Certain amounts for the fiscal year ended June 30, 2023 have been reclassified in order to be consistent with the presentation of the fiscal year ended June 30, 2024. These reclassifications had no effect on the change in net position for the fiscal year ended June 30, 2023.

[4] Certain amounts for the fiscal years ended June 30, 2023 and 2022 have been reclassified in order to be consistent with the presentation of the fiscal year ended June 30, 2024. These reclassifications had no effect on the change in net position for the fiscal years ended June 30, 2023 or 2022.

million. Without the terminal adjustment, there would be an increase year over year due to an increase in the average terminal rental rates as well as increase in airline activity.

Terminal buildings/concessions posted an increase of 70.4%, or $9.3 million, due to the increase in passenger activity.

Airfield revenues increased by 11.5%, or $0.5 million, mainly due to the increase in passenger and air activity.

Parking and roadway revenues increased by 27.3%, or $12.9 million, due to an increase in public parking revenues (including reservations), rental car concessions, and ground transportation revenues (including TNCs trip fee revenues), resulting from the increase in passenger activity.

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 the terminals and the ConRAC. Total CFC revenues increased 20.8%, or $2.8 million, from the FY 22 level, reflective of the Airport's increased passenger traffic.

PFC revenues are the charges to eligible passengers enplaning at the Airport. The Airport must use these fees to fund certain FAA approved projects and associated debt service. PFC revenues increased by 18.0%, or $3.5 million, reflective of the increase in passenger activity.

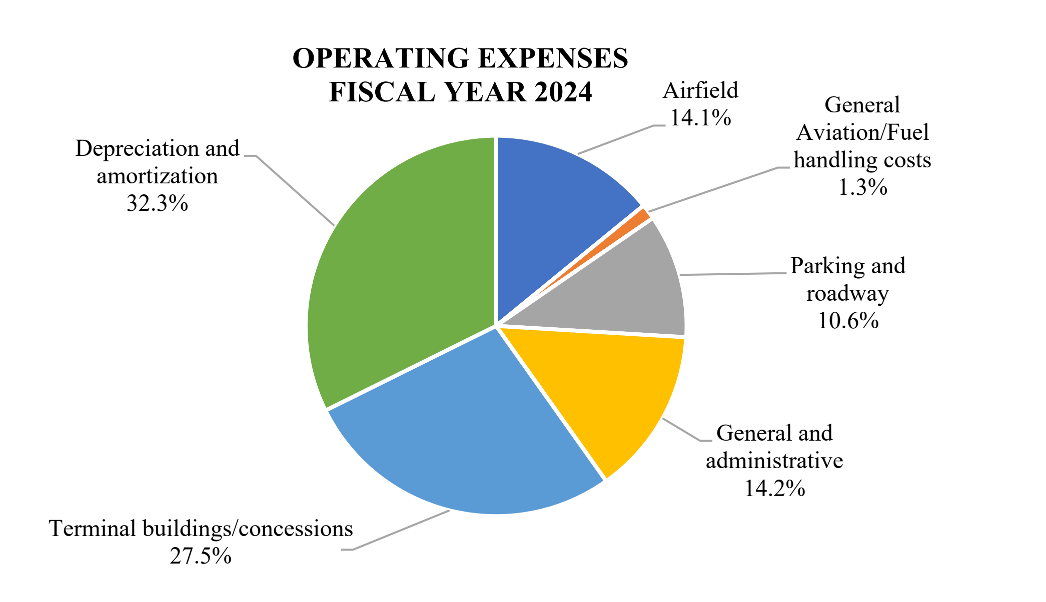
Investment income increased by $10.2 million from a net investment loss of $4.7 million in FY 22 to a $5.5 million investment income in FY 23 resulting from higher interest rates and fair value adjustments.

In March 2021, the Airport was awarded $48.9 million in ARP Act funds. The funds were made available to the Airport on a reimbursable basis for up to four years and could be used to pay for operating expenses. An additional $6.6 million in ARP Act funds were awarded to provide relief from rent and Minimum Annual Guarantee (MAG) to in-terminal airport concessions. The Airport received reimbursement for $28.9 million for costs in FY 23 and the full $6.6 million in concession relief in FY 22.

Capital contributions earned during FY 23 pertained to grant reimbursements from the FAA, mainly for the Airport Accessibility Upgrades, the Airfield Electrical Rehabilitation, and the New Taxiway V.

EXPENSES

The following chart reflects the major cost centers as a percentage of operating expenses for the fiscal year ended June 30, 2024:



A summary of expenses (in thousands) for the fiscal years ended June 30, 2024, 2023, and 2022 is as follows:

	2024	2023	2022
Operating expenses:			
Terminal buildings/concessions	$ 48,640	$ 43,489	$ 39,331
Airfield	24,934	23,680	24,777
Parking and roadway	18,668	16,404	14,431
Fuel handling costs	102	69	71
General aviation	2,213	2,079	913
General and administrative	25,183	22,952	19,318
Depreciation and amortization	57,192	56,297	56,040
Total operating expenses	**176,932**	**164,970**	**154,881**
Nonoperating expenses:			
Participating airline net revenue sharing	8,790	5,077	27,396
Interest expense	39,805	40,432	39,379
Total nonoperating expenses	**48,595**	**45,509**	**66,775**
Total expenses	**$ 225,527**	**$ 210,479**	**$ 221,656**

<u>2024 versus 2023</u>

Operating expenses in FY 24 increased 7.3%, or $12.0 million, from $165.0 million in FY 23 to $176.9 million in FY 24, due to increases in both personnel and non-personnel costs. There were also smaller increases in overhead and police and fire costs. Personnel increases were primarily driven by salary increase while the non-personnel costs increased due to contractual rate increases and some usage increase.

Nonoperating expenses in FY 24 increased 6.8%, or $3.1 million, due to an increase in the airline net revenue sharing.

<u>2023 versus 2022</u>

Operating expenses in FY 23 increased 6.5%, or $10.1 million, from $154.9 million in FY 22 to $165.0 million in FY 23, due to increases in non-personnel costs, pension expense, and personnel costs.

Nonoperating expenses in FY 23 decreased by $21.3 million due to a decrease in the airline net revenue sharing.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Airport expended $71.6 million on both capitalized and noncapitalizable capital activities in FY 24 and $37.1 million in FY 23. Major capital projects in FY 24 included the Facilities and Vehicle Maintenance Campus, Airport Accessibility Upgrades, the New Taxiway V, and the Perimeter Security Projects. During the year, there was also activity related to the SJPD Magazine Room Relocation and the Parking Revenue Control System Upgrade. Major capital projects in FY 23 included the Airport Accessibility Upgrades, the New Taxiway V, Airfield Electrical Rehabilitation, Accessibility Analysis, Parking Revenue Control System Upgrade, and the Facilities and Vehicle Maintenance Campus.

As of June 30, 2024, and 2023, the Airport was obligated for purchase commitments relating to capital projects of approximately $20.2 million and $34.3 million, respectively. Purchase commitments as of June 30, 2024 related primarily for the Airfield Configuration Updates, the Airport Accessibility Upgrades, and the Terminal Paging System. Purchase commitments as of June 30, 2023, were primarily related to the Facilities and Vehicle Maintenance Campus, the Airport Accessibility Upgrades, the Airfield Configuration Updates, the Perimeter Security projects, the Parking Revenue Control System Upgrade, the Terminal Paging System, and the San José Police Department Magazine Room Relocation.

OUTSTANDING DEBT

<u>Subordinated CP Notes</u>

The Subordinated CP Notes debt is a form of variable rate debt with a maturity between 1 to 270 days. As of June 30, 2024 and 2023, the total amount of Subordinated CP Notes outstanding totaled $27.7 million and $10.0 million, respectively. During the year, $25.5 million of Subordinated CP Notes were issued by the Airport. The Airport paid principal of $7.8 million and $34.1 million during each of the fiscal years ended June 30, 2024 and 2023, respectively.

As of June 30, 2024, the Subordinated CP Notes were supported by the $81.7 million letter of credit issued by Bank of America to cover the principal amount of $75.0 million and interest.

Additional information about the Airport's commercial paper program can be found in Commercial Paper Notes Payable, Note 4, to the financial statements.

Revenue Bonds

As of June 30, 2024 and 2023, the Airport had total outstanding revenue bonds of $1,020.6 million and $1,044.8 million, respectively. During the fiscal years ended June 30, 2024 and 2023, the Airport paid principal of $24.2 million and $2.2 million, respectively.

Additional information about the Airport's revenue bonds can be found in Long-Term Obligations, Note 5, to the financial statements.

Credit Ratings

As of June 30, 2024, the underlying ratings of the outstanding Airport Revenue Bonds were "A", "A2," and "A" by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, Inc., respectively. All had a stable outlook as of June 30, 2024.

AIRLINE RATES AND CHARGES

The Airport entered into an Airline-Airport Lease and Operating Agreement (Airline Lease Agreement) with the various passenger and cargo airlines serving the Airport, effective July 1, 2019. The Airline Lease Agreement has an initial term of ten years and is set to expire on June 30, 2029. The term of this Airline Lease Agreement may be extended for two consecutive five-year renewal periods by the mutual written agreement of the Passenger Carriers and the Airport.

The key provisions in the current 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 remaining net revenues after all other obligations are satisfied, the Passenger Carriers' (as defined in the Airline Lease Agreement) share of the remaining net terminal revenues shall be distributed as a refund once a final accounting of the Airport's operations for the last fiscal year has been completed. Final accounting must be provided by December 31st after the close of each fiscal year, and the Airport shall remit payment within 30 days of the final accounting. After the final accounting is completed, an invoice will be sent to the Passenger Carriers if the actual expenses in the terminal were higher than the revenues. Invoices to Passenger Carriers are due within 30 days of final accounting and shall be due and payable within 60 days of invoice date. 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 (MGLW) for all aircraft at the Airport during the fiscal year. The aggregate credit or debit, if any, resulting from the final accounting after each fiscal year shall be applied to the airfield revenue requirement for the following fiscal year. The current Airline Lease Agreement includes a revenue sharing provision that is divided between the Airport and the Signatory Passenger Carriers based on the terms of the Airline Lease Agreement, in the event there are net remaining revenues generated at the Airport and all requirements of the Master Trust Agreement and any Subordinated Financing Agreements have been satisfied, including the minimum rate covenant requirement. The Signatory Passenger Carriers' portion of the revenue sharing shall be distributed as a refund once the final accounting of the Airport's operations for the last fiscal year has been completed. For additional provisions included in the current Airline Lease Agreement, refer to Airport Leases, Note 6, to the financial statements.

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 budgeted rates and charges for the signatory (passenger and cargo) airlines for fiscal years 2024 and 2023 were as follows:

	2024	2023
Landing fee (per 1,000 lbs MGLW)	$ 3.98	$ 3.78
Terminal average rental rate (per square foot)	262.14	227.55
Adjusted Airline CPE	13.09	14.87

The adjusted Airline cost per enplaned (CPE) passenger reflects the actual net terminal revenues and Airlines portion of the net revenue sharing in accordance with the Airline Lease Agreement.

Terminal rental rates and airline landing fees for FY 25 have been developed as part of the annual budget process. The rates and charges for signatory airlines for FY 25, which became effective July 1, 2024, are as follows:

Landing fee (per 1,000 lbs MGLW)	$ 5.13
Terminal average rental rate (per square foot)	286.61
Adjusted Airline CPE (budgeted)	17.93

The FY 25 adjusted Airline CPE reflects the forecasted Airlines portion of the net revenue sharing in accordance with the Airline Lease Agreement.

After completion of the year-end closing and annual audit, the FY 24 actual net remaining revenues were $20.3 million and will be allocated in accordance with the revenue sharing provisions of the Airline Lease Agreement. As noted in the financial statements, the participating airline net revenue sharing portion was $8.8 million for FY 24.

OUTLOOK

The Airport saw 11.9 million passengers during FY 24, or 3% below the projected 12.3 million. The Airport experienced passenger levels over one million for six months of FY 24. Commercial airlines continue to modify their flight schedules on a rolling basis in response to changes in passenger demand, internal staffing readiness, and other industry influences. The FY 25 projection for total passengers is 12.5 million, a 4.7% increase over FY 24 passengers.

FORWARD-LOOKING STATEMENTS

When used in this ACFR, 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 ACFR. 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 ACFR. The Airport 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 ACFR.

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 ACFR 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 ACFR 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 San José Mineta International Airport, 1701 Airport Blvd., Suite B1130, San José, CA 95110 or to the Director of Finance, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Assets		
Current assets:		
Unrestricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	$ 256,238,115	$ 210,897,592
Receivables:		
Accounts, net of allowance for uncollectible accounts of $120,544 in 2024 and $581,633 in 2023	11,887,819	9,829,703
Accrued interest	1,565,952	1,196,595
Grants	4,972,723	4,708,006
Lease receivable, current portion (Note 6)	2,956,025	2,674,585
Concession loan receivable, current portion	279,653	340,528
Prepaid expenses, advances, and deposits	279,192	214,362
Total unrestricted assets	278,179,479	229,861,371
Restricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	57,243,222	51,964,041
Cash and investments held by the fiscal agents (Note 2)	94,151,798	95,907,820
Receivables:		
Accounts, net of allowance for uncollectible accounts of $1,621 in 2024 and $2,810 in 2023	3,804,604	4,052,010
Accrued interest	1,273,083	944,851
Prepaid expenses, advances, and deposits	6,875	9,215
Current portion of prepaid bond insurance	19,872	19,872
Total restricted assets	156,499,454	152,897,809
Total current assets	434,678,933	382,759,180
Noncurrent assets:		
Capital assets (Note 3):		
Nondepreciable	169,595,678	121,590,858
Depreciable assets, net of accumulated depreciation and amortization	1,051,725,996	1,092,007,464
Total capital assets	1,221,321,674	1,213,598,322
Concession loan receivable, noncurrent	2,720,347	1,586,729
Lease receivable, noncurrent (Note 6)	8,379,645	11,183,510
Advances and deposits	83,284	220,104
Prepaid bond insurance, less current portion	269,295	289,167
Total noncurrent assets	1,232,774,245	1,226,877,832
Total assets	1,667,453,178	1,609,637,012
Deferred Outflows of Resources		
Deferred outflows of resources:		
Pension (Note 8)	16,941,214	14,598,447
OPEB (Note 8)	3,166,647	3,925,436
Loss on refunding of debt	10,069,729	10,551,979
Total deferred outflows of resources	$ 30,177,590	$ 29,075,862

See accompanying notes to the financial statements.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Net Position
June 30, 2024 and 2023

	2024	2023
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 17,111,804	$ 15,114,894
Accrued salaries, wages, and payroll taxes	935,680	633,524
Accrued vacation, sick leave, and compensatory time, current (Note 5)	2,467,999	2,227,999
Advances and deposits payable	2,715,844	2,402,411
Unearned revenues	5,179,681	5,959,037
Estimated liability for self-insurance, current (Notes 5 and 10)	633,500	633,500
Accrued interest payable	39,562	29,802
Current portion of lease liability (Note 6)	96,517	100,817
Current portion of subscription liability (Note 7)	845,530	791,899
Commercial paper notes payable (Note 4)	27,728,000	10,000,000
Total payable from unrestricted assets	57,754,117	37,893,883
Payable from restricted assets:		
Accounts payable	153,141	144,182
Unearned revenues	27,968	34,603
Accrued interest payable	14,648,035	15,001,286
Current portion of bonds payable, net of unamortized premium (Note 5)	33,349,807	30,279,807
Total payable from restricted assets	48,178,951	45,459,878
Total current liabilities	105,933,068	83,353,761
Noncurrent liabilities:		
Bonds payable, less current portion and net of unamortized premium (Note 5)	1,066,879,775	1,100,229,582
Estimated liability for self-insurance, noncurrent (Notes 5 and 10)	791,692	1,506,687
Accrued vacation, sick leave, and compensatory time, noncurrent (Note 5)	100,535	119,340
Subscription liability, noncurrent (Note 7)	747,310	1,398,746
Net pension liability (Note 8)	105,134,122	105,526,551
Net OPEB liability (Note 8)	15,606,660	17,711,173
Total noncurrent liabilities	1,189,260,094	1,226,492,079
Total liabilities	1,295,193,162	1,309,845,840
Deferred Inflows of Resources		
Deferred inflows of resources:		
Pension (Note 8)	1,537,731	905,173
OPEB (Note 8)	1,790,769	1,517,965
Lease (Note 6)	10,667,988	13,226,078
Total deferred inflows of resources	13,996,488	15,649,216
Net position		
Net investment in capital assets	183,325,648	170,652,557
Restricted:		
Per Airline Lease Agreement for Airline revenue sharing	1,232,868	5,438,880
Per Master Trust Agreement for rolling debt service coverage	11,942,428	10,460,592
Per Rental Car Agreement	1,000,000	1,000,000
California Government Code Sections for Customer Facility Charges (Note 1(k))	18,444,003	12,626,642
Future debt service (Note 1(j))	25,582,179	25,153,996
Unrestricted	146,913,992	87,885,150
Total net position	$ 388,441,118	$ 313,217,817

See accompanying notes to the financial statements.

Exhibit II

SAN JOSE MINETA INTERNATIONAL AIRPORT

(A Department of the City of San José)

Statements of Revenues, Expenses, and Changes in Net Position

Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Operating revenues:		
Airline rates and charges:		
Landing fees	$ 28,413,050	$ 28,524,729
Terminal rental	75,522,300	60,313,753
Total airline rates and charges	103,935,350	88,838,482
Terminal buildings/concessions	26,759,368	22,432,059
Airfield	4,985,001	4,754,903
Parking and roadway	61,470,852	59,877,410
Fuel handling fees	95,058	77,058
General aviation/other	17,462,811	16,322,700
Customer facility charges for transportation costs	7,429,374	7,492,553
Total operating revenues	222,137,814	199,795,165
Operating expenses:		
Terminal buildings/concessions	48,638,738	43,489,410
Airfield	24,933,814	23,680,547
Parking and roadway	18,669,316	16,404,045
Fuel handling costs	101,585	68,751
General aviation	2,213,222	2,078,640
General and administrative	25,182,921	22,951,802
Depreciation and amortization	57,192,314	56,297,222
Total operating expenses	176,931,910	164,970,417
Operating income	45,205,904	34,824,748
Nonoperating revenues (expenses):		
Passenger facility charges	22,483,810	23,215,393
Customer facility charges for debt service	9,995,121	8,997,049
Participating airline net revenue sharing (Note 1(i))	(8,790,173)	(5,077,232)
Investment income	17,751,320	5,518,915
Lease interest income	372,769	246,642
Interest expense	(39,805,313)	(40,432,377)
Operating grants	315,349	486,520
American Rescue Plan Act grant	10,000,000	28,910,633
Other, net	403,961	532,774
Total nonoperating revenues (expenses), net	12,726,844	22,398,317
Income before capital contributions	57,932,748	57,223,065
Capital contributions (grants)	17,290,553	12,149,992
Capital contribution (from others)	-	45,125
Change in net position	75,223,301	69,418,182
Net position - beginning	313,217,817	243,799,635
Net position - ending	$ 388,441,118	$ 313,217,817

See accompanying notes to the financial statements.

Exhibit III
(Continued)

SAN JOSE MINETA INTERNATIONAL AIRPORT

(A Department of the City of San José)
Statements of Cash Flows
Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Receipts from customers and users	$ 219,728,408	$ 210,300,780
Payments to suppliers	(53,164,511)	(48,450,757)
Payments to employees	(42,115,202)	(39,227,631)
Payments for City services	(26,714,896)	(23,315,212)
Payments to airlines	(11,701,341)	(27,119,790)
Claims paid	(244,229)	(302,093)
Other receipts	760,937	648,868
Net cash provided by operating activities	86,549,166	72,534,165
Cash flows from noncapital financing activities:		
Federal relief grants	10,000,000	35,511,144
Operating grants	292,317	463,120
Loans to concessionaires	(1,072,743)	(1,798,183)
Net cash provided by noncapital financing activities	9,219,574	34,176,081
Cash flows from capital and related financing activities:		
Purchases of capital assets	(60,700,513)	(27,281,381)
Principal payments on bonds payable	(24,155,000)	(2,225,000)
Interest paid	(45,791,361)	(46,057,049)
Capital grants	17,048,867	10,243,013
Passenger facility charges received	22,812,815	23,023,741
Customer facility charges received	9,906,888	8,845,231
Lease payments	(109,786)	(103,543)
Subscription liability payments	(835,519)	(756,429)
Proceeds from commercial paper	25,545,000	10,000,000
Principal payments on commercial paper	(7,817,000)	(34,112,000)
Advances and deposits received	136,820	959,288
Net cash used in capital and related financing activities	(63,958,789)	(57,464,129)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	56,162,184	20,285,869
Puchases of investments	(51,370,947)	(14,541,124)
Investment income	16,682,534	3,644,485
Net cash provided by investing activities	21,473,771	9,389,230
Net change in cash and cash equivalents	53,283,722	58,635,347
Cash and cash equivalents - beginning	354,349,413	295,714,066
Cash and cash equivalents - ending	$ 407,633,135	$ 354,349,413

See accompanying notes to the financial statements.

Exhibit III
(Concluded)

SAN JOSE MINETA INTERNATIONAL AIRPORT

(A Department of the City of San José)
Statements of Cash Flows
Fiscal Years Ended June 30, 2024 and 2023

	2024	2023
Reconciliation of operating income to net cash provided by operating activities :		
Operating income	$ 45,205,904	$ 34,824,748
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	57,192,314	55,415,361
Write off construction in progress	388,799	-
Participating airline net revenue sharing	(8,790,173)	(5,077,232)
Other revenues	796,602	799,279
Decrease (increase) in:		
Accounts receivable	(2,058,116)	9,464,791
Prepaid expenses, advances, and deposits	(62,490)	30,037
Lease receivable, deferred inflows of resources related to leases	(35,665)	(150,412)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(1,731,533)	(22,472,784)
Advances and deposits payable	313,433	471,503
Unearned revenues	(779,356)	739,592
Estimated liability for self-insurance	(714,995)	(148,696)
Net pension liability, deferred outflows/inflows of resources related to pension	(2,102,638)	(1,396,609)
Net OPEB liability, deferred outflows/inflows of resources related to OPEB	(1,072,920)	(847,274)
Net cash provided by operating activities	$ 86,549,166	$ 71,652,304
Noncash noncapital financing activities:		
(Increase) in operating grants receivable	$ (23,031)	$ (23,400)
(Increase) decrease in federal relief grants receivable	-	6,600,511
Noncash capital and related financing activities:		
Increase in accounts payable related to acquisition of capital assets	$ 4,260,755	$ 3,692,736
(Increase) in capital grants receivables	(241,686)	(1,906,979)
(Increase) in fair value of investments held by the fiscal agents	(371,198)	(465,396)
Amortization of bond premium/prepaid bond insurance	6,104,936	6,104,932
Amortization of deferred outflows of resources related to bond refunding	(482,250)	(482,248)
Capital contribution from others	-	45,125
Reconciliation of cash and cash equivalents to the statements of net position		
Equity in pooled cash and investments held in City Treasury		
Unrestricted	$ 256,238,115	$ 210,897,592
Restricted	57,243,222	51,964,041
Investments held by the fiscal agents classified as cash equivalents	94,151,798	91,487,780
Total cash and cash equivalents	$ 407,633,135	$ 354,349,413

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The San José Mineta International Airport (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 of San José (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. In 2023, the Norman Y. Mineta San José International Airport was rebranded to the San José Mineta 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. The financial statements of the Airport are intended to present the activity 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, 2024 and 2023, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

A variety of federal, state and local laws, agreements, and regulations govern the operations at the Airport. The Federal Aviation Administration (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 (1) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (2) 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 (3) 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).

Document Summaries: All summaries of documents contained in the notes to the financial statements 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 is qualified in its entirety by reference to such document, which is on file with or may be obtained by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

(c) Basis of Accounting and Estimates

i. The Airport prepares its financial statements on the accrual basis of accounting in accordance 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.

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 are defined as assets with an initial individual cost of more than $5,000 for general capital assets and $100,000 for major infrastructure assets, and an estimated useful life in excess of one year. Capital assets are carried at cost, with the exception of donated capital assets, donated works of art and similar items, and capital assets received in a service concession agreement, which are reported at acquisition value. 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. Leased assets are amortized over the lease term. Subscription assets are amortized over the subscription term.

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

Effective for the Airport's fiscal year ended June 30, 2022, interest costs related to the acquisition of buildings and improvements acquired with debt which are incurred before the end of a construction period are recognized as an expense in the period in which the cost is incurred.

(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 straight-line 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 straight-line method. Deferred outflows/inflows of resources from refunding of debt are recognized as a component of interest expense using the straight-line 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 and Airport safety and security operations are significantly funded through the Airport Improvement Program 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.

The FAA awarded American Rescue Plan (ARP) Act grants as economic assistance to eligible U.S. airports to prevent, prepare for, and respond to the COVID-19 pandemic. ARP Act funding as well as grants awarded by the Transportation Security Administration to reimburse the Airport for safety and security costs are reported in the statements 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) Airline Rates and Charges

The City and the Passenger Carriers are operating under the Airline-Airport Lease and Operating Agreement (Airline Lease Agreement) effective July 1, 2019. The agreement includes provisions for a true-up of the terminal and airfield cost centers based on the actual results, as well as a revenue sharing provision. The amounts calculated for the airfield true-up are rolled into the following year's airline rates and charges calculations. For the terminal true-up and revenue sharing the City will: (a) pay these amounts to the Passenger Carriers if there is any overpayment; or (b) bill these amounts to the Passenger Carriers if there is an underpayment. The Passenger Carrier portion of the terminal is cost-recovery; therefore the true-up is an adjustment so that the actual terminal rentals paid by the Passenger Carriers match the operating costs incurred by the City in that cost center. As a result, the City records the terminal true-up as operating revenues. The revenue sharing provision relates to the Airport cost centers and provides for a split of any net remaining revenues between the City and the Signatory Passenger Carriers based on the terms provided for in the Airline Lease Agreement. Since the sharing of net revenues is not a cost of providing airport services, the City records the revenue sharing amount as nonoperating expenses.

(j) Passenger Facility Charges

Passenger Facility Charges (PFC) revenues 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, 2024 and 2023, accumulated PFC funds amounted to $25,582,179 and $25,153,996, 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 (MTA), the Airport may for any period elect to designate any PFC funds as Available PFC Revenues by filing with the Bank of New York Mellon Trust Company, N.A. (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 $23,071,577 and $13,640,003 from accumulated PFC funds had been designated as Available PFC Revenues for payment of eligible bond debt service in fiscal years ended June 30, 2024 and 2023, respectively.

(k) Customer Facility Charges

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 Consolidated Rental Car Facility (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. CFC revenues are recorded as nonoperating revenues for the amount that exceeds the annual debt service on the Airport Revenue Bonds Series 2021C (Series 2021C Bonds) as described in Long-Term Obligations, Note 5, to the financial statements. Excess Facility Rent payments if available, as defined in the On-Airport Rental Car Operations Agreement may be deposited in a Rent Stabilization Fund, up to $1.0 million, and would be available to reduce Facility Rent in future years. The Rent Stabilization Fund was fully expended in FY 20 but has been replenished at $1.0 million in FY 23. Transportation costs due from the rental car companies in FY 23 and FY 24 were 100% covered by CFC revenues.

Under the MTA, 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 2021C Bonds. CFC revenues of $9,995,121 and $8,997,708 had been designated as Other Available Funds for payment of eligible bond debt service in fiscal years ended June 30, 2024 and June 30, 2023, respectively. At June 30, 2024 and 2023, accumulated CFC funds amounted to $18,444,003 and $12,626,642, respectively, and are reported as restricted for California Government Code Sections 50474.1-50474.3 for Customer Facility Charges in the restricted net position category of the Airport's statements of net position.

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

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

(m) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Airport's participation in the City's Federated City Employees' Retirement System (FCERS) and additions to/deductions from the FCERS' fiduciary net position have been determined on the same basis as they are reported by the FCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. FCERS' investments are reported at fair value. While the City reports its pension plan managed by FCERS as a single employer defined benefit pension plan, the Airport recognizes a proportionate share of its participation in FCERS based on the Airport's pension contributions relative to the total City pension contributions to FCERS. The Airport does not contribute directly to the Police and Fire Department Retirement Plan (PFDRP) and, instead, only covers pension costs of Airport related police and fire personnel through the City's interdepartmental charges. For more information regarding the Airport's retirement benefits, please refer to Retirement Systems, Note 8.

(n) Other Postemployment Benefits

For purpose of measuring the net Other Postemployment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Airport's participation in the FCERS and additions to/deductions from the FCERS' fiduciary net position have been determined on the same basis as they are reported by the FCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. FCERS' investments are reported at fair value. While the City reports its OPEB plan managed by FCERS as a single employer defined benefit OPEB plan, the Airport recognizes a proportionate share of its participation in the FCERS OPEB plan based on the Airport's OPEB contributions relative to the total City OPEB contributions to FCERS. The Airport does not make OPEB contributions directly to the PFDRP and, instead, only covers OPEB costs of Airport related police and fire personnel through the City's interdepartmental charges. For more information regarding the Airport's OPEB benefits, please refer to Retirement Systems, Note 8.

(o) Airport Leases

GASB Statement No. 87 (GASB 87) increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. In accordance with GASB 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases the Airport categorizes as in-scope of GASB 87. These include the advertising concession agreement and the ground rent of the rental car facility under the On-Airport Rental Car Operations Agreement and Leases. In accordance with GASB 87, regulated leases do not require that a lease receivable and a deferred inflow of resources be recorded. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation (DOT) and the FAA regulated aviation leases between airports, air carriers and other aeronautical users. Regulated leases include the Airline-Airport Lease and Operating Agreement and related airline leases, as well as contracts with Fixed Based Operators (FBOs), Specialized Aviation Service Operators (SASOs), and a jet fuel farm. The reporting materiality threshold for leases is $100,000 per asset. For more information regarding the Airport's Leases, please refer to Airport Leases, Note 6.

(p) Subscription-Based Information Technology Arrangements

The requirements of GASB Statement No. 96 (GASB 96) will improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangement (SBITA) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. According to this statement, a SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under GASB 96, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability and to disclose essential information about the arrangement. The reporting materiality threshold for SBITAs is $250,000 per asset contract value. For more information regarding the Airport's SBITAs, please refer to Subscription-Based Information Technology Arrangements, Note 7.

(q) Reclassification

Certain amounts for the fiscal year ended June 30, 2023 have been reclassified in order to be consistent with the presentation for the fiscal year ended June 30, 2024. These reclassifications had no effect on the change in net position for the fiscal year ended June 30, 2023.

(r) 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/amortization, deferred outflows and inflows of resources 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, 2024 and 2023, the Airport's statements of net position report restricted net position of $58,201,477 and $54,680,110, respectively, of which $44,026,181 and $37,780,638, respectively, is restricted by enabling legislation.

- Unrestricted Net Position – This category represents the net amount that does 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.

(s) New Pronouncements

During the fiscal year ended June 30, 2024, the Airport implemented the following accounting standards:

- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Airport's fiscal year ending June 30, 2024. Application of GASB Statement No. 99 did not have a financial impact on the Airport.

- In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62.* This statement enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or events that constitute those changes. GASB Statement No. 100 is effective for the Airport's fiscal year ending June 30, 2024. Application of GASB Statement No. 100 did not have a material impact on the Airport.

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

- In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* This statement updates the recognition and measurement guidance for compensated absences. This is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. GASB Statement No. 101 is effective for the Airport's fiscal year ending June 30, 2025.

- In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures.* The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement defines concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources. A constraint is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. GASB Statement No. 102 is effective for the Airport's fiscal year ending June 30, 2025.

- In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements.* The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The following summary includes the provisions of the statement applicable to the Airport's financial reporting. The statement requires that the information presented in the management's discussion and analysis (MD&A) be limited to related topics discussed in five sections: 1) overview of the financial statements, 2) financial summary, 3) detailed analyses, 4) significant capital asset and long-term financing activity, and 5) currently known facts, decisions, or conditions. Furthermore, this statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed. This statement emphasizes that the analysis provided in the MD&A should avoid unnecessary duplication by not repeating explanations that may be relevant to multiple sections and that "boilerplate" discussions should be avoided by presenting only the most relevant information, focused on the primary government. This statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. This statement also requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as 1) subsidies received and provided, 2) contributions to permanent and term endowments, 3) revenues and expenses related to financing, 4) resources from the disposal of capital assets and inventory, and 5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. GASB Statement No. 103 is effective for the Airport's fiscal year ending June 30, 2026.

- In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to establish requirements for certain types of capital assets to be disclosed separately for purposes of note disclosures and to establish requirements for capital assets held for sale and note disclosures for those capital assets. The requirements of this statement are effective for the City's financial statements for the fiscal year ending June 30, 2026.

(2) Cash and Investments

The City Council adopted an investment policy (Investment Policy) on April 2, 1985 related to the City's cash and investment pool, which is subject to annual review and was reviewed and amended on March 5, 2024. The Investment Policy specifically prohibits trading securities for the sole purpose of speculating or taking an unhedged 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 Airport invests funds subject to the Investment Policy and provisions of the Airport's MTA for its various bond issues. According to the Investment Policy and the Airport's MTA, 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, 2024 and 2023, the Airport's share of the City's cash and investment pool totaled \$313,481,337 and \$262,861,633, 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, 2024 Annual Comprehensive Financial Report (ACFR). A copy of that report may be obtained by visiting the City's website at www.sanjoseca.gov or by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

As of June 30 2024 and 2023, restricted cash and investments held by the fiscal agents, comprised of the U.S. Bank National Association (US Bank) and Fiscal Agent, totaled \$94,151,798 and \$95,907,820, respectively. US Bank is the issuing and paying agent of the commercial paper notes (discussed in Note 4). The MTA authorizes long-term debt (discussed in Note 5) and requires certain funds 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. The MTA investment provisions govern the permitted investments of Airport funds including funds held by the Fiscal Agent. The investments are subject to certain types of risk, including interest rate risk, credit quality risk, and concentration credit risk. However, the MTA does not specifically address policies for each risk. Instead, it limits the investments of Airport funds to particular types of investments.

Provisions of the Airport's MTA 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 MTA. The MTA 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, 2024, the Airport's investments in LAIF held by the Fiscal Agent was $51,348,149. The weighted average maturity of LAIF at June 30, 2024 was 217 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2024 was approximately $22.0 billion. PMIA is not registered with the Securities and Exchange Commission but is required to invest according to the California Government Code. The total amount recorded by all public agencies in PMIA at June 30, 2024 was approximately $178.0 billion and, of that amount, 81.33% was invested in U.S. Treasuries and agencies, 11.52% in depository securities, 6.56% in commercial paper, 0.39% in corporate bonds, 0.20% in loans, and 0.001% in mortgages. The percentages may not total 100% due to rounding.

As of June 30, 2023, the Airport's investments in LAIF held by the Fiscal Agent was $51,706,525. The weighted average maturity of LAIF at June 30, 2023 was 260 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2023 was approximately $25.7 billion. The total amount recorded by all public agencies in PMIA at June 30, 2023 was approximately $178.4 billion and, of that amount, 84.85% was invested in U.S. Treasuries and agencies, 10.36% in depository securities, 4.33% in commercial paper, 0.26% in corporate bonds, 0.20% in loans, and 0.002% in mortgages. The percentages may not total 100% due to rounding.

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, 2024, and June 30, 2023, was approximately 581 days and 530 days, respectively.

Credit 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 agents, by category and maturity, as of June 30, 2024 and 2023. The credit ratings listed are for Moody's Investors Service (Moody's) and S&P Global Ratings (S&P), respectively.

As of June 30, 2024		Maturities[2]				
Type of Investments:	Credit Rating	Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Carrying Value
Cash and investments held by the fiscal agents						
Federated Treasury Obligations Fund	Aaa-mf/AAAm	$ 4,409,704	$ -	$ -	$ -	$ 4,409,704
Federal Farm Credit Bank	Aaa/AA+	-	4,638,689	-	-	4,638,689
United States Treasury Bill[1]	N/A	-	26,567,887	-	-	26,567,887
California Local Agency Investment Fund[1]	Not rated	-	-	51,348,149	-	51,348,149
Money Market Mutual Fund[1]	Aaa-mf/AAAm	7,147,013	-	-	-	7,147,013
Total investments held by the fiscal agents		$ 11,556,717	$ 31,206,575	$ 51,348,149	$ -	94,111,441
Cash						40,357
Total cash and investments held by the fiscal agents						$ 94,151,798

As of June 30, 2023		Maturities[2]				
Type of Investments:	Credit Rating	Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Carrying Value
Cash and investments held by the fiscal agents						
Federated Treasury Obligations Fund	Aaa-mf/AAAm	$ 2,683,868	$ -	$ -	$ -	$ 2,683,868
Federal Farm Credit Bank	Aaa/AA+	-	-	-	4,420,039	4,420,039
Federal Home Loan Mortgage[1]	Aaa/AA+	-	5,397,894	-	-	5,397,894
United States Treasury Bill[1]	N/A	-	21,553,564	-	-	21,553,564
California Local Agency Investment Fund[1]	Not rated	-	-	51,706,525	-	51,706,525
Money Market Mutual Fund[1]	Aaa-mf/AAAm	10,087,951	-	-	-	10,087,951
Total investments held by the fiscal agents		$ 12,771,819	$ 26,951,458	$ 51,706,525	$ 4,420,039	95,849,841
Cash						57,978
Total cash and investments held by the fiscal agents						$ 95,907,820

(1) Investments with these issuers represent more than 5% of the Airport's investments held by the fiscal agents.
(2) Totals may not add due to rounding.

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, 2024 and June 30, 2023:

Investment by Fair Value Level	Carrying Value at June 30, 2024	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 held by the fiscal agents:				
Investments by fair value level				
Federal Farm Credit Bank	$ 4,638,689	$ -	$ 4,638,689	$ -
United States Treasury Bill	26,567,887	26,567,887		-
Total investments by fair value level	31,206,575	26,567,887	4,638,689	-
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	51,348,149	-	-	-
Money Market Mutual Fund	11,556,717	-	-	-
Total investments	62,904,866	-	-	-
Total investments held by the fiscal agents	$ 94,111,441	$ 26,567,887	$ 4,638,689	$ -

Investment by Fair Value Level	Carrying Value at June 30, 2023	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 held by the fiscal agents:				
Investments by fair value level				
Federal Farm Credit Bank	$ 4,420,039	$ -	$ 4,420,039	$ -
Federal Home Loan Mortgage	5,397,894	-	5,397,894	-
United States Treasury Bill	21,553,564	21,553,564		-
Total investments by fair value level	31,371,497	21,553,564	9,817,933	-
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	51,706,525	-	-	-
Money Market Mutual Fund	12,771,819	-	-	-
Total investments	64,478,344	-	-	-
Total investments held by the fiscal agents	$ 95,849,841	$ 21,553,564	$ 9,817,933	$ -

Treasury securities classified in Level 1 of the fair value hierarchy are valued using quoted prices. Government agency securities classified in Level 2 of the fair value hierarchy are valued using techniques such as matrix pricing, market corroborated pricing, and inputs such as yield curves and indices.

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, 2024 and June 30, 2023, were as follows:

	Balance at June 30, 2023	Additions	Retirements & Disposals	Transfers	Balance at June 30, 2024
Capital assets not depreciated:					
Land	$ 75,781,265	$ -	$ -	$ -	75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	32,810,402	63,171,309	(388,797)	(14,848,115)	80,744,799
Subscription in progress	117,644	70,423	-	-	188,067
Total capital assets, not depreciated	121,590,858	63,241,732	(388,797)	(14,848,115)	169,595,678
Capital assets, depreciated:					
Buildings	1,275,774,513	7,779	-	4,172,798	1,279,955,090
Other improvements	659,616,314	173,900	-	5,044,067	664,834,281
Equipment	73,858,255	1,071,738	(182,655)	5,631,250	80,378,588
Total capital assets, depreciated	2,009,249,082	1,253,417	(182,655)	14,848,115	2,025,167,959
Less accumulated depreciation:					
Buildings	486,295,762	32,547,707	-	-	518,843,469
Other improvements	384,257,758	19,016,642	-	-	403,274,400
Equipment	48,919,658	4,716,726	(182,655)	-	53,453,729
Total accumulated depreciation	919,473,178	56,281,075	(182,655)	-	975,571,598
Total capital assets, depreciated, net	1,089,775,904	(55,027,658)	-	14,848,115	1,049,596,361
Capital assets, amortized:					
Intangible asset, software	-	466,114	-	-	466,114
Intangible right-to-use assets					
Lease asset, equipment	403,537	105,486	-	-	509,023
Subscription asset	3,691,526	237,714	-	-	3,929,240
Total capital assets, amortized	4,095,063	809,314	-	-	4,904,377
Less accumulated amortization:					
Intangible asset, software	-	7,769	-	-	7,769
Intangible right-to-use assets					
Lease asset, equipment	302,544	109,784	-	-	412,328
Subscription asset	1,560,959	793,686	-	-	2,354,645
Total accumulated amortization	1,863,503	911,239	-	-	2,774,742
Total capital assets, amortized, net	2,231,560	(101,925)	-	-	2,129,635
Total capital assets, depreciated and amortized, net	1,092,007,464	(55,129,583)	-	14,848,115	1,051,725,996
Total capital assets, net	$ 1,213,598,322	$ 8,112,149	$ (388,797)	$ -	1,221,321,674

	Balance at July 1, 2022	Additions	Retirements & Disposals	Transfers	Balance at June 30, 2023
Capital assets not depreciated:					
Land	$ 75,781,265	$ -	$ -	$ -	75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	33,209,570	28,182,672	-	(28,581,840)	32,810,402
Subscription in progress	113,948	3,696	-	-	117,644
Total capital assets, not depreciated	121,986,330	28,186,368	-	(28,581,840)	121,590,858
Capital assets, depreciated:					
Buildings	1,251,919,474	2,295,639	-	21,559,400	1,275,774,513
Other improvements	652,726,302	115,207	-	6,774,805	659,616,314
Equipment	73,474,978	422,034	(286,392)	247,635	73,858,255
Total capital assets, depreciated	1,978,120,754	2,832,880	(286,392)	28,581,840	2,009,249,082
Less accumulated depreciation:					
Buildings	453,790,324	32,505,438	-	-	486,295,762
Other improvements	365,472,890	18,784,868	-	-	384,257,758
Equipment	45,080,995	4,125,055	(286,392)	-	48,919,658
Total accumulated depreciation	864,344,209	55,415,361	(286,392)	-	919,473,178
Total capital assets, depreciated, net	1,113,776,545	(52,582,481)	-	28,581,840	1,089,775,904
Capital assets, amortized:					
Intangible right-to-use assets					
Lease asset, equipment	293,363	110,174	-	-	403,537
Subscription asset	3,691,526	-	-	-	3,691,526
Total capital assets, amortized	3,984,889	110,174	-	-	4,095,063
Less accumulated amortization:					
Intangible right-to-use assets					
Lease asset, equipment	201,163	101,381	-	-	302,544
Subscription asset	780,479	780,480	-	-	1,560,959
Total accumulated amortization	981,642	881,861	-	-	1,863,503
Total capital assets, amortized, net	3,003,247	(771,687)	-	-	2,231,560
Total capital assets, depreciated and amortized, net	1,116,779,792	(53,354,168)	-	28,581,840	1,092,007,464
Total capital assets, net	$ 1,238,766,122	$ (25,167,800)	$ -	$ -	1,213,598,322

The Airport's depreciation and amortization expense on capital assets was $57,192,314 and $56,297,222 for fiscal years ended June 30, 2024 and June 30, 2023, respectively. For details on leases for Airport as lessee, please refer to Airport Leases, Note 6.

For the year ended June 30, 2024, the Airport recognized a $388,797 expense on abandoned projects related to construction in progress and disposal of capital assets.

(4) Commercial Paper Notes Payable

In November 1999, the City authorized the issuance from time to time of the Airport's Subordinated Commercial Paper Notes, Series A-1, Series A-2, Series B, and Series C (Subordinated CP Notes) that are secured by a lien on Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues. Surplus Revenues 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 reserve funds established for the Airport Revenue Bonds. The Subordinated CP Notes may be issued for periods of maturity not to exceed 270 days. The Series A-1, Series A-2, and Series B Notes may be sold at an interest rate not to exceed 12% per annum. The Series C Notes may be issued and sold either as interest bearing notes or at a discount.

The Subordinated CP Notes are issued pursuant to a Third Amended and Restated Issuing and Paying Agent Agreement, dated as of February 1, 2014, as subsequently amended, by and between the City and US Bank. Credit support for the timely payment of the principal and interest on the Subordinated CP Notes at maturity is provided through a letter of credit as described below. The City Council has authorized the Subordinated CP Notes to be issued in an aggregate principal amount of up to $600 million outstanding at any one time. However, the City has determined to limit its issuance of Subordinated CP Notes to the total credit support provided by the applicable letter of credit as described below.

On September 12, 2018, the City substituted for the prior letter of credit supporting the Subordinated CP Notes a letter of credit issued by Bank of America, N.A. (BofA). Pursuant to a Letter of Credit and Reimbursement Agreement, dated as of September 1, 2018, between the City and BofA (BofA Reimbursement Agreement), BofA issued its irrevocable transferrable letter of credit (BofA LOC) in the initial stated amount of approximately $81.7 million (to cover principal of $75.0 million and interest on the Subordinated CP Notes accruing calculated at a rate of 12% for 270 days based on a 365 day year) with the expiration date of September 10, 2021. The $75.0 million principal amount of the BofA LOC was secured in order to provide additional capacity for the issuance of the Subordinated CP Notes to finance proposed terminal area projects. On August 19, 2021, the City extended the BofA LOC and Reimbursement Agreement through September 10, 2024. On July 15, 2024, a further extension was executed, changing the expiration date to September 10, 2026. Additional details can be found in Note 12 to the financial statements.

In connection with BofA's issuance of its BofA LOC, other agreements governing the Subordinated CP Notes were executed, including the First Amendment to the Third Amended and Restated Issuing and Paying Agent Agreement between the City and US Bank and the Fourth Amended and Restated Dealer Agreement between the City and each of the dealers of the Subordinated CP Notes, a fee letter between the City and BofA and a bank note payable to BofA in the amount of approximately $81.7 million under which the City promises to pay principal of and interest on the unpaid principal amount of all Unreimbursed Drawings (as defined in the BofA Reimbursement Agreement) and Term Loans (as defined in the BofA Reimbursement Agreement) evidenced by the note on the dates and at the rates provided for in the BofA Reimbursement Agreement (Bank Note). The ratings of the outstanding Airport Subordinated CP Notes, are "A-1", "P-1", and "F1+" by S&P, Moody's, and Fitch Ratings, Inc. (Fitch), respectively, based on the credit support provided by BofA pursuant to its LOC. Additional information about the Airport's credit ratings can be found in Reporting of Significant Events section of the Bond Disclosure Report.

The terms of the BofA LOC are specified in the BofA Reimbursement Agreement. In general, BofA agrees to advance funds to the issuing and paying agent for the Subordinated CP Notes to pay the principal of and interest on maturing Subordinated CP Notes in an amount not to exceed the stated amount of the BofA LOC. In the event that the Commercial Paper (CP) dealer is unable to find investors to purchase Subordinated CP Notes to repay the advance from BofA, the City is obligated to pay interest to BofA based on a formula specified in the BofA Reimbursement Agreement and repay principal in accordance with the schedule and the terms also specified in the BofA Reimbursement Agreement. All amounts payable by the City to BofA under the BofA 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 securing the Airport Revenue Bonds.

Events of default under the BofA Reimbursement Agreement generally include, among others: (i) an event of default under the MTA or the issuing and paying agent agreement for the Subordinated CP Notes; (ii) non-payment of any debt secured by General Airport Revenues (as defined in the Reimbursement Agreement) on a parity with, or senior to, the Subordinated CP Notes; (iii) a breach of various covenants; (iv) bankruptcy; (v) breach of representations and warranties; (vi) default on a Secured Debt (as defined in the BofA Reimbursement Agreement); (vii) a final judgment of $10 million or more against the City payable from General Airport Revenues; (viii) the City contesting validity of obligations related to payment of the Subordinated CP Notes or a determination by a court of competent jurisdiction that certain obligations of the City related to payment of the Subordinated CP Notes are not valid or binding; (ix) Surplus Revenues are not subject to a security interest in favor of the Bank, the Bank Note, or certain other payment obligations under the BofA Reimbursement Agreement; (x) ratings events including a suspension or withdrawal of the long-term, unenhanced debt rating assigned to the Airport Revenue Bonds (other than where the City requested such withdrawal and 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 calendar days; and (xi) any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of BofA, a material adverse effect on the obligation of the City to make payments under the BofA Reimbursement Agreement or the security granted to secure such payments.

An event of default under the BofA Reimbursement Agreement would entitle BofA to demand that no additional Subordinated CP Notes be issued, that the City reimburse BofA immediately for draws under the BofA LOC and that all other amounts owed by the City to BofA be accelerated and become due immediately. The BofA Reimbursement Agreement includes a subjective acceleration provision in the event that any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of BofA, a material adverse effect on the obligation of the City to make payments under the BofA Reimbursement Agreement or the security granted to secure such payments.

In connection with the BofA LOC, the City entered into a fee letter with BofA to specify the facility fee rate and other charges payable by the Airport with respect to the BofA LOC. The facility fee rate under such fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the BofA 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 BofA Reimbursement Agreement. The facility fee rate in effect under the BofA LOC was 0.40% as of June 30, 2024 and 2023.

The change in Subordinated CP Notes payable during FY 24 and FY 23 were as shown in the table below. The principal amount available under the BofA LOC as of June 30, 2024 is $47.3 million.

	2024	2023
Beginning balance	$ 10,000,000	$ 34,112,000
Additional issuance	25,545,000	10,000,000
Paid	(7,817,000)	(34,112,000)
Ending balance	$ 27,728,000	$ 10,000,000

Balances of Subordinated CP Notes payable as of June 30, 2024 and 2023 were as follows:

As of June 30, 2024	
Series A-1 Subordinated CP Notes that mature on July 16, 2024 were issued with an interest rate of 3.60%	$ 27,728,000
As of June 30, 2023	
Series A-1 Subordinated CP Notes that mature on September 1, 2023 were issued with an interest rate of 3.10%	$ 10,000,000

The Airport's financial results allowed it to pay down $7.8 million of Subordinated CP Notes interest and principal in FY 24 to mitigate the increase in interest rates.

(5) Long-Term Obligations

Airport Revenue Bonds are issued primarily to finance the construction of capital improvements at the Airport. Pursuant to the MTA, the City has irrevocably pledged the General Airport Revenues (as defined in the MTA) and certain other funds held or made available under the MTA, first to the payment of Maintenance and Operation Costs of the Enterprise (as defined in the MTA), and second to the payment of principal of 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 and other moneys.

The net revenues available to pay Debt Service (as defined in the MTA) for the fiscal year ended June 30, 2024 totaled $158,029,382, which is composed of $128,600,209 of Net General Airport Revenues (as defined in the MTA) and $29,429,173 of Other Available Funds (as defined in the MTA). Other Available Funds include surplus carryover of $8,973,461, rolling debt service coverage of $10,460,591, and gross CFC Revenues of $9,995,121. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to $46,333,204, which is net of $23,071,577 of bond Debt Service paid from the accumulated PFC funds.

The Airport reported net revenues available to pay Debt Service for the fiscal year ended June 30, 2023 of $174,279,233, which was composed of $130,292,064 of Net General Airport Revenues and $43,987,169 of Other Available Funds. Other Available Funds include surplus carryover of $23,068,091, rolling debt service coverage of $11,921,370, and gross CFC Revenues of $8,997,708. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to $33,842,365, which is net of $13,640,003 of bond Debt Service paid from the accumulated PFC funds.

The City has covenanted in the MTA that net revenues available to pay Debt Service for each fiscal year plus certain Other Available Funds held or made available under the MTA will be at least 125% of annual Debt Service for such fiscal year. Under the MTA, annual 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, less Available PFC Revenues (as defined in the MTA). Under the MTA, annual Debt Service excludes Available PFC Revenues for such fiscal year. Total principal and interest remaining on the bonds is $1,597,098,087, with the final payment due on March 1, 2047.

Events of default under the MTA include: (a) non-payment of the principal of or interest on the bonds; (b) a breach of a covenant if the default shall have continued for a period of sixty days after written notice specifying such default and requiring the same to be remedied shall have been given to the City by the Fiscal Agent or a Municipal Bond Insurer (as defined in the MTA), or to the City and the Fiscal Agent by the owners of not less than 25% in aggregate principal amount of the bonds at the time outstanding; and (c) filing a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws. There is no acceleration remedy in the event of default for any current Airport Revenue Bonds and Airport Revenue Refunding Bonds (ARBs) that are outstanding.

Balances of Bonds payable as of June 30, 2024 and 2023 were as follows:

	2024	2023
2021C Series Airport Revenue Refunding Bonds of $294,020,000 with interest rates of 1.2% to 3.3%; payable in annual installments ranging from $5,255,000 to $28,990,000 with the final installment due in March 2041	$ 286,665,000	$ 289,895,000
2021B Series Airport Revenue Refunding Bonds of $48,200,000 with interest rates of 4.0% to 5.0%; payable in annual installments ranging from $270,000 to $10,225,000 with the final installment due in March 2034	47,125,000	48,200,000
2021A Series Airport Revenue Refunding Bonds of $85,860,000 with interest rates of 4.0% to 5.0%; payable in annual installments ranging from $1,275,000 to $15,010,000 with the final installment due in March 2034	81,480,000	85,860,000
2017B Series Airport Revenue Refunding Bonds of $150,675,000 with interest rates of 4.0% to 5.0% were partially refunded in April 2021; payable in annual installments ranging from $1,275,000 to $11,180,000 with the final installment due in March 2047	127,385,000	128,960,000
2017A Series Airport Revenue Refunding Bonds of $473,595,000 with interest rates of 4.0% to 5.0% were partially refunded in April 2021; payable in annual installments ranging from $4,005,000 to $35,145,000 with the final installment due in March 2047	400,380,000	405,350,000
2014C Series Airport Revenue Bonds of $40,285,000 with interest rates 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 with interest rates 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 Refunding Bonds of $57,350,000 with interest rates of 3.0% to 5.0% were partially refunded in April 2021; payable in two annual installments of $9,175,000 and $140,000 in March 2025 and March 2026, respectively	9,315,000	18,240,000
Total Bonds payable	$ 1,020,645,000	$ 1,047,025,000

Bonds outstanding and related activities for the fiscal years ended June 30, 2024 and 2023, were as follows:

Revenue Bonds	Balance at July 1, 2023	Additions	Retirements	Balance at June 30, 2024	Amounts Due Within One Year
2021C Series	$ 289,895,000	$ -	$ 3,230,000	$ 286,665,000	$ 5,255,000
2021B Series	48,200,000	-	1,075,000	47,125,000	1,125,000
2021A Series	85,860,000	-	4,380,000	81,480,000	4,125,000
2017B Series	128,960,000	-	1,575,000	127,385,000	1,820,000
2017A Series	405,350,000	-	4,970,000	400,380,000	5,725,000
2014C Series	40,285,000	-	-	40,285,000	-
2014B Series	28,010,000	-	-	28,010,000	-
2014A Series	18,240,000	-	8,925,000	9,315,000	9,175,000
Total long-term debt	1,044,800,000	-	24,155,000	1,020,645,000	27,225,000
Add unamortized:					
Premium	85,709,389	-	6,124,807	79,584,582	6,124,807
Total long-term debt, net	$ 1,130,509,389	$ -	$ 30,279,807	$ 1,100,229,582	$ 33,349,807

Revenue Bonds	Balance at July 1, 2022	Additions	Retirements	Balance at June 30, 2023	Amounts Due Within One Year
2021C Series	$ 292,120,000	$ -	$ 2,225,000	$ 289,895,000	$ 3,230,000
2021B Series	48,200,000	-	-	48,200,000	1,075,000
2021A Series	85,860,000	-	-	85,860,000	4,380,000
2017B Series	128,960,000	-	-	128,960,000	1,575,000
2017A Series	405,350,000	-	-	405,350,000	4,970,000
2014C Series	40,285,000	-	-	40,285,000	-
2014B Series	28,010,000	-	-	28,010,000	-
2014A Series	18,240,000	-	-	18,240,000	8,925,000
Total long-term debt	1,047,025,000	-	2,225,000	1,044,800,000	24,155,000
Add unamortized:					
Premium	91,834,192	-	6,124,803	85,709,389	6,124,807
Total long-term debt, net	$ 1,138,859,192	$ -	$ 8,349,803	$ 1,130,509,389	$ 30,279,807

Scheduled maturities of outstanding Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2025	$ 27,225,000	$ 44,184,236
2026	29,965,000	43,022,203
2027	32,355,000	41,799,407
2028	33,680,000	40,456,659
2029	35,370,000	39,039,560
2030-2034	217,610,000	170,429,143
2035-2039	272,070,000	120,858,544
2040-2044	239,905,000	63,201,585
2045-2047	132,465,000	13,461,750
	$ 1,020,645,000	$ 576,453,087

A number of limitations and restrictions are imposed upon the Airport by covenants relating to certain outstanding Bonds. As of June 30, 2024 and 2023, 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, 2024 and 2023 were as follows:

	Balance at July 1, 2023	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2024	Amounts Due Within One Year
Self-insurance	$ 2,140,187	$ -	$ (714,995)	$ 1,425,192	$ 633,500
Accrued vacation, sick leave and compensatory time	2,347,339	2,313,085	(2,091,890)	2,568,534	2,467,999
Total	$ 4,487,526	$ 2,313,085	$ (2,806,885)	$ 3,993,726	$ 3,101,499

	Balance at July 1, 2022	Adjustments/ Additions [(1)]	Adjustments/ Retirements [(1)]	Balance at June 30, 2023	Amounts Due Within One Year
Self-insurance	$ 2,288,883	$ 143,437	$ (292,133)	$ 2,140,187	$ 633,500
Accrued vacation, sick leave and compensatory time	2,110,786	2,084,467	(1,847,913)	2,347,339	2,227,999
Total	$ 4,399,669	$ 2,227,904	$ (2,140,046)	$ 4,487,526	$ 2,861,499

(6) Airport Leases

(a) Leases as a Lessor

As a lessor, the Airport recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset to lessee. The Airport does not have any leases of assets held as investment or leases that transfer ownership of the underlying asset to lessee. As a lessor, the asset underlying the lease is not derecognized. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

Regulated Leases

In accordance with GASB 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration regulated aviation leases between airports, air carriers, and other aeronautical users. Regulated leases include the Airline Lease Agreement and related airline leases, as well as contracts with FBOs, SASO, and a jet fuel farm.

Airline Leases

The City entered into an Airline Lease Agreement with various passenger and cargo airlines serving the Airport, effective July 1, 2019. The Airline Lease Agreement has an initial term of ten years and is set to expire on June 30, 2029. The term of this Airline Lease Agreement may be extended for two consecutive five-year renewal periods by the mutual written agreement of the Signatory Passenger Carriers and the City. On August 2, 2023, the Airport amended the Airline-Airport Lease and Operating Agreements to modify the Airfield and Terminal Rates and Charges calculations. The Airfield Revenue Requirement and the Airline Terminal Revenue Requirement were modified to include recovery of approved capital expenditures not financed with bonds or subordinated indebtedness.

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 feet 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 remaining net revenues generated at the Airport and all requirements of the MTA and any Subordinated Financing Agreements have been satisfied, including the minimum rate covenant requirement, the Passenger Carriers' share of the remaining net terminal revenues shall be distributed as a refund once a final accounting of the Airport's operations for the last fiscal year has been completed. After the final accounting is completed, an invoice will be sent to the Passenger Carriers if the actual expenses in the terminal were higher than the revenues. 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 at the Airport during the fiscal year. The aggregate credit or debit, if any, resulting from the final accounting after each fiscal year shall be applied to the airfield revenue requirement for the following fiscal year.

The Airline Lease Agreement defines a Signatory Airline as either a 1) Passenger Carrier that executes the Airline Lease Agreement, or an agreement with substantially similar terms, and pays at least $500,000 per year in Terminal Rents and other charges due for its use of the Terminal, excluding PFC payments, or 2) a Cargo Carrier that has executed an Airline-Airport Cargo Operating Agreement. A Passenger Carrier cannot become a Signatory Airline within three years of the expiration of the Airline Lease Agreement, except for new entrants to the Airport that have not operated at the Airport at any other time during the term of the Airline Lease Agreement.

The Airline Lease Agreement includes other provisions to: 1) allocate the cost of the office and administrative space used by the City and the City's contractors at the Airport to all terminal tenants; 2) pre-approves the Terminal Area Improvement Program (TAIP) for the Phase II of Terminal B, which can include New Federal Inspection Station (FIS) Facilities when the Airport reaches an annual rate of 550,000 international deplaning passengers for 18 consecutive months; 3) increases current spending limits for terminal and airfield projects from $5.0 million to $10.0 million without consultation or approval from the Signatory Airlines to fund a capital project; 4) requires Non-Signatory Airlines to provide a security deposit in addition to payment of a 25% premium over the rates and charges applicable to Signatory Airlines; 5) establishes revenue sharing in any year when there is remaining revenue generated at the Airport for Signatory Airlines as follows: a) the Airport will receive the first $4.0 million until the Phase II of Terminal B terminal project is completed and occupied and $2.0 million thereafter, and b) the rest of the net remaining revenue will be split 40%/60% (Airport/Signatory Airlines) throughout the term; 6) Airlines continue to make extraordinary coverage protection for covering annual debt service and coverage requirements should revenues less operating expenses be insufficient to meet the Airport's debt service obligations; and 7) provides continuation of the City's indirect overhead brackets to no less than 15% and not more than 25% of the Airport's operating budget.

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, do not participate in revenue sharing, and do not participate in the review by a "Majority of Interest" of capital projects proposed for the Airport. Non-signatory agreements may be terminated by either party on a 30-day notice. For the fiscal year ended June 30, 2024, one of eleven passenger airlines was under the Non-Signatory Airline agreement. For the fiscal year ended June 30, 2023, one of twelve passenger airlines was under the Non-Signatory Airline agreement.

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.

For the fiscal years ended June 30, 2024 and 2023, the Airport's net remaining revenues as defined in its lease agreements were $20.3 million and $14.1 million, respectively. For the fiscal years ended June 30, 2024 and 2023, the Airport's revenue as defined in its lease agreements exceeded its expenditures and reserve requirements by $12.7 million and $14.4 million, respectively. The net remaining revenues for the fiscal years ended June 30, 2024 and 2023 were divided by allocating the first $4.0 million to the Airport and then splitting the balance 40%/60% between the Airport and the Signatory Passenger Carriers, respectively, in accordance with the revenue sharing provisions of the Airline Lease Agreement.

The rights, services, and privileges, including the lease of preferentially-assigned gates, an airline has in connection with the use of the airport and its facilities are addressed in the Airline Lease Agreement. As of July 1, 2022, 25 of the Airport's 36 gates were leased under exclusive use agreements to five airlines. The remaining 11 gates were available to other airlines for rent on a per-use basis. Effective February 1, 2023, the number of preferential gates increased to 26, decreasing the per-use basis gates to 10. Effective June 7, 2023, the number of preferential gates increased to 27 and the exclusive use agreements to six airlines, decreasing the per-use basis gates to 9. Effective February 1, 2024, the number of preferential gates decreased to 25, increasing the per-use basis gates to 11. As of July 1, 2022, 26 of the Airport's 53 ticket counters were leased under exclusive use agreements to six airlines. The remaining 27 ticket counters were available to other airlines for rent on a per-use basis. Effective June 7, 2023, the number of preferential ticket counters increased to 29 under exclusive use agreements with seven airlines, decreasing the per-use basis ticket counters to 24. Effective January 27, 2024, the number of preferential ticket counters remains at 29 under exclusive use agreements with seven airlines, with no changes in the per-use basis ticket counters of 24.

By definition, the Airline Lease Agreement is considered a regulated lease and does not recognize a receivable and corresponding deferred inflow of resources. The Airport has entered into a Signatory Airline Lease Agreement with 10 passenger airlines. For the fiscal years ended June 30, 2024 and 2023, the Airport recognized terminal lease revenue of $75,522,300 and $60,313,753, respectively. Due to the variable nature of the above revenues from year to year, expected future minimum payments are indeterminable.

Ground Lease

The City entered into a facility ground lease agreement with Southwest Airlines, effective October 3, 2008. This lease agreement is to construct and maintain a building exclusively for the use of the airline in order to support the airline's operation, facilitate the airline's cargo handling, and provide equipment maintenance at the Airport. The lease agreement has an initial term of 20 years from the effective date for the ground lease of 104,302 square feet. For the fiscal years ended June 30, 2024 and 2023, the Airport recognized terminal lease revenue of $354,625 and $341,824, respectively.

The future expected minimum rentals to be received from the existing ground lease are as follows:

Fiscal Year Ending June 30,		
2025	$	438,066
2026		451,070
2027		464,459
2028		478,246
2029		128,170
	$	1,960,011

FBO Leases

The City currently has two FBOs, Atlantic Aviation, and Signature Flight Support, that provide essential support services for business and private aviation, including refueling, hangar space, maintenance, repair and overhaul, and other services.

Atlantic Aviation, the operating business entity for San Jose Jet Center and ACM Property Services, LLC, has multiple agreements with the City. On June 25, 1985, the City entered into a ground lease of 653,400 square feet for 42 years and six-month term, which was extended to June 30, 2035, with the fifth amendment on June 17, 1994. With the sixth amendment, the City extended the term through June 30, 2038 and entered into an additional ground lease of 313,095 square feet on April 29, 2003, which resulted in a total of 966,495 square feet ground lease. On November 26, 2012, the City entered into another ground lease of 45,238 square feet and subsequently added an additional 12,482 square feet. Through various amendments, the lease term has been extended and is set to expire on June 30, 2025. Rental revenues from the ground lease contracts with Atlantic Aviation were $3,528,863 and $3,401,293 for the fiscal years ended June 30, 2024, and 2023, respectively.

On December 12, 2013, the City entered into a ground lease and operating agreement with Signature, which constructed a full-service, fixed-based facility on approximately 29 acres of the Airport's west side (Original Master Leasehold Parcel). The term of the agreement is 50 years from December 12, 2013 to December 11, 2063. On July 2, 2018, the City entered into the first amendment to the ground lease and operating agreement by adding a new parcel of land containing approximately four acres (Additional Premises), bringing the total lease to 33 acres. The base ground rental is subject to a consumer price index adjustment annually and by appraisal every five years. Rental revenues from the ground lease with Signature were $4,064,047 and $3,909,910 for the fiscal years ended June 30, 2024, and 2023, respectively.

SASO

The City entered into a 30-year ground lease contract with Avbase on March 20, 2001 for 213,537 square feet. Rental revenues from the ground lease with Avbase were $584,379 and $562,463 for the fiscal years ended June 30, 2024, and 2023, respectively.

The City entered into a 20-year lease agreement with SJC Hangars LLC, effective March 21, 2024, for the use of office, storage, hangar, ramp, landscape, and parking space facilities totaling 283,188 square feet. The City will receive 50% of the revenue from the tenant's hangar rates above $53.00 per square feet, effective upon the Certificate of Occupancy for the additional hangar space. Rental revenue from the ground lease with SJC Hangars LLC for the fiscal year ended June 30, 2024 was $596,875.

Hangars

On May 29, 1986, the City entered into a 42-year and six-month ground lease contract with Hewlett Packard Enterprise Company for 308,776 square feet for corporate aviation operations, including servicing and monitoring aircraft owned, leased, operated, and controlled by the tenant. On January 24, 2023, the City entered into a third amendment to terminate the ground lease contract with a payment by the City to Hewlett Packard Enterprise Company of $2.2 million. Rental revenue from the ground lease with Hewlett Packard Enterprise Company was $544,988 for the fiscal year ended June 30, 2023.

Jet Fuel Farm

On May 2, 2006, the City entered into a ground lease contract with SJC Fuel Company LLC for 242,194 square feet space for storage and fuel dispensing area. The contract expires on July 20, 2038, the 30th anniversary of the commencement date. On June 30, 2008, the first amendment to the ground lease agreement was executed under which the lessee agreed to expand the fuel storage area and relocate the fuel dispensing area resulting in the lease of an additional 34,316 square feet. As a result of the fuel dispensing area relocation, the City has provided monthly rental credits for actual additional construction costs incurred by the lessee. The monthly credit of $2,609 was issued in FY 24 and FY 23. This credit is expected to end on July 1, 2038. Net rental revenues from the ground lease with SJC Fuel were $560,339 and $555,251 for the fiscal years ended June 30, 2024, and 2023, respectively.

The future expected minimum rentals to be received from the existing FBO, SASO, and jet fuel farm leases are as follows:

Fiscal Year Ending June 30,		
2025	$	13,043,104
2026		13,431,202
2027		13,830,820
2028		14,242,301
2029		14,665,996
2030-2034		79,592,551
2035-2039		79,890,623
2040-2044		62,962,716
2045-2049		46,463,483
2050-2054		53,781,282
2055-2059		62,251,604
2060-2064		64,025,429
	$	518,181,111

Leases with Variable Payments

The table below shows the amount of inflows of resources recognized in this reporting period for variable payments per various concession categories for the fiscal years ended June 30, 2024 and June 30, 2023.

Concession Categories	Inflows of Resources year ended June 30, 2024		Inflows of Resources year ended June 30, 2023	
Inflight Kitchen	$	1,332,463	$	1,183,829
Retail		4,333,772		4,140,535
Food & Beverage		5,044,992		6,479,210
Rental Car		17,126,471		17,383,220
	$	27,837,698	$	29,186,794

The leases with major concessionaires are generally based on the greater of percentage of their sales or a minimum annual guarantee (MAG). Additionally, the major concessionaire contracts include a MAG abatement clause in which, if passenger counts fall below a certain level, then their MAG is reduced by the same percentage, therefore, making the inflow of resources variable.

The City entered into an On-Airport Rental Car Operations Agreement and Lease with multiple rental car companies on February 19, 2008, which have the largest inflow of variable payments, as shown in the table above. The agreement expired on June 30, 2020 and the rental car companies were operating in hold-over until May 2023. On May 19, 2023, the City amended the On-Airport Rental Car Operations Agreement and Lease with all seven rental car companies to extend the term retroactively from July 1, 2020 to June 30, 2030. Similar to the inflight kitchen, retail, and food and beverage concessionaires, the rental car companies also pay the greater of MAG or a percentage fee of their sales and have a MAG abatement clause if passenger levels fall below a certain amount. Due to the variability of the payments a lease receivable value cannot be calculated. Part of the agreement is for the ground rent of the rental car facility and is discussed under Other Leases below.

Terminal Lease

On March 7, 2022, the City entered into a lease contract with SSP America SJC, LLC (SSP) for 2,645 square feet of terminal basement storage space in support of the company's operations under the Concession Agreement at the Airport. The contract expires on June 30, 2035, the same expiration date as the Concession Agreement, with the option of a single five-year period extension. With the first amendment on November 30, 2023, the term was extended one more year through June 30, 2036. The space rental fees are established by the Resolution of the City Council and are adjusted on an annual basis following the airlines' terminal rates and charges. Due to the variable nature of the rental fee from year to year, expected future payments are indeterminable. Net rental revenues from the terminal lease with SSP were $102,203 and $88,687 for the fiscal years ended June 30, 2024, and 2023, respectively.

Other Leases

In accordance with GASB 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases the Airport categorizes as in-scope of GASB 87. Effective July 31, 2007, the Airport entered into an advertising concession agreement with Clear Channel Outdoor. The agreement has been amended and restated various times since its inception. The latest amendment on April 3, 2019, extended the term through June 30, 2027, and the MAG was revised to $2.0 million effective July 1, 2019 with an annual increase of 2.5% at each July 1 thereafter. The Airport is reporting lessor lease receivables of $6,710,669 and $8,734,505 as of June 30, 2024 and 2023, respectively. For the fiscal years ended June 30, 2024 and 2023, the Airport reported lease revenue of $2,035,311 and interest revenue of $183,789 and $230,129, respectively. The amounts of inflows of resources recognized for variable payments were $3,960,376 and $1,591,185 for the fiscal years ended June 30, 2024 and June 30, 2023, respectively.

The future expected lease receivable and revenue balances for this in-scope GASB 87 lease are summarized as follows:

Fiscal Year Ending June 30:	Beginning Lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2025	$ 6,710,669	$ 135,052	$ 2,127,764	$ 2,035,311	$ 4,582,905
2026	4,582,905	83,828	2,235,558	2,035,311	2,347,346
2027	2,347,346	30,025	2,347,346	2,035,311	-

On June 30, 2024, the ending lease receivable was $2,127,764 and $4,582,905 for current and noncurrent assets, respectively. As of June 30, 2023, the ending lease receivable was $2,023,836 and $6,710,669 for current and noncurrent assets, respectively.

The ground rent of the rental car facility under the On-Airport Rental Car Operations Agreement and Lease is subject to a valuation under the guidelines outlined in GASB 87. Each company's share of the ground rent is based on its proportionate share of square feet of the ConRAC facility and is adjusted annually by an amount equivalent to the percentage change in the consumer price index. The latest amendment on May 19, 2023, extended the term through June 30, 2030. Prior to the amendment, the agreement was in hold-over. Following the amendment, the Airport recorded a lease receivable. The Airport recorded lessor lease receivable of $5,205,903 as of May 19, 2023, the date of the amendment. For the fiscal year ended June 30, 2024, the Airport reported lease revenue of $726,405 and interest revenue of $184,792 and lease revenue of $121,068 and interest revenue of $16,513 for the period from May 19, 2023 to June 30, 2023. The amount of inflow of resources recognized from July 1, 2023 to June 30, 2024 was $859,598 and from May 19, 2023 to June 30, 2023 was $98,165. The future expected lease receivable and revenue balances for this in-scope GASB 87 lease are summarized as follows:

Fiscal Year Ending June 30:	Beginning Lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2025	$ 4,472,841	$ 159,440	$ 676,101	$ 726,405	$ 3,796,740
2026	3,796,740	133,100	702,441	726,405	3,094,299
2027	3,094,299	105,734	729,808	726,405	2,364,491
2028	2,364,491	77,301	758,240	726,405	1,606,251
2029	1,606,251	47,761	787,780	726,405	818,471
2030	818,471	17,070	818,471	726,405	-

On June 30, 2024, the ending lease receivable was $676,101 and $3,796,740 for current and noncurrent assets. As of June 30, 2023, the ending lease receivable was $650,749 and $4,472,841 for current and noncurrent assets.

Wireless Company

The City entered into a lease agreement with a wireless company on November 27, 2023 for the use of space for the installation, maintenance, and operation of telecommunications facilities to provide services at the Airport. The initial five-year term was retroactive to November 2015 and has an expiration date of November 2025, following the company's written notice to exercise its one five-year option. The use charge, paid annually, is adjusted annually by the greater of an amount equivalent to the percentage change in the consumer price index or 4%. Following the contract execution, the Airport recorded an initial lease receivable of $305,439 for the remaining two years of the term. Rental revenues from this ground lease were $153,278 for the fiscal year ended June 30, 2024. On June 30, 2024, the ending lease receivable balance was $156,348, including $4,188 in interest revenue, for current assets.

(b) Leases as a Lessee

A lessee should recognize a lease liability and a lease asset at the commencement of the lease term unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability should be measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

On September 16, 2009, the Airport entered into a restated operating lease and maintenance agreement for a total of 24 compressed natural gas (CNG) powered buses. Through various amendments the lease was amended to reduce the number of buses, extend the term, and add one-year extension options. As of July 1, 2022, the lease in place was for four buses and was set to expire on May 31, 2023. In May 2023, a one-year extension option was added via the fourth Amendment extending the term through May 31, 2024. The fifth Amendment was signed in May 2024 to add another one-year extension option. Each of the one one-year extensions, once exercised, resulted in a lease remeasurement. In accordance with GASB 87, the Airport recognizes a lease liability and a lease asset for leases the Airport categorizes as in-scope of GASB 87. The sixth option extension resulted in a lease liability and lease asset of $105,486. Rental expenses were $111,895 and $104,661 for fiscal years ended June 30, 2024 and 2023, respectively. Amortization expense for the fiscal years ended June 30, 2024 and 2023, is $109,784 and $101,381, respectively. The lease liability as of June 30, 2024 and June 30, 2023 is $96,517 and $100,817, respectively. The lease asset value, net of accumulated amortization, as of June 30, 2024 and June 30, 2023 is $96,695 and $100,993, respectively.

(c) Security Deposit

Pursuant to the terms of individual agreements entered into with the City, every Non-Signatory Airline, operator, tenant, or any other entity or person, that 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 letter of credit, surety bond, cashier’s check, or other forms acceptable to the Director of Aviation. The Director of Aviation has the authority to revise the amount of the 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 statements of net position. The Airport maintains on file copies of all security deposits, in the form of letter of credit or surety bonds, which are not recorded in the financial statements. The amount on file as of June 30, 2024 and 2023 totaled $47,210,243 and $32,081,602, respectively.

(7) Subscription-Based Information Technology Arrangements

A government should recognize a subscription liability and a subscription right-to-use asset at the commencement of a SBITA term unless the subscription is a short-term SBITA. The subscription liability should be measured at the present value of payments expected to be made during the subscription term, less any vendor incentives. The subscription asset should be measured at the amount of the initial measurement of the subscription liability, plus any payments made to the SBITA vendor at the commencement of the subscription term, and certain initial implementation costs.

In February 2006, the City executed an agreement with Air-Transport IT Services, Inc. to provide for the purchase, installation, and configuration of the Airport’s integrated systems, installation and testing of the network and IT systems for the Airport expansions, and ongoing monitoring, support, and maintenance of both the integrated systems and the network infrastructure required to support them. In 2017, Air-Transport IT Services, Inc. changed its name to Amadeus Airport IT Americas, Inc. On July 13, 2018, the City entered into an agreement for network and integrated systems with Amadeus Airport IT Americas, Inc. to upgrade the existing network system and continue ongoing maintenance and support of the systems. In June 2020, a contract change order was issued, amending the agreement to add ongoing support and maintenance for PROPworks, the Airport’s revenue management system. The initial term of the agreement expired on June 30, 2022, and the City has the right, in its sole discretion, to extend the term of the agreement for up to three additional one-year terms. The first two options to extend were executed, extending the subscription term through June 30, 2024. The Airport reported a subscription liability and subscription asset for Amadeus Airport IT Americas, Inc. of $2,035,097 as a restated balance on July 1, 2021. Accumulated amortization as of June 30, 2024 and 2023, is $1,526,323 and $1,017,549, respectively. The subscription asset value, net of accumulated amortization, as of June 30, 2024 and June 30, 2023 is $508,774 and $1,017,548, respectively. The subscription liability as of June 30, 2024 and June 30, 2023 is $532,829 and $1,053,939, respectively. The amount of expenses recognized during the fiscal years ended June 30, 2024 and June 30, 2023 for variable and other payments not previously included in the measurement of the subscription liability is $0 for each year.

On December 8, 2014, the City executed an agreement with Bruel & Kjaer EMS, Inc. for maintenance and support for the Airport's aircraft noise and flight track monitoring system. The initial term of the agreement was from January 1, 2015 to December 31, 2019. The City has the right to extend the term of the agreement for unlimited additional one-year terms and to terminate the agreement without cause. In February 2020, Bruel & Kjaer EMS, Inc. transferred all of its rights and obligations under the agreement to Envirosuite, LLC, who subsequently completed a change of corporate name to Envirosuite Inc. in May 2020. In February 2021, the City executed the first amendment to the agreement to transition from the vendor's on-premise software solution to a Software-as-a-Service (SaaS) solution at no cost to the City. Five options to extend have been executed, extending the subscription term through December 31, 2024. The Airport reported a subscription liability and subscription asset for Envirosuite, Inc. of $1,200,655 as a restated balance on July 1, 2021. Accumulated amortization as of June 30, 2024 and 2023, is $480,262 and $320,174, respectively. The subscription asset value, net of accumulated amortization, as of June 30, 2024 and June 30, 2023 is $720,393 and $880,481, respectively. The subscription liability as of June 30, 2024 and June 30, 2023 is $749,084 and $905,609, respectively. The amount of expenses recognized during the fiscal years ended June 30, 2024 and June 30, 2023 for variable and other payments not previously included in the measurement of the subscription liability is $0 for each year.

On July 25, 2017, the City entered into an agreement for migration to a SaaS enterprise asset management subscription with Infor Public Sector, Inc. The vendor managed the Airport's migration from its on-premise Enterprise Asset Management (EAM) System to a SaaS EAM subscription to manage its facilities maintenance and asset management data. The original agreement included implementation services by the vendor, including installation, configuration, and training, as well as an annual software subscription. The initial term of the agreement expired on August 31, 2020 and the City has the right, in its sole discretion, to extend the term of the agreement for up to five additional one-year terms. In October 2021, Hexagon AB acquired Infor's EAM business and the third option to extend the agreement was issued to Hexagon EAM Holdings, LLC. In October 2023, an Assignment and Assumption agreement was executed between Infor Public Sector, Inc. and Intergraph Corporation, dba Hexagon's Asset Lifecycle Intelligence division (successor in interest to Hexagon EAM Holdings, LLC) and the fourth option to extend the agreement was issued to Intergraph Corporation, dba Hexagon's Asset Lifecycle Intelligence division. Four options to extend have been executed, extending the subscription term through July 31, 2024. The Airport reported a subscription liability and subscription asset for Intergraph Corporation, of $455,774 as a restated balance on July 1, 2021. Accumulated amortization as of June 30, 2024 and 2023, is $334,854 and $223,236, respectively. The subscription asset value, net of accumulated amortization, as of June 30, 2024 and June 30, 2023 is $120,920 and $232,538, respectively. The subscription liability and accrued interest as of June 30, 2024 and June 30, 2023 is $119,019 and $235,420, respectively. The amount of expenses recognized during the fiscal years ended June 30, 2024 and June 30, 2023 for variable and other payments not previously included in the measurement of the subscription liability is $0 for each year.

On March 31, 2024, the City exercised the first option to extend an agreement with Netsync Network Solutions to provide infrastructure services for the Airport's domain name system, dynamic host configuration protocol, and internet protocol address management environments, as well as device administration for all of the Airport's integrated network connected devices. The agreement was considered a short-term SBITA and not reported during the initial term, because options to extend beyond a 12-month term were not identified at the time. The City has the right to extend the term of the agreement for up to six one-year terms or terminate the agreement for default or for convenience without cause. The Airport reported a subscription liability and subscription asset for Netsync Network Solutions of $237,714 on March 31, 2024. Accumulated amortization as of June 30, 2024 is $13,206. The subscription asset value, net of accumulated amortization, as of June 30, 2024 is $224,508. The subscription liability as of June 30, 2024 is $196,015. The amount of expenses recognized during the fiscal year ended June 30, 2024 for variable and other payments not previously included in the measurement of the subscription liability is $25,585.

SBITA Description	Net Asset Balance at June 30, 2024	Accumulated Amortization	Gross Asset Balance	Liability and Accrued Interest	Variable and Other Payments
Amadeus Airport IT Americas, Inc.	$ 508,774	$ 1,526,323	$ 2,035,097	$ 532,829	$ -
Envirosuite, Inc.	720,393	480,262	1,200,655	749,084	-
Intergraph Corporation[1]	120,920	334,854	455,774	119,019	-
Netsync Network Solutions	224,508	13,206	237,714	196,015	25,585
	$ 1,574,595	$ 2,354,645	$ 3,929,240	$ 1,596,947	$ 25,585

SBITA Description	Net Asset Balance at June 30, 2023	Accumulated Amortization	Gross Asset Balance	Liability and Accrued Interest	Variable and Other Payments
Amadeus Airport IT Americas, Inc.	$ 1,017,548	$ 1,017,549	$ 2,035,097	$ 1,053,939	$ -
Envirosuite, Inc.	880,481	320,174	1,200,655	905,609	-
Intergraph Corporation[1]	232,538	223,236	455,774	235,420	-
	$ 2,130,567	$ 1,560,959	$ 3,691,526	$ 2,194,968	$ -

[1] Hexagon EAM Holdings, LLC assigned all of its interest under the agreement to Intergraph Corporation in October 2023.

In accordance with GASB 96, the Airport recognizes a subscription liability and a subscription asset for software subscriptions the Airport categorizes as in-scope of GASB 96. Accumulated amortization for the fiscal years ended June 30, 2024 and 2023, is $2,354,645 and $1,560,959, respectively. The subscription asset value, net of accumulated amortization, as of June 30, 2024 and June 30, 2023 is $1,574,595 and $2,130,567, respectively. The subscription liability and accrued interest as of June 30, 2024 and June 30, 2023 is $1,596,947 and $2,194,968, respectively. The amount of expenses recognized during the fiscal years ended June 30, 2024 and June 30, 2023 for variable and other payments not previously included in the measurement of the subscription liability is $25,585 and $0, respectively.

The Airport's required payments for the outstanding SBITA liability for the fiscal years ending June 30 are as follows:

Fiscal Year Ending June 30:	Cash	Interest Expense	Liability Reduction	Accrued Interest
2025	$ 877,886	$ 29,816	$ 845,530	$ 2,540
2026	218,714	17,439	200,906	369
2027	218,714	12,247	206,084	383
2028	218,714	6,911	211,404	399
2029	131,168	1,836	128,916	416
	$ 1,665,196	$ 68,249	$ 1,592,840	$ 4,107

(8) Retirement Systems

(a) General Information

The City sponsors and administers two single employer defined benefit retirement systems, PFDRP and FCERS, and collectively, the Retirement Systems, which with the exception of certain unrepresented employees together cover all full-time and certain part-time employees of the City. The Retirement Systems provide general retirement benefits under a single employer Defined Benefit Pension Plan, as well as the Postemployment Healthcare Plan. The Airport does not contribute directly to the PFDRP and, instead, only covers pension costs of Airport related police and fire personnel through the City's interdepartmental charges. All full-time and certain part-time employees of the Airport participate in the FCERS.

The Retirement Systems are administered by the Chief Executive Officer of the Office of Retirement Services, an employee of the City, who serves at the pleasure of the Boards of Administration for the Retirement Systems. The separately issued annual reports of FCERS and PDFRP, together with various chapters in Title 3 of the City's Municipal Code, provide more detailed information about the Retirement Systems, and may be obtained from the City of San José Office of Retirement Services' website at www.sjretirement.com. The Airport presents the related defined benefit disclosures of FCERS as a participant in a cost-sharing arrangement with the City.

(b) Benefits Provided

The FCERS plan provides general retirement benefits including pension, death, and disability benefits to members. FCERS 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. Information regarding disability and death benefits can be found in the annual reports of the Retirement Plans and on the Office of Retirement Services website at www.sjretirement.com.

The payroll for Airport employees covered by the FCERS for the fiscal years ended June 30, 2024 and 2023 was $22,092,795 and $19,597,514, respectively. The Airport's total payroll for the fiscal years ended June 30, 2024 and 2023 was $28,551,067 and $24,576,134, respectively.

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

Tier	Hire Date	Pension	Defined Benefit Retiree Healthcare (Medical/Dental)
Tier 1	- On or before September 29, 2012 - Former Tier 1 rehired on or after June 18, 2017 who did not take a return of contributions	Tier 1	Medical/Dental[(2) (4)]
Tier 1 Rehire	- Former Tier 1 rehired on or after September 30, 2012 through June 17, 2017	Tier 1[(1)]	Medical/Dental[(2) (4) (5)]
Tier 1 Classic	- Classic" membership with CalPERS/reciprocal agency hired by the City of San Jose on or after June 18, 2017. - "Classic" membership with CalPERS/reciprocal agency hired on or after September 30, 2012, but before September 27, 2013 - "Classic" membership with CalPERS/reciprocal agency hired on or after September 27, 2013	Tier 1[(6)]	Medical/Dental Not eligible[(3) (4)]
Tier 2 (or Tier 2A)	- Hired/rehired/reinstated on or after September 30, 2012 but before September 27, 2013	Tier 2	Medical/Dental[(2) (4)]
Tier 2B	- Hired/rehired/reinstated after September 27, 2013 and have not met City's eligibility for retiree healthcare	Tier 2	Not eligible[(3) (4)]

[(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)] Employees in these Tiers were provided a one-time irrevocable election to remain in the Federated Healthcare Plan or opt-in to the Federated defined contribution Voluntary Employee Benefit Association (VEBA). Please note that those who opted in to the Federated VEBA are not eligible for the Federated Healthcare Plan. The Federated VEBA was implemented on March 25, 2018.
[(3)] Employees in these Tiers were mandatorily placed into the Federated VEBA.
[(4)] Unrepresented employees were eligible to opt in to the Federated VEBA but are not eligible to make ongoing contributions to the Federated VEBA.
[(5)] All Tier 1 rehires formerly in Tier 2B and Tier 2C who opted to remain in the Federated Healthcare Plan began contributing to the Federated Healthcare plan on March 25, 2018.
[(6)] Employees in these Tiers are responsible for 50% of the amortization costs for any prior years of service in Tier 2 changed to Tier 1 for all employees in the "Classic" Tier regardless of start date.

The FCERS' pension benefits are summarized in the table below. For additional information regarding the FCERS' benefits, please contact the City of San José Office of Retirement Services.

	Tier 1[1]	Tier 1 Classic[2]	Tier 2A[3]	Tier 2B[4]
Pension				
Service Required to Leave Contribution in System	5 years		5 years Federated City Service Years of Service (Year of Service = 2,080 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 Retirement	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) Final Compensation is the highest average monthly earnable pensionable salary during 12 consecutive months, capped at 108% of the second highest 12 consecutive months. Tier 1: If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months. Tier 1 Classic: If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months. If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 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 City Service. Excludes premium pay or any other forms of additional compensation	
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[(1)]	Tier 1 Classic[(2)]	Tier 2A[(3)]	Tier 2B[(4)]
Disability Retirement (Non-Service Connected)				
Minimum Service	5 years		5 years	
Allowance	Tier 1: 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) For those entering the System 8/31/98 or before, the calculation is as follows: 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. Tier 1 Classic: 40% of Final Compensation plus 2.5% 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. For those who entered the System on 9/01/98 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)		2.0% x Years of Federated City Service x Final Compensation (Minimum of 20% and maximum of 70% of Final Compensation)	
Reciprocity				
Reciprocity	As of December 9, 1994, the City of San Jose 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 agreement with CalPERS. Final eligibility for reciprocity is determined at the time of retirement.			
Cost of Living Adjustments				
Cost of Living Adjustments	Retirees are eligible for a 3% annual cost of living adjustment (COLA). Regular COLAs 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 José - San Francisco - Oakland, U.S. Bureau of Labor Statistics index, CPI-U, December to December), or a back loaded 2% COLA per fiscal year. The back loaded COLA shall be calculated as follows: Service at retirement of 1-10 years: 1.25% per year Service at retirement of 1-10 years and hired before June 16, 2017: 1.5% Service at retirement of 11-20 years: 1.5% per year Service at retirement of 21-25 years: 1.75% per year Service at retirement of 26 years and above: 2.0% per year COLAs are applied annually on April 1st. The first COLA will be prorated based on the number of months retired prior to April 1st. Partial months are not included in the proration.	

(1) Tier 1 applies to employees hired on or before September 29, 2012.
(2) Employees with "Classic" membership from a CalPERS or reciprocal agency hired by the City of San José on or after June 18, 2017. A CalPERS "Classic" member is a member who previously worked for a CalPERS or other reciprocal agency and meets the following criteria: 1. First established CalPERS membership or membership in a CalPERS reciprocal agency prior to January 1, 2013, 2. AND is hired by the City of San José after a break in service of less than six months 3. AND did not have concurrent (overlapping) service with the other agency. City of San José Reciprocity Election Form must be submitted within thirty (30) days of the first day of employment with the City. Employees in Tier 1 "Classic" are not eligible for the defined benefit retiree healthcare plan.
(3) Tier 2A applies to employees hired between September 30, 2012 and September 27, 2013.
(4) Tier 2B are employees who were newly hired after September 27, 2013.

(c) Contributions

This subsection provides information related to contributions paid by the Airport for pension benefits provided by FCERS.

The City's and the participating employees' contributions to the Defined Benefit Pension Plan 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. The contribution requirements are established by City Charter Articles XV and XV-A, and Title 3 of the San José Municipal Code.

FCERS contribution rates for the Airport and the participating employees for the periods July 1, 2022 through June 30, 2023 and July 1, 2023 through June 30, 2024 were established in accordance with actuarially determined requirements computed through actuarial valuations performed as of June 30, 2021 and June 30, 2022, respectively, for the Defined Benefit Pension Plan. Contributions are structured as a normal cost, plus a payment on the unfunded actuarial liability. City contributions are administered as a contribution rate plus a minimum dollar amount based on actuarial payroll.

Defined Benefit Pension Plan	Airport's Contribution[(1)]		Employees' Contribution[(2)]	
Pay Period	Tier 1	Tier 2	Tier 1	Tier 2
July 1, 2022 - June 30, 2023	20.32%	8.13%	7.41%	8.13%
July 1, 2023 - June 22, 2024	20.16%	8.01%	7.34%	8.01%
June 23, 2024 - June 30, 2024	22.81%	8.73%	6.61%	8.49%

[(1)] For Tier 1 members, the actual contribution rates paid by the City for fiscal years ended June 30, 2024 and June 30, 2023 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.

[(2)] Under Measure F, certain FCERS Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Effective March 24, 2019, reclassified Tier 1 members paid an additional 3.00% in contributions. Classic Tier 1 members paid an additional 1.02% and 1.09% in contributions for fiscal years ended June 30, 2024 and 2023, respectively.

The Airport's contributions paid during the fiscal year ended June 30, 2024 were $12,178,193.

The Airport's contributions paid during the fiscal year ended June 30, 2023 were $10,807,140.

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

As of June 30, 2024, the Airport reported $105,134,122 of net pension liability (NPL) for its proportionate share of the City's NPL. The Airport's portion of the NPL was based on the Airport's share of its contributions to the FCERS relative to the total City's contributions to FCERS. The NPL of the FCERS was measured as of June 30, 2023, and the total pension liability (TPL) for the FCERS used to calculate the NPL was determined by the actuarial valuation for FCERS as of June 30, 2022 and rolled forward to June 30, 2023 using standard update procedures. The Airport's percentage of the City's NPL for the FCERS plan was 5.3% as of June 30, 2023, the measurement date.

For the fiscal year ended June 30, 2024, the Airport recognized pension expense of $10,075,555 for FCERS plan. As of June 30, 2024, the Airport reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 12,178,193	$ -
Differences between expected and actual experience	3,978,658	-
Changes in assumptions	784,363	-
Net difference between projected and actual earnings on pension plan investments	-	1,537,731
Total	$ 16,941,214	$ 1,537,731

As of June 30, 2024, $12,178,193 was reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2023 measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025.

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

	Deferred Outflows (Inflows) of Resources
2025	$ 526,434
2026	(1,144,875)
2027	4,314,414
2028	(470,683)
	$ 3,225,290

As of June 30, 2023, the Airport reported $105,526,551 of NPL for its proportionate share of the City's NPL for the FCERS. The Airport's portion of the NPL was based on the Airport's share of its contributions to the FCERS relative to the total City's contributions to FCERS. The NPL of the FCERS was measured as of June 30, 2022, and the TPL for the FCERS used to calculate the NPL was determined by actuarial valuation for FCERS as of June 30, 2021 and rolled forward to June 30, 2022 using standard update procedures. The Airport's percentage of the City's NPL of the FCERS plan was 5.3% as of June 30, 2022, the measurement date.

For the fiscal year ended June 30, 2023, the Airport recognized pension expense of $9,410,530 for the FCERS plan. As of June 30, 2023, the Airport reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 10,807,140	$ -
Differences between expected and actual experience	2,368,434	382,888
Changes in assumptions	1,422,873	40,609
Net difference between projected and actual earnings on pension plan investments	-	481,676
Total	$ 14,598,447	$ 905,173

As of June 30, 2023, $10,807,140 was reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2022 measurement date and was recognized as a reduction of the NPL in the fiscal year ended June 30, 2024.

(e) Actuarial Methods and Assumptions

This subsection provides information related to the actuarial methods and assumptions specific to the FCERS Defined Benefit Pension Plan.

The significant actuarial methods and assumptions used to compute TPL as of June 30, 2024 and June 30, 2023 are from the FCERS actuarial valuation reports with valuation dates of June 30, 2022 and June 30, 2021, respectively. The valuation reports were rolled forward to June 30, 2023 and June 30, 2022, respectively, using standard update procedures:

	Method/Assumption (June 30, 2024)	Method/Assumption (June 30, 2023)
Measurement date	June 30, 2023	June 30, 2022
Valuation date	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry Age	Entry Age
Inflation rate	2.50%	2.25%
Discount rate	6.625% per annum	6.625% per annum
Mortality		
(a) Service:	Healthy annuitants: 0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010). Healthy non-annuitant: 0.992 for males and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010).	Healthy annuitants: 0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010). Healthy non-annuitant: 0.992 for males and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010).
(b) Disability:	Disabled annuitants: 1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disabled Mortality table. Mortality is projected from 2010 on a generational basis using the MP-2021 scale.	Disabled annuitants: 1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disabled Mortality table. Mortality is projected from 2010 on a generational basis using the MP-2021 scale.
Active, withdrawal, death, disability, service retirements	Based on current experience.	Based on current experience.
Salary increases		
Wage inflation	The base wage inflation assumption of 3.00%.	The base wage inflation assumption of 3.00%.
Merit increase	Merit / longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service.	Merit / longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service.
Cost of living adjustment	Tier 1 - 3% per year; Tier 2 - 1.25-2% per year depending on years of service.	Tier 1 - 3% per year; Tier 2 - 1.25-2% per year depending on years of service.

Long-term Expected Rate of Return on Plan Investments - The assumption for the long-term expected rate of return on investments was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the Board, 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 geometric real rates of return for each major asset class included in the FCERS target asset allocation are summarized in the following tables.

As of June 30, 2023 and June 30, 2022 measurement dates, using a long-term expected rate of return on investments of 6.625% with valuations dated June 30, 2022 rolled forward to June 30, 2023 and June 30, 2021 rolled forward to June 2022.

Asset Class	2023 Target Asset Allocation	2023 Long-Term Expected Real Rate of Return	2022 Target Asset Allocation	2022 Long-Term Expected Real Rate of Return
Public equity	49.0%	6.5%	49.0%	5.1%
Private equity	8.0%	7.9%	8.0%	7.4%
Investment grade bonds	8.0%	2.0%	8.0%	0.2%
Core real estate	5.0%	3.8%	5.0%	3.8%
Immunized cash flows	5.0%	0.3%	5.0%	(0.5)%
Venture / growth capital	4.0%	8.8%	4.0%	7.9%
Emerging market bonds	3.0%	3.5%	3.0%	2.2%
Growth real estate	3.0%	6.0%	3.0%	6.3%
Private debt	3.0%	6.2%	3.0%	5.0%
Market neutral strategies	3.0%	3.4%	3.0%	2.2%
Private real assets	3.0%	6.4%	3.0%	5.8%
High yield bonds	2.0%	4.6%	2.0%	2.2%
Long-term government bonds	2.0%	2.3%	2.0%	0.6%
Treasury inflation protected securities	2.0%	1.9%	2.0%	0.2%
Cash and cash equivalents	N/A	0.3%	N/A	(0.5)%
Total	100%		100%	

Discount Rate - The discount rate used to measure the total pension liability as of June 30, 2023 and June 30, 2022 was 6.625%, for the FCERS plan for valuations dated June 30, 2022 rolled forward to June 30, 2023 and June 30, 2021 rolled forward to June 30, 2022 using standard update procedures by the actuary. It is assumed that members' contributions and City's contributions will be made based on the actuarially determined rates based on the FCERS' Board funding policies. Based on those assumptions, the FCERS' fiduciary 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 was 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 for FCERS, 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 one percentage point lower or one percentage point higher than the measurement date rate.

The Airport's proportionate share of the City's net pension liability was 5.3% at the measurement date June 30, 2023 and June 30, 2022.

As of June 30, 2024:	1% Decrease 5.625%	Measurement Date Discount Rate 6.625%	1% Increase 7.625%
Net pension liability	$ 152,269,630	$ 105,134,122	$ 66,596,305

As of June 30, 2023:	1% Decrease 5.625%	Measurement Date Discount Rate 6.625%	1% Increase 7.625%
Net pension liability	$ 151,440,883	$ 105,526,551	$ 67,995,871

As of June 30, 2022 and June 30, 2021, the actuarial valuation dates, the FCERS' Board was utilizing a discount rate of 6.625%. For more details on the current discount rate, please refer to the stand-alone reports issued by the FCERS.

Pension Plan Fiduciary Net Position - Detailed information about the FCERS fiduciary net position is available in the separately issued FCERS financial report. The FCERS separately issued annual report may be obtained from the City of San José Office of Retirement Services website at www.sjretirement.com.

Recognition of Deferred Outflows and Inflows or Resources for FCERS

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on pension plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on pension plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (5 Years)

(f) Payable to the Pension Plan

At June 30, 2024 and June 30, 2023, the Airport had no outstanding contribution payable to the pension plan.

(g) Other Postemployment Benefits

In addition to the FCERS Defined Benefit Pension Plan, the City also sponsors and administers a single employer FCERS (Postemployment Healthcare Plan), which includes an Internal Revenue Code (IRC) 115 Trust. The Postemployment Healthcare Plan covers eligible full-time and certain part-time employees of the City and is accounted for in the Pension Trust Funds of the City.

Generally, the defined benefit Postemployment Healthcare Plan provides medical and dental benefits to eligible retirees and their beneficiaries. Benefits are 100% of the premium cost for the lowest priced medical insurance plan available to an active City employee, and 100% of the premium cost for a dental insurance plan available to an active City employee.

Per the terms of the Frameworks discussed in Note IV A.1 of the Notes to the Basic Financial Statements in the City's June 30, 2024 ACFR, the City established a Voluntary Employee Beneficiary Association (VEBA) for retiree healthcare for the members of the FCERS in FY 18. The City does not make contributions into the VEBA, and the VEBA is not subject to the jurisdiction of the Retirement Board.

Additional information can be found in Section IV A.1 of the Notes to the Basic Financial Statements in the City's June 30, 2024 ACFR.

Contributions

Contribution amounts to the Postemployment Healthcare Plan for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, ADC was calculated beginning with the fiscal year ended June 30, 2019.

On June 24, 2008, the City Council adopted Ordinance No. 28332 amending Title 3 of the San José Municipal Code to provide the City with the option to make lump sum prepayments of City required contributions for postemployment healthcare benefits to FCERS.

Subsequently, in October 2014, the Board of Administration of FCERS approved implementing an incremental reduction approach to determining the "actuarial equivalence" for the City's prefunding of its contribution when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach was undertaken to ensure that as business expansions and/or market valuations mature and exceed historic norms, FCERS reduces the City's incentive to prefund its contributions when market valuations and/or economic expansions are beyond historic norms. The incremental reduction is 15% per year, up to a maximum of 45%. In March 2022, the Board of Administration for FCERS approved a modification to the incremental reduction approach that added market valuations as an additional criterion for triggering a reduction in the prefunding discount rate.

The FCERS Board on February 15, 2018 approved a contribution policy for the Postemployment Healthcare Plan that sets the City's contribution as a flat dollar amount.

Funding Policy

Historically, member and City contributions to the Postemployment Healthcare Plan were negotiated through collective bargaining and were not actuarially determined. Until the City entered into agreements with various bargaining groups in 2009 and prior to implementation of Measure F, contributions for the health and dental benefits for both the City and the participating employees of the Postemployment Healthcare Plan were based upon an actuarially determined percentage of employees' base salary sufficient to provide adequate assets to pay benefits when due over the next 15 years for FCERS. From 2009 until the implementation of Measure F, the City had been in the process of phasing in payment of the annual required contribution (ARC) for the retiree health and dental benefits provided by Postemployment Healthcare Plan as calculated pursuant to GASB Statement No. 43 and GASB Statement No. 45 then in effect. However, the contribution rates for the City and members of the Postemployment Healthcare Plan were capped before the full ARC was reached.

The annual contribution costs for the Postemployment Healthcare Plan benefits are allocated to both the City and the active employee members. Contributions to the Postemployment Healthcare Plan for both the City and the participating members are based upon agreements between the City and the bargaining units. With the implementation of Measure F, member contributions are fixed as a percentage of pay and the City's contribution toward the explicit subsidy (premium subsidy) is an ADC determined by the

Postemployment Healthcare Plan. The ADC for the Postemployment Healthcare Plan is the normal cost plus the amortization payment on the unfunded actuarial liability, less expected member contributions. The City has an option to limit its ADC for the Postemployment Healthcare Plan to a fixed percentage of the payroll of all active members of the pension plan. The ADC for the Postemployment Healthcare Plan is calculated beginning with FY 19.

The City will pay the implicit subsidy on a pay-as-you go basis as part of active health premiums. An implicit subsidy for retiree health benefits exists because the medical experience for retirees under age 65 are pooled with the experience for active employees thereby resulting in a lowering of the premium paid for retirees under age 65. The implicit subsidy is included in the actuarial valuation of the Postemployment Healthcare Plan. The implicit subsidy is shown as both a contribution and payment from the Postemployment Healthcare Plan. However, the implicit subsidy is not actually contributed to or paid from the Postemployment Healthcare Plan. Rather, it is paid directly by the City on a pay-as-you-go basis as a part of active member health plan premiums. The actuary for the Postemployment Healthcare Plan separately calculates the total unfunded actuarial liability being the aggregate unfunded actuarial liability for both implicit and explicit subsidies, and the unfunded actuarial liability for only the explicit subsidy. The unfunded actuarial liability for the explicit subsidy is used to calculate the City's ADC to the Postemployment Healthcare Plan.

As of March 25, 2018, members remaining in the FCERS Postemployment Healthcare Plan contribute 7.5% of pay.

The contributions to the FCERS Postemployment Healthcare Plan for the Airport and the participating employees for the periods July 1, 2022 through June 30, 2023, July 1, 2023 through June 30, 2024 are shown below.

Postemployment Healthcare Plan Pay Period	City's Contribution Tier 1 and Tier 2	Employees' Contribution Tier 1 and Tier 2
July 1, 2022 - June 30, 2023	$18,318,395	7.50%
July 1, 2023 - June 30, 2024	$19,095,058	7.50%

In February 2018, the Board approved the contribution policy that sets the City healthcare contributions as a flat dollar amount, beginning with FY 19. The Airport's contributions paid during the fiscal years ended June 30, 2024 and June 30, 2023 were $1,648,148 and $1,248,721, respectively.

Net OPEB Liability

As of June 30, 2024, the Airport reported $15,606,660 of net OPEB liability for its proportionate share of the City's net OPEB liability. The Airport's portion of net OPEB liability was based on the Airport's share of its OPEB contributions in Airport funds to FCERS relative to the total City's OPEB contributions to FCERS. The net OPEB liability of FCERS is measured as of June 30, 2023, and the total OPEB liability for FCERS used to calculate the net OPEB liability is determined using an annual actuarial valuation for the FCERS Postemployment Healthcare Plan as of June 30, 2022 and rolled forward to June 30, 2023 using standard update procedures by the actuary. The Airport's percentage of the City's net OPEB liability of the FCERS was 5.4% as of June 30, 2023, the measurement date.

As of June 30, 2023, the Airport reported $17,711,173 of net OPEB liability for its proportionate share of the City's net OPEB liability. The Airport's portion of net OPEB liability was based on the Airport's share of its OPEB contributions in Airport Funds to FCERS relative to the total City's OPEB contributions to FCERS. The net OPEB liability of FCERS was measured as of June 30, 2022, and the total OPEB liability for FCERS used to calculate the net OPEB liability was determined by an actuarial valuation for the FCERS Postemployment Healthcare Plan as of June 30, 2021 and rolled forward to June 30, 2022 using standard update procedures. The Airport's proportionate share of the City's net OPEB liability of FCERS was 5.4%, as of June 30, 2022, the measurement date.

The net OPEB liability of FCERS as of June 30, 2024 and June 30, 2023 was measured as of June 30, 2023 and June 30, 2022, respectively, and the total OPEB liability for FCERS used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2022 and June 30, 2021 based on the following actuarial methods and assumptions and rolled forward to June 30, 2023 and June 30, 2022, respectively, using standard update procedures.

	Method/Assumption (June 30, 2024)	Method/Assumption (June 30, 2023)
Measurement date	June 30, 2023	June 30, 2022
Valuation date	June 30, 2022	June 30, 2021
Actuarial Cost Method	Entry Age Normal, level of percentage of pay	Entry Age Normal, level of percentage of pay
Actuarial assumptions:		
Inflation Rate	2.50% per year.	2.25% per year.
Discount Rate	6.00% per year. The Board expects a long-term rate of return of 6.3% based on Meketa's 20-year capital market assumptions and the System's current investment policy.	6.00% per year. The Board expects a long-term rate of return of 6.1% based on Meketa's 20-year capital market assumptions and the System's current investment policy.
Merit Increase	Merit component added based on an individual's years of service ranging from 3.75% at hire to 0.10%.	Merit component added based on an individual's years of service ranging from 3.75% at hire to 0.10%.
Wage Inflation Rate	3.00%	3.00%
Mortality Rate*	Mortality is projected on a generational basis using the MP-2021 scale.	Mortality is projected on a generational basis using the MP-2021 scale.
Pre-retirement Turnover**	Please see below table.	Please see below table.
Healthcare Cost Trend Rate	The valuation assumes that future medical inflation will be at a rate of 7.16% to 3.94% per annum graded down over a 55 year period for medical-pre age 65 and 4.27% to 3.94% per annum for medical-post age of 65. Dental inflation is assumed to be 3.50%.	The valuation assumes that future medical inflation will be at a rate of 7.49% to 3.78% per annum graded down over a 55 year period for medical-pre age 65 and 4.15% to 3.78% per annum for medical-post age of 65. Dental inflation is assumed to be 3.50%.

* FCERS Mortality Rates

Category	Male	Female
Healthy Annuitant	0.995 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees.	0.960 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees.
Healthy Non-Annuitant	0.992 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees.	1.084 times the 2010 Public General Mortality Table (PubG-2010) for Healthy Retirees.
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table.	0.991 times the CalPERS 2009 Ordinary Disability Mortality Table.

**Rates of Pre-Retirement Turnover. Sample rates of termination are shown in the following table:

Rates of Termination

Years of Service	Termination Rate	Years of Service	Termination Rate
0	15.00%	8	5.50%
1	12.75%	9	4.75%
2	11.75%	10	4.25%
3	10.75%	11	4.00%
4	9.75%	12	3.75%
5	8.75%	13	3.50%
6	7.75%	14	3.25%
7	6.50%	15+	3.25%

Note: Termination rates do not apply once a member is eligible for retirement.

Long-term Expected Rate of Return on Plan Investments - The assumption for the long-term expected rate of return on investments was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the FCERS Board, 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 geometric real rates of return for each major asset class included in the FCERS target asset allocation are summarized in the following table.

As of June 30, 2023 and June 30, 2022 measurement dates, using a long-term expected rate of return on investments of 6.00% with a valuation date of June 30, 2022 rolled forward to June 30, 2023 and June 30, 2021 rolled to forward to June 30, 2022:

Asset Class	2023 Target Asset Allocation	2023 Long-Term Expected Real Rate of Return	2022 Target Asset Allocation	2022 Long-Term Expected Real Rate of Return
Public equity	58%	6.5%	58%	5.0%
Investment grade bonds	14%	2.0%	14%	0.2%
Core real estate	12%	3.8%	12%	3.8%
Short-term investment grade bonds	6%	0.9%	6%	(0.3)%
Commodities	5%	3.0%	5%	2.3%
Long-term government bonds	5%	2.3%	5%	0.6%
Total	100%		100%	

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2023 and June 30, 2022 was 6.00%, based on the long-term expected rate of return on investments, for FCERS plan valuations dated June 30, 2022 rolled forward to June 30, 2023 and June 30, 2021 rolled forward to June 30, 2022. It is assumed that FCERS members' contributions remain fixed at 7.5% of pay for employees eligible to participate in the Postemployment Healthcare Plan and that the City will contribute the actuarially determined contribution toward the explicit subsidy up to a maximum of 14.0% of total payroll for FCERS. In addition, the City will pay the implicit subsidy on a pay-as-you-go basis. Based on those assumptions, the FCERS fiduciary 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in Discount Rates - The following presents the Airport’s proportionate share of the net OPEB liability for FCERS, as well as what the Airport’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the measurement date rate. The Airport's proportionate share of the City's net OPEB liability was 5.4% at the measurement dates of June 30, 2023 and June 30, 2022.

As of June 30, 2024:	1% Decrease (5.00%)	Measurement Date Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability	$ 20,679,897	$ 15,606,660	$ 11,478,254

As of June 30, 2023:	1% Decrease (5.00%)	Measurement Date Discount Rate (6.00%)	1% Increase (7.00%)
Net OPEB liability	$ 22,925,242	$ 17,711,173	$ 13,468,700

Sensitivity of the Net OPEB Liability to Changes in Healthcare Cost Trend Rates - The following presents the Airport's proportionate share of the City's net OPEB liability for FCERS if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the measurement date rate. The Airport's proportionate share of the City's net OPEB liability was 5.4% at the measurement dates of June 2023 and June 30, 2022.

As of June 30, 2024:	1% Decrease	Measurement Date Healthcare Trend Rate	1% Increase
Net OPEB liability	$ 11,025,511	$ 15,606,660	$ 21,245,757

As of June 30, 2023:	1% Decrease	Measurement Date Healthcare Trend Rate	1% Increase
Net OPEB liability	$ 12,992,191	$ 17,711,173	$ 23,528,843

OPEB Plan Fiduciary Net Position - Detailed information about FCERS' fiduciary net position is available in the separately issued FCERS' financial report. The FCERs separately issued annual report be obtained from the City of San José Office of Retirement Services website at www.sjretirement.com.

Recognition of Deferred Outflows and Inflows of Resources for FCERS

Gains and losses related to changes in total OPEB liability and fiduciary net position for FCERS are recognized in OPEB expense systematically over time.

One fifth of the net earnings is recognized in the first year when the gain or loss occurred for the difference between projected and actual earnings on OPEB plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period differs depending on the source of the gain or loss:

Net difference between projected and actual earnings on OPEB plan investments	5 Years
All other amounts	Expected average remaining service lifetime (EARSL) (5.0 Years)

For fiscal year ended June 30, 2024, the Airport recognized OPEB expense of $574,820 for FCERS plan. As of June 30, 2024, the Airport reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,648,148	$ -
Differences between expected and actual experience	-	1,790,769
Changes in assumptions	740,598	-
Net difference between projected and actual earnings on OPEB plan investments	777,901	-
Total	$ 3,166,647	$ 1,790,769

As of June 30, 2024, $1,648,148 reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2023 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2025. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as follows:

	Deferred Outflows (Inflows) of Resources
2025	$ (365,331)
2026	(502,872)
2027	631,563
2028	(35,630)
	$ (272,270)

For fiscal year ended June 30, 2023, the Airport recognized OPEB expense of $401,447 for FCERS. As of June 30, 2023, the Airport reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	$ 1,248,721	$ -
Differences between expected and actual experience	-	1,517,965
Changes in assumptions	1,434,055	-
Net difference between projected and actual earnings on OPEB plan investments	1,242,660	-
Total	$ 3,925,436	$ 1,517,965

As of June 30, 2023, $1,248,721 reported as deferred outflows of resources related to contributions for FCERS, subsequent to the June 30, 2022 measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2024.

The City issues a publicly available ACFR 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 visiting the City's website at www.sanjoseca.gov or by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

(9) 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, 2024 and 2023, were $5.2 million and $3.6 million, respectively. The City also charged the Airport fees of $19.8 million and $18.4 million for the fiscal years ended June 30, 2024 and 2023, 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 totaled $1.2 million and $1.0 million for the fiscal years ended June 30, 2024 and 2023, respectively. All fees charged by the City are included in operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

(10) 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, loss due to business interruption, and flood. The City does not carry earthquake insurance as it is not available at reasonable rates. A summary of the City's all-risk property insurance policy coverages applicable to the Airport is provided below for the policy periods of October 1, 2023 to October 1, 2024 and October 1, 2022 to October 1, 2023.

October 1, 2023 to October 1, 2024

Coverage	Limit Per Occurrence(1)	Deductible Per Occurrence(2)
Property(3)	$1,000,000,000	$500,000
Business Interruption	$300,000,000	$500,000
Flood	$10,000,000 Annual Aggregate	$10,000,000 Per Location

(1) Other sub-limits apply.
(2) Other deductibles apply.
(3) Covers "Certified Acts of Terrorism" under the Termination Risk Insurance Act of 2002, as amended.

October 1, 2022 to October 1, 2023

Coverage	Limit Per Occurrence(1)	Deductible Per Occurrence(2)
Property(3)	$1,000,000,000	$500,000
Business Interruption	$300,000,000	$500,000
Flood	$10,000,000 Annual Aggregate	$10,000,000 Per Location

(1) Other sub-limits apply.
(2) Other deductibles apply.
(3) Covers "Certified Acts of Terrorism" under the Termination Risk Insurance Act of 2002, as amended.

To mitigate the impact of reduction to the base flood coverage from $25.0 million to $10.0 million as of October 1, 2019, the City has obtained an excess flood policy for all locations citywide. The excess policy provides $15.0 million in limits excess of the primary property policy on a 50/50 quota share basis, where the City and excess insurers share the financing of losses on a 50/50 basis.

The City maintained an Airport General Liability policy covering the Airport for the policy periods of June 30, 2023 to June 30, 2024 and October 1, 2022 to June 30, 2023 including Control Tower Operators, which provides a $200.0 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 $25.0 million each occurrence and in the annual aggregate for personal injury, and a sublimit of $50.0 million each occurrence and in the annual aggregate for war liability. Additionally, the policy provides automobile liability insurance coverage beyond the Airport's primary automobile liability insurance program. For the period of June 30, 2023 to June 30, 2024, the excess automobile liability coverage limit is $50 million. During the past five fiscal years, there have not been any instances that the amount of claim settlements exceeded the insurance coverage.

The Airport's automobile liability policy for the periods October 1, 2023, to October 1, 2024 and October 1, 2022 to October 1, 2023 provides coverage for the off-premises operation of Airport vehicles including shuttle bus fleets with a limit of $1.0 million per occurrence, combined single limit for bodily injury and property damage and subject to a $250,000 per accident retention. Physical damage coverage is obtained for the Airport Shuttle Bus Fleets; the Proterra electric buses are subject to a $10,000 comprehensive and collision deductible, while the Penske Compressed Natural Gas (CNG) buses are subject to a $5,000 comprehensive and collision deductible. Settled claims have not exceeded the City's commercial insurance coverage in any of the past five fiscal years.

For the policy periods of October 1, 2023 to October 1, 2024 and October 1, 2022 to October 1, 2023, the City purchased government fidelity/crime coverage for City losses arising from employee dishonesty. Coverage is for financial or property losses and provides a $5.0 million 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 $1.0 million per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims have a $250,000 deductible per occurrence. For the policy period of October 22, 2023 to October 22, 2024, the City purchased liability insurance covering cyber risks to complement the City's cybersecurity efforts.

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:

	2024	2023	2022
Accrued liability, beginning of fiscal year	$ 2,140,187	$ 2,288,883	$ 2,474,767
Claims payments and adjustments	(244,230)	(292,133)	(177,668)
Provision for current year claims and changes in prior year estimates	(470,765)	143,437	(8,216)
Accrued liability, end of fiscal year	$ 1,425,192	$ 2,140,187	$ 2,288,883

(c) Airport Owner Controlled Insurance Program

On March 15, 2007, the City bound certain liability insurance coverage for the major components of the Airport's Terminal Area Improvement Project (TAIP), through an Owner Controlled Insurance Program (OCIP) with National Union Fire Insurance Company of Pittsburgh, PA (AIG), formerly known as Chartis Insurance. 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. The coverage for this program is as follows:

Coverage	Limits	Deductible Per Occurrence
General Liability	$2,000,000 per occurrence $4,000,000 aggregate	$250,000
Workers' Compensation	Statutory	$250,000
Employers' Liability	$1,000,000 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 AIG in the amount of $8.9 million. The claims loss reserve fund is available to AIG 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 AIG in FY 09 and was recorded as advances and deposits in the accompanying statements of net position. Since August 2013, as part of the annual loss reserve analysis by AIG, a total amount of $4.0 million has been returned to the Airport. The balance of the TAIP reserve fund as of June 30, 2024 is $83,284.

Activities relating to the TAIP OCIP claims reserve fund for the fiscal years ended June 30, 2024, 2023, and 2022 were as follows:

	2024	2023[1]	2022
Beginning balance	$ 220,104	$ 1,179,392	$ 1,179,927
Interest earned	9,654	4,025	935
Reserve returned	(146,168)	(962,717)	-
Losses paid	(306)	(596)	(1,470)
Ending balance	$ 83,284	$ 220,104	$ 1,179,392

[1] A rounding correction is made to FY 23 reserve returned to match the fund balance in the financial statement from $220,105 to $220,104.

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. The TAIP Project has been completed and the policies expired on June 30, 2011. AIG will continue to hold the remaining funds in the claims loss reserve 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.

(11) Commitments and Contingencies

(a) Purchase Commitments and Capital Outlay Projections

As of June 30, 2024, the Airport was obligated for purchase commitments of approximately $30.3 million primarily for the Airfield Configuration Updates, Airport Accessibility Upgrades, Terminal Paging System, Jet Bridge Refurbishment, Escalator Replacement, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber approximately $479.9 million on construction related 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, CP proceeds, and other Airport revenues.

(b) Master Plan

In 1997, after extensive planning and environmental studies, the San José City Council approved a comprehensive update to the previous 1980 Master Plan. In turn, the FAA in 1999 conditionally approved a new Airport Layout Plan (ALP) displaying the proposed Master Plan projects and unconditionally approved all the near-term projects. Both the Master Plan and the ALP, which identify facility improvements needed to accommodate forecast demand for commercial passenger service, air cargo, and general aviation, have been kept up to date through periodic amendments. Implementation of the Master Plan has been ongoing, and since 1997 has included major runway extensions, new taxiways, new terminal buildings, parking garages, roadways, and environmental mitigation programs.

The most recent amendment to the Master Plan was approved by the City Council in April 2020. This amendment extended the planning horizon year out to 2037, incorporated the airfield reconfiguration improvements recommended in an FAA-funded Runway Incursion Mitigation/Design Standards Analysis Study, modified the passenger, cargo, and general aviation facility improvement program to serve projected 2037 demand, and added a proposed business hotel to the passenger terminal complex. The Master Plan is currently intended to serve a projected 2037 demand of 22.5 million annual passengers and 184,000 annual passenger airline aircraft operations with a total of 238,000 aircraft operations. The amendment to the Airport Master Plan also includes up to 42 airline terminal gates in 1.8 million square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended

Master Plan development program.

The Master Plan's Terminal Area Improvement Program (TAIP) Phase II projects (also referred to as the "New Terminal Project") will consist primarily of the design and construction of a Terminal C extending from the south end of existing Terminal B, including a total of 16 additional airline gates plus a new parking garage. Eight of those 16 future gates will replace existing interim gates bolted on to the south end of Terminal B in 2018 and 2019 to accommodate increases in airline flights and passenger volume. Two of the 16 gates will be relocated from Terminals A and B for operational efficiency. Pursuant to the terms of the current Signatory Airline-Airport Lease and Operating Agreement and subject only to prior consultation with the Signatory Airlines, the City retains sole discretion to proceed to construct the New Terminal Project upon its determination that an increase in terminal capacity to be achieved by the New Terminal Project is needed. After completing its consultation with the Signatory Airlines and having given due consideration to the information provided by the Signatory Airlines, the City may proceed with the New Terminal Project if the City determines, in its sole discretion, that the New Terminal Project continues to be needed and can be financed on reasonable terms.

At the time of this report, there are three Master Plan projects under construction. The first is the full-length New Taxiway V on the west side of the Airport, which will replace the former general aviation Runway 11/29, officially closed in 2022. The second and third Master Plan projects under construction are the Facilities and Vehicle Maintenance Campus and the San Josè Police Department Airwing Hangar, both relocating from the east side of the Airport to the southwest quadrant of the Airport.

(c) 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. Generally, 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 FY 05-10 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 (CAP) over a seven-year period beginning in FY 13 and ending in FY 19. The City has adjusted its indirect cost allocation methodology in an effort to address FAA concerns, including removal of debt expenditures from the relative expenditures base started in FY 16, continuing with the 10% cap, and monitoring a rolling five-year average of the relative expenditure base to smooth out expenditure fluctuations.

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.

On May 3, 2018, the City received a letter from the FAA in which the FAA requested a copy of the City's FY 17 indirect cost allocation plan to substantiate indirect charges to the Airport in order to finalize the FAA's financial compliance review. The City responded to the FAA on July 20, 2018 with copies of the requested information and clarified actions taken by the City to date to implement the FAA's recommendations.

On May 19, 2022, the City received a letter from the FAA in which the FAA continues to believe that inclusion of capital costs in the indirect cost allocation methodology results in a disproportionate share of indirect costs being charged to the Airport. The FAA notes that the Modified Total Direct Cost (MTDC) is recognized as an equitable allocation base for the distribution of indirect costs and the MTDC allocation method excludes equipment and capital expenditures. The FAA asks the City to take this final finding under advisement.

On July 15, 2022, the City responded to the FAA's letter of May 19, 2022 regarding inclusion of capital costs in the indirect cost allocation methodology, explaining that the City is in the process of evaluating the methodology used for the City's overall CAP. On June 23, 2022, the City posted a request for proposal (RFP) to hire an independent consultant to support this evaluation, with the RFP scope of work including an in-depth analysis of the City's current CAP, as well as scope to develop recommendations for potential changes in the CAP methodology as it relates to all City departments. On June 4, 2024, Maximus US Services, Inc. was awarded a consultant agreement for these services. The City will follow up with the FAA once this evaluation process has been completed. The City cannot predict the final outcome of the audit.

(d) 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's Director of Aviation, by letter dated March 16, 2023, requested that the FAA concur with the

City's approach of retaining the land for its approach zone and noise buffer area while developing the land in a manner that is consistent with the required FAA Grant Assurances. Specifically, the City requested that (1) a portion of the undeveloped area be activated for community benefit purposes, including low density park uses, (2) retain existing developer property as community benefit property in addition to serving its purpose as approach zone and noise buffer, and (3) development of some parcels within the Guadalupe Gardens Master Plan as a commercial strip to be leased at fair market value. The FAA ADO, by letter dated September 12, 2023, concurred with intent to utilize the property designated as noise sensitive land, while preventing incompatible land uses. While the City must submit additional documentation to the FAA regarding development of the Guadalupe Gardens, at this time there is no reason to believe that the FAA will require the City to dispose of any of the property within the Guadalupe gardens because the property serves approach zone and noise buffer purposes.

(e) Workers' Compensation Program

The City is self-insured for workers' compensation, with all claims administered by third party administrator Intercare Holdings Services, Inc (Intercare). Every year, the City reviews a five-year forecast for workers related compensation expenditures based on the prior year payout. Based on this review, the City's budget for FY 24 was $23.8 million and the budget for FY 25 is $24.3 million.

The City extended the current agreement with Intercare for an additional three years beginning July 1, 2022, to provide comprehensive workers' compensation services including claims administration services, bill review, utilization review, medical case management, and other ancillary services at a total compensation not to exceed $32.6 million based on an estimated caseload of 2,330 to 2,850 claims. As of June 30, 2024, the open claims inventory handled by Intercare was 2,456. The total number of open claims has decreased (by approximately 1.4%) since June 30, 2023 when the open claims inventory was 2,491.

The City is required to submit to the California Department of Industrial Relations (DIR) Office of Self-Insured Plans (OSIP) a Public Self-Insured Annual Report. The Public Self-Insured Annual Report completed jointly with Intercare describes: (1) claims paid in indemnity and medical, (2) future liability on open claims, (3) average number of employees and total wages for each adjusting location, and (4) a list of all open indemnity claims. The annual report for FY 24 was submitted by the October 1, 2024 deadline.

(f) Litigation

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.

(12) Subsequent Events

On July 15, 2024, the City extended the BofA Reimbursement Agreement through September 10, 2026. BofA extended the issuance of its irrevocable transferable LOC in the stated amount of $81.7 million (to cover principal of $75 million and interest on the Subordinated CP Notes accruing calculated at a rate of 12% for 270 days based on a 365 day year) that was scheduled to expire on September 10, 2024, unless sooner terminated or extended pursuant to its terms. All other terms and conditions of the LOC remain unchanged.

On July 30, 2024, the City entered into a purchase and continuing covenant agreement, dated as of July 1, 2024, between the City and TD Public Finance LLC as purchaser of the City's Airport Revenue Refunding Bonds, Series 2024A (the "2024A Bonds") in an aggregate principal amount of $76,404,096, pursuant to a Thirteenth Supplemental Trust Agreement dated as of July 1, 2024, to refinance a portion of costs of certain improvements to the Airport, including refunding a portion of the Airport Revenue Refunding Bonds, Series 2014A, Series 2014B, and Series 2014C.

The 2024A Bonds were issued as a term bond through direct private placement with TD Public Finance LLC, maturing on March 1, 2031. The refunding provided a net present value savings of approximately $2.5 million or approximately 3.30% of the refunded bonds. Three maturities of the 2014 Bonds with a total par amount of $840,000 were excluded from the refunding due to negative savings. The City exercised its option to call and redeem those maturities on September 1, 2024 with available cash.

In July 2024, Frontier Airlines began non-stop service to Denver, Colorado and San Diego, California. In August 2024, they began non-stop service to Los Angeles, California, Las Vegas, Nevada, and Phoenix, Arizona.

In August 2024, the Airport was awarded three grants totaling $19.5 million in federal funding by the DOT's FAA under the 2024 Bipartisan Infrastructure Law Airport Infrastructure Grants program, which allocates money for airport and air traffic control infrastructure improvements. $18.8 million is allocated to the airfield configuration updates for Taxiway V Phase 2A, $0.4 million is allocated to the Safety Management System Manual and Implementation Plan, and $0.3 million is allocated to the Terminal B South Concourse Improvements under the National Environmental Policy Act (NEPA).

On August 23, 2024, the Airport was awarded an Airport Improvement Program (AIP) grant totaling $1.6 million in federal funding by the FAA to acquire an Aircraft Rescue and Fire Fighting Vehicle.

On September 4, 2024, Spirit Airlines began non-stop twice-daily service to Burbank, California expanding their service at the Airport to 13 peak daily departures.

On September 5, 2024, the Airport was awarded two AIP grants totaling $3.5 million in federal funding by the FAA. The first grant for the purchase and installation of 12 pre-conditioned air units totaled $1.7 million, and the second grant for the purchase of two zero emissions buses totaled $1.8 million.

On November 18, 2024, Spirit Airlines filed for Chapter 11 bankruptcy, months after the proposed merger between JetBlue Airways and Spirit Airlines failed to receive approval from the federal court. Spirit Airlines is a signatory passenger carrier that started service at the Airport in June 2023 and is currently operating seven flights out of the Airport. In FY 24, Spirit Airlines represented 3.6% of the Airport's total passenger levels. Should Spirit Airlines cease operations at the Airport, the Airline Lease Agreement provisions require the other carriers to fully cover all costs in the airfield and terminal.

(Continued)

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN FISCAL YEARS
(in $ 000's)

Schedule of the Proportionate Share of the Net Pension Liability

	2024	2023	2022	2021	2020
Proportion of the collective net pension liability	5.3%	5.3%	5.2%	5.4%	5.4%
Proportionate share of the collective net pension liability	$ 105,134	$ 105,527	$ 86,042	$ 113,363	$ 112,615
Covered payroll (for measurement period)	$ 19,598	$ 18,057	$ 17,857	$ 17,270	$ 16,190
Proportionate share of the collective net pension liability as percentage of covered payroll	536.5%	584.4%	481.8%	656.4%	695.6%
Plan fiduciary net position as a percentage of the total pension liability	59.5%	57.7%	63.7%	51.1%	50.4%

Schedule of Contributions

	2024	2023	2022	2021	2020
Actuarially determined contribution	$ 12,178	$ 10,807	$ 11,470	$ 10,596	$ 10,634
Contributions in relation to the actuarially determined contributions	$ 12,178	$ 10,807	$ 11,470	$ 10,596	$ 10,634
Covered payroll	$ 22,093	$ 19,598	$ 18,057	$ 17,857	$ 17,270
Contributions as a percentage of covered payroll	55.1%	55.1%	63.5%	59.3%	61.6%

Note to Schedules

The San José Mineta International Airport (Airport) as a cost-sharing department of the City of San José (City) is required to recognize a liability for its proportionate share of the City's collective 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 10-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.

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN FISCAL YEARS
(in $ 000's)

Schedule of the Proportionate Share of the Net Pension Liability

	2019	2018	2017	2016
Proportion of the collective net pension liability	5.3%	3.4%	3.4%	3.6%
Proportionate share of the collective net pension liability	$ 105,487	$ 108,167	$ 102,069	$ 81,313
Covered payroll (for measurement period)	$ 15,335	$ 13,694	$ 13,163	$ 12,903
Proportionate share of the collective net pension liability as percentage of covered payroll	687.9%	789.9%	775.4%	630.2%
Plan fiduciary net position as a percentage of the total pension liability	51.0%	50.3%	50.4%	57.8%

Schedule of Contributions

	2019	2018	2017	2016
Actuarially determined contribution	$ 9,989	$ 8,814	$ 8,134	$ 7,374
Contributions in relation to the actuarially determined contributions	$ 9,989	$ 8,814	$ 8,134	$ 7,374
Covered payroll	$ 16,190	$ 15,335	$ 13,694	$ 13,163
Contributions as a percentage of covered payroll	61.7%	57.5%	59.4%	56.0%

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 collective 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.

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SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN FISCAL YEARS
(in $ 000's)

(Continued)

Schedule of the Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability

	2024	2023	2022	2021	2020
Proportion of the collective net OPEB liability	5.4%	5.4%	5.4%	5.4%	5.4%
Proportionate share of the collective net OPEB liability	$ 15,607	$ 17,711	$ 15,082	$ 18,650	$ 20,342
Covered payroll (for measurement period)	$ 19,598	$ 18,057	$ 17,857	$ 17,270	$ 16,190
Proportionate share of the collective net OPEB liability as percentage of covered payroll	79.6%	98.1%	84.5%	108.0%	125.6%
Plan fiduciary net position as a percentage of the total OPEB liability	56.3%	51.5%	57.8%	46.7%	43.8%

Schedule of Contributions

	2024	2023	2022	2021	2020
Actuarially determined contribution	$ 1,648	$ 1,249	$ 1,346	$ 1,425	$ 1,183
Contributions in relation to the actuarially determined contributions	$ 1,648	$ 1,249	$ 1,346	$ 1,425	$ 1,183
Covered payroll	$ 22,093	$ 19,598	$ 18,057	$ 17,857	$ 17,270
Contributions as a percentage of covered payroll	7.5%	6.4%	7.5%	8.0%	6.9%

Note to Schedules

The San José Mineta International Airport (Airport) as a cost-sharing department of the City of San José (City) is required to recognize a liability for its proportionate share of the City's collective net OPEB liability.The Airport recognizes OPEB expense and reports deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

The schedules present information to illustrate changes in the Airport's proportionate share of the net OPEB liability and contributions over a 10-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.

(Concluded)

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
LAST TEN FISCAL YEARS
(in $ 000's)

Schedule of the Proportionate Share of the Net OPEB Liability

	2019	2018
Proportion of the collective net OPEB liability	5.4%	5.5%
Proportionate share of the collective net OPEB liability	$ 19,983	$ 28,086
Covered payroll (for measurement period)	$ 15,335	$ 13,694
Proportionate share of the collective net OPEB liability as percentage of covered payroll	130.3%	205.1%
Plan fiduciary net position as a percentage of the total OPEB liability	42.6%	34.0%

Schedule of Contributions

	2019	2018
Actuarially determined contribution	$ 1,872	$ 1,754
Contributions in relation to the actuarially determined contributions	$ 1,872	$ 1,754
Covered payroll	$ 16,190	$ 15,335
Contributions as a percentage of covered payroll	11.6%	11.4%

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 collective net OPEB liability. The Airport recognizes OPEB expense and reports deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

The schedules present information to illustrate changes in the Airport's proportionate share of the net OPEB liability and contributions over a 10-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.

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STATISTICAL

SJC was recognized as the Best Midsize Airport in the U.S., according to the Wall Street Journal's 2023 Airport Rankings. The rankings, which assess the 50 busiest U.S. airports across 30 factors, including on-time performance, security waits, customers' opinion on specific airport amenities, and ticket prices, place a significant emphasis on reliability. SJC excelled in reliability, value, and convenience, outperforming all of the top 50 airports nationwide.

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

Statistical Section
June 30, 2024

This part of the annual comprehensive 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**

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

Statistical Section
June 30, 2024

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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SAN JOSE MINETA 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)

	2015	2016	2017	2018[2]	2019
Operating revenues:					
Airline rates and charges:					
Landing fees	$ 11,856	$ 13,095	$ 18,370	$ 19,297	$ 18,984
Terminal rental	34,372	40,800	39,778	43,476	42,815
Total airline rates and charges	46,228	53,895	58,148	62,773	61,799
Terminal buildings/concessions	16,271	17,576	20,207	22,375	23,717
Airfield	3,993	4,891	7,307	8,027	8,340
Parking and roadway	49,049	53,704	52,514	59,715	64,507
Fuel handling fees	3,257	3,226	3,080	3,078	2,930
General aviation/other	7,183	8,661	9,748	10,096	10,773
Customer facility charges[1]	-	-	1,931	2,518	2,762
Total operating revenues	125,981	141,953	152,935	168,582	174,828
Operating expenses:					
Terminal buildings/concessions	23,833	27,724	31,115	34,922	37,372
Airfield	9,891	12,767	16,776	20,116	20,062
Parking and roadway	17,170	16,684	16,046	16,283	15,837
Fuel handling costs	28	(565)	16	59	69
General aviation	2,006	1,963	1,383	2,438	2,383
General and administrative	18,208	19,334	23,057	25,118	25,042
Depreciation and amortization	53,437	51,864	46,449	47,486	49,026
Total operating expenses	124,573	129,771	134,842	146,422	149,791
Operating income (loss)	1,408	12,182	18,093	22,160	25,037
Nonoperating revenues (expenses):					
Passenger facility charges	19,291	20,603	23,097	27,048	29,735
Customer facility charges for debt service[1]	18,690	19,888	18,026	18,364	18,704
Participating airline net revenue sharing	-	-	-	-	(13,944)
Investment income (loss)	1,222	2,444	1,591	2,842	9,893
Lease interest income	-	-	-	-	-
Interest expense	(72,237)	(71,245)	(67,440)	(61,305)	(60,381)
Bond issuance costs	(976)	-	(2,492)	50	-
Operating grants	610	497	1,169	809	720
Loss on capital assets disposal	-	-	-	-	(271)
CARES Act Airport grants	-	-	-	-	-
CRRSA Act Airport grants	-	-	-	-	-
ARP Act concession relief grant	-	-	-	-	-
ARP Act grant	-	-	-	-	-
Other, net	806	1,902	603	1,214	1,045
Total nonoperating revenues (expenses), net	(32,594)	(25,911)	(25,446)	(10,978)	(14,499)
Income (loss) before capital contributions	(31,186)	(13,729)	(7,353)	11,182	10,538
Capital contributions (grants)	937	5,760	10,120	9,287	18,747
Capital contribution (from others)	-	-	-	-	-
Special item - rate stabilization fund and ten-year lookback distribution	-	-	-	-	(16,266)
Change in net position	$ (30,249)	$ (7,969)	$ 2,767	$ 20,469	$ 13,019
Net position at year-end					
Net investment in capital assets	$ 126,350	$ 95,800	$ 82,801	$ 100,587	$ 126,419
Restricted	56,752	61,308	64,907	62,014	61,897
Unrestricted	18,689	36,714	48,881	41,921	29,225
Net position at year-end[2][3][4]	$ 201,791	$ 193,822	$ 196,589	$ 204,522	$ 217,541

[1] Customer facility charges (CFC) revenues are used to pay for capital costs and related debt service associated with the consolidated rental car facility (ConRAC) and certain operating expenses related to the transportation of rental car customers. CFC revenues used to pay debt service associated with the ConRAC are classified as nonoperating revenues. If CFC revenues exceed debt service for the fiscal year, then the excess may be used to pay for transportation costs and classified as operating income.

[2] As of July 1, 2017, the Airport restated the beginning net position in the amount of $12,537 due to the implementation of Government Accounting Standards Board (GASB) Statement No. 75. The Airport did not restate beginning net position for fiscal years (FY) prior to FY 18, because amounts were not available.

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

Schedule A
(Concluded)

SAN JOSE MINETA 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)

	2020	2021[3]	2022[4][5]	2023[5]	2024
Operating revenues:					
Airline rates and charges:					
Landing fees	$ 21,682	$ 16,933	$ 24,545	$ 28,525	$ 28,413
Terminal rental	62,690	62,005	68,490	60,314	75,522
Total airline rates and charges	84,372	78,938	93,035	88,839	103,935
Terminal buildings/concessions	20,623	11,106	13,164	22,432	26,759
Airfield	6,535	3,454	4,263	4,755	4,985
Parking and roadway	50,973	25,244	47,023	59,877	61,471
Fuel handling fees	2,289	1,722	57	77	96
General aviation/other	10,499	10,684	14,810	16,323	17,463
Customer facility charges[1]	-	-	5,689	7,492	7,429
Total operating revenues	175,291	131,148	178,041	199,795	222,138
Operating expenses:					
Terminal buildings/concessions	41,025	38,346	39,331	43,489	48,639
Airfield	21,912	22,096	24,777	23,680	24,934
Parking and roadway	16,761	12,217	14,431	16,404	18,669
Fuel handling costs	27	63	71	69	102
General aviation	1,717	962	913	2,079	2,213
General and administrative	24,159	21,231	19,318	22,952	25,183
Depreciation and amortization	55,383	53,235	56,040	56,297	57,192
Total operating expenses	160,984	148,150	154,881	164,970	176,932
Operating income (loss)	14,307	(17,002)	23,160	34,825	45,206
Nonoperating revenues (expenses):					
Passenger facility charges	20,456	9,378	19,674	23,215	22,484
Customer facility charges for debt service[1]	15,394	6,539	7,967	8,997	9,995
Participating airline net revenue sharing	(11,910)	(1,325)	(27,396)	(5,077)	(8,790)
Investment income (loss)	11,265	1,236	(4,681)	5,519	17,751
Lease interest income	-	288	274	246	373
Interest expense	(59,107)	(53,649)	(39,379)	(40,432)	(39,805)
Bond issuance costs	-	(2,239)	-	-	-
Operating grants	486	619	718	486	315
Loss on capital assets disposal	-	(13)	-	-	-
CARES Act Airport grants	-	53,538	12,095	-	-
CRRSA Act Airport grants	-	1,647	13,422	-	-
ARP Act concession relief grant	-	-	6,586	-	-
ARP Act grant	-	-	-	28,911	10,000
Other, net	913	1,840	164	533	404
Total nonoperating revenues (expenses), net	(22,503)	17,859	(10,556)	22,398	12,727
Income (loss) before capital contributions	(8,196)	857	12,604	57,223	57,933
Capital contributions (grants)	3,076	12,023	5,894	12,150	17,290
Capital contribution (from others)	-	-	-	45	-
Special item - rate stabilization fund and ten-year lookback distribution	-	-	-	-	-
Change in net position	$ (5,120)	$ 12,880	$ 18,498	$ 69,418	$ 75,223
Net position at year-end					
Net investment in capital assets	$ 139,388	$ 171,354	$ 156,611	$ 170,653	$ 183,326
Restricted	44,795	27,538	48,905	54,680	58,201
Unrestricted	28,238	26,409	38,284	87,885	146,914
Net position at year-end[2][3][4]	$ 212,421	$ 225,301	$ 243,800	$ 313,218	$ 388,441

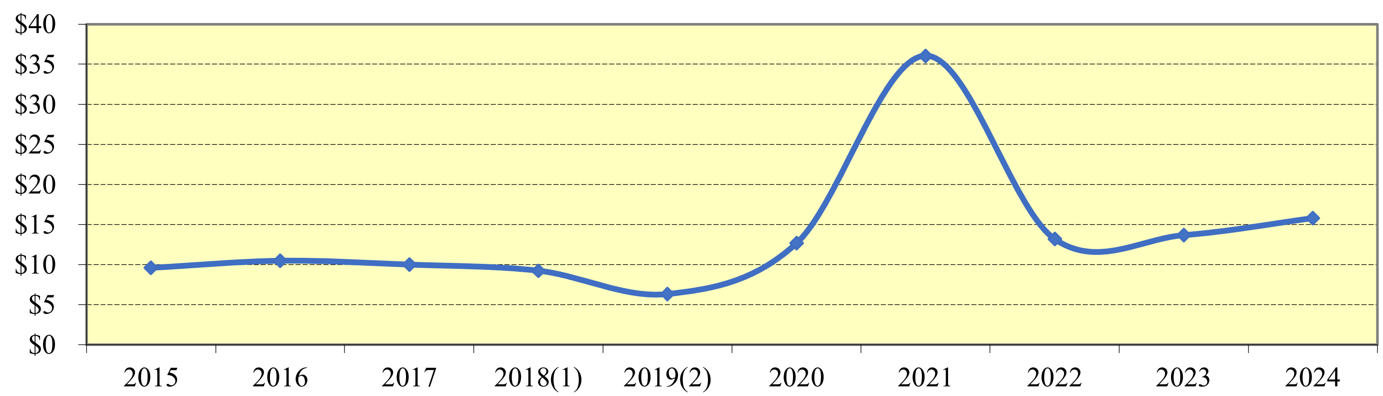
(3) The FY 21 revenues and expenses have been restated due to the implementation of GASB Statement No. 87.
(4) The FY 22 revenues and expenses have been restated due to the implementation of GASB Statement No. 96.
(5) Certain revenue amounts for FY 22 and FY23 have been reclassified to be consistent with the presentation of FY 24. These reclassifications had no effect on the changes in net position for the years ended June 30, 2022 and 2023.

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

Schedule B

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

Cost Per Enplaned Passenger



	2015	2016	2017	2018[1]	2019[2]	2020	2021	2022	2023	2024
Airline revenues:										
Terminal rental	$ 34,372	$ 40,800	$ 39,778	$ 43,477	$ 28,871	$ 50,780	$ 60,680	$ 41,094	$ 55,237	$ 66,732
Landing fees (passenger carriers)	11,361	12,528	17,697	18,690	18,453	21,012	15,977	23,754	27,664	27,528
Total	$ 45,733	$ 53,328	$ 57,475	$ 62,167	$ 47,324	$ 71,792	$ 76,657	$ 64,848	$ 82,901	$ 94,260
Enplaned passengers	4,765	5,088	5,740	6,725	7,462	5,660	2,126	4,911	6,065	5,963
Unadjusted cost per enplaned passenger (not in 000's)	$ 9.60	$ 10.48	$ 10.01	$ 9.24	$ 6.34	$ 12.68	$ 36.06	$ 13.20	$ 13.67	$ 15.81

[1] FY 18 and prior cost per enplaned passenger numbers are unadjusted and are based on the prior Airline-Airport Lease, in which the Terminal true-up rolled into the next year's rates and charges.

[2] Starting with FY 19, Terminal rental revenues were adjusted to include the Net Remaining Revenues as calculated in accordance with the Airline-Airport Lease and Operating Agreement.

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

SAN JOSE MINETA 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)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Gross concession revenue:[1]										
Public parking[2]	$ 27,845	$ 29,392	$ 28,635	$ 31,053	$ 32,330	$ 24,141	$ 9,590	$ 24,288	$ 31,811	$ 31,493
Rental cars	149,384	157,857	162,142	166,291	173,631	129,609	69,030	144,128	158,997	163,548
Food and beverage	30,078	32,870	39,060	45,024	50,588	35,529	9,534	30,550	37,830	41,964
Advertising	2,245	2,368	3,550	4,525	5,022	6,591	7,222	8,009	6,865	10,358
Gift shop & retail	14,130	15,742	17,636	19,739	21,243	16,526	7,736	16,845	18,631	19,403
In-flight kitchen[3]	15,904	22,893	40,790	39,559	29,203	17,578	4,529	17,925	26,901	31,247
Total gross concession revenue	$ 239,586	$ 261,122	$ 291,813	$ 306,191	$ 312,017	$ 229,974	$ 107,641	$ 241,745	$ 281,035	$ 298,013
Enplaned passengers:	4,765	5,088	5,740	6,725	7,462	5,660	2,126	4,911	6,065	5,963
Gross concession revenue per enplaned passenger (not in 000's)	$ 50.28	$ 51.32	$ 50.84	$ 45.53	$ 41.81	$ 40.63	$ 50.63	$ 49.23	$ 46.34	$ 49.98

(1) Gross revenues of major concessionaires only.

(2) In November 2021, the Airport launched an online parking reservations system for the Economy Lot 1. Starting in June 2023, online parking reservations are also available at Lot 5. Public parking revenues includes revenues from parking reservations and are net of credit card fees and refunds.

(3) Includes on-field and off-field sales.

Source: San José Mineta International Airport activity reports and concession records

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
SCHEDULED AIRLINE RATES AND CHARGES
LAST TEN FISCAL YEARS

Schedule D
(Continued)

	2015	2016	2017	2018	2019	Unit
Landing fees:	$ 2.09	$ 2.13	$ 2.70	$ 2.45	$ 2.18	per 1,000 lbs. MGLW[3]
Terminal rental rates:						
Group A						
Ticket counter and queuing, skycap/curbside check-in						
Preferential	235,177	287,230	273,042	255,345	233,439	per counter
Common	94	88	54	73	78	per hour
Airline Ticket Office, Club/VIP	178.08	195.75	186.08	206.25	218.88	per sq. ft.
Holdroom (gate)						
Preferential	775,820	883,722	763,701	632,610	720,993	per gate
Common	470	552	521	633	492	per turn
Group B						
Baggage claim[1]	142.47	156.60	148.86	165.00	175.11	per sq. ft.
Group C						
Baggage make-up[2]/Operations space	89.04	97.87	93.04	103.12	109.44	per sq. ft.

[1] 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.
[2] 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.
[3] MGLW - Maximum Gross Landing Weight.

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

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
SCHEDULED AIRLINE RATES AND CHARGES
LAST TEN FISCAL YEARS

	2020[4]	2021[5]	2022	2023	2024	Unit
Landing fees:	$ 2.87	$ 4.30	$ 4.00	3.78	$ 3.98	per 1,000 lbs. MGLW[3]
Terminal rental rates:						
Group A						
Ticket counter and queuing, skycap/curbside check-in						
Preferential	251,675	283,872	243,826	265,329	288,756	per counter
Common	131	149	161	176	195	per hour
Airline Ticket Office, Club/VIP	316.71	283.68	246.54	268.28	309.10	per sq. ft.
Holdroom (gate)						
Preferential	963,503	967,624	991,845	974,923	1,088,134	per gate
Common	660	663	722	787	903	per turn
Group B						
Baggage claim[1]	253.37	226.95	197.23	214.63	247.28	per sq. ft.
Group C						
Baggage make-up[2]/Operations space	158.36	141.84	123.27	134.14	154.55	per sq. ft.

[1] 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.

[2] 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.

[3] MGLW - Maximum Gross Landing Weight.

[4] A new Airline Agreement went into efffect on July 1, 2019, which changed the methodolgy for determining some of the rates and charges.

[5] The landing fees and airline terminal rates were increased by 15% effective February 1, 2021.

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

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

Schedule E (Continued)

	2015[6]	2016[6]	2017	2018	2019
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds[9]	$ 1,337,140	$ 1,313,480	$ 1,229,545	$ 1,187,645	$ 1,158,730
Commercial paper notes	37,912	34,672	25,461	7,509	52,216
Lease liabilities[10]	-	-	-	-	-
Subscription liabilities[11]	-	-	-	-	-
Total outstanding debt	1,375,052	1,348,152	1,255,006	1,195,154	1,210,946
Enplaned passengers	4,765	5,088	5,740	6,725	7,462
Total outstanding debt per enplaned passenger (not in 000's)	$ 289	$ 265	$ 219	$ 178	$ 162
Total outstanding bond & commercial paper per enplaned passenger (not in 000's)	$ 289	$ 265	$ 219	$ 178	$ 162
Debt service					
Revenue Bonds[2]	$ 96,083	$ 95,452	$ 95,660	$ 103,766	$ 92,501
Commercial paper notes[3] [4]	2,213	2,116	1,728	686	317
Total debt service	98,296	97,568	97,388	104,452	92,818
Less: Funds available for debt service					
Passenger facility charges	25,202	24,829	24,789	24,792	27,026
Customer facility charges[5] [6]	17,412	17,701	18,026	18,364	18,704
Unspent bond proceeds[5] [8]	11,082	11,083	4,295	-	-
Series 2007 Bond Reserve Fund[7]	-	-	-	7,411	-
Net debt service	$ 44,600	$ 43,955	$ 50,278	$ 53,885	$ 47,088
Net debt service per enplaned passenger (not in 000's)	$ 9.36	$ 8.64	$ 8.76	$ 8.01	$ 6.31

(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 MTA, the City may designate Passenger Facility Charges (PFC) as "Available PFC" for payment of eligible debt service. The amount of Debt Service is reduced by the amount of Available PFC designated by the City and deposited with the Trustee to pay Bond Debt Service.

(3) 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.

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

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

Schedule E (Concluded)

	2020	2021	2022	2023	2024
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds[9]	$ 1,127,690	$ 1,048,925	$ 1,047,025	$ 1,044,800	$ 1,020,645
Commercial paper notes	51,930	51,930	34,112	10,000	27,728
Lease liabilities[10]	-	195	94	101	97
Subscription liabilities[11]	-	-	2,947	2,191	1,593
Total outstanding debt	1,179,620	1,101,050	1,084,178	1,057,092	1,050,063
Enplaned passengers	5,660	2,126	4,911	6,065	5,963
Total outstanding debt per enplaned passenger (not in 000's)	$ 208	$ 518	$ 221	$ 174	$ 176
Total outstanding bond & commercial paper per enplaned passenger (not in 000's)	$ 208	$ 518	$ 220	$ 174	$ 176
Debt service					
Revenue Bonds[2]	$ 93,258	$ 93,907	$ 45,705	$ 47,482	$ 69,405
Commercial paper notes[3] [4]	593	586	1,876	331	365
Total debt service	93,851	94,493	47,581	47,813	69,770
Less: Funds available for debt service					
Passenger facility charges	27,479	14,339	12,420	13,640	23,072
Customer facility charges[5] [6]	19,057	11,142	8,000	8,998	9,995
Unspent bond proceeds[5] [8]	-	23	-	-	-
Series 2007 Bond Reserve Fund[7]	-	-	-	-	-
Net debt service	$ 47,315	$ 68,989	$ 27,161	$ 25,175	$ 36,703
Net debt service per enplaned passenger (not in 000's)	$ 8.36	$ 32.45	$ 5.53	$ 4.15	$ 6.16

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

(5) Under the MTA, the Airport may for any period elect to designate CFCs and Unspent Bond Proceeds as “Other Available Funds” eligible for payment of debt service.

(6) CFC revenues available for debt service were restated in FY 15 and FY 16 to be limited to the amount of CFC eligible debt service.

(7) In April 2017, the City refunded all of the outstanding bonds in the Series 2007A, except for $7,025,000, which was to mature in March 2018. The principal amount of $7,025,000 together with the interest amount of $386,375 was paid from the amount remaining in the Series 2007 Reserve Account.

(8) In April 2021, the City issued Airport Revenue Refunding Bonds 2021A, 2021B, and 2021C to refund all of the City's outstanding bonds Series 2011A-1, 2011A-2, and 2011B and a portion of the City's outstanding bonds Series 2014A, 2017A, and 2017B. The unspent bond proceeds in the amount of $22,729 from the cost of issuance accounts were used toward FY 22 debt service payment.

(9) Outstanding revenue bond debt was restated in FY 15 through FY 22 to exclude unamortized premiums and discounts.

(10) Lease liabilities were added related to GASB Statement No. 87, which was implemented in FY 22 and restated for FY 21.

(11) Subscription liabilities were added related to GASB Statement No. 96, which was implemented in FY 23 and restated for FY 22.

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

SAN JOSE MINETA INTERNATIONAL AIRPORT

Schedule F

(A Department of the City of San José)
DEBT SERVICE COVERAGE
LAST TEN FISCAL YEARS
(in $ 000's)

Years	Adjusted General Airport Revenues(1)	Operating Expenses(2) (3)	Net Revenues	Other Available Funds(8)	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(5) (6)	**Coverage Ratio - Bonds & CP**
2015	$ 128,038	$ 70,054 (7)	$ 57,984	$ 78,026 (9)	$ 136,010	$ 96,083	$ 25,202	$ 70,881	**1.92**	$ 2,213	**1.86**
2016	145,809	73,118	72,691	71,466 (9)	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**
2018	173,862	85,584 (10)	88,278	78,157	166,435	103,766	24,792	78,974	**2.11**	686	**2.09**
2019	181,195	92,572	88,623	62,746	151,369	92,501	27,026	65,475	**2.31**	317	**2.30**
2020	183,201	97,122	86,079	51,088	137,167	93,258	27,479	65,779	**2.09**	593	**2.07**
2021 (11)	191,637	89,924	101,713	41,100	142,812	93,907 (12)	14,339	78,379	**1.82**	586	**1.81**
2022 (13)	213,330	97,717	115,613	32,226	147,840	45,705	12,420	33,285	**4.44**	1,876	**4.20**
2023	235,654	105,362	130,292	43,987	174,279	47,482	13,640	33,842	**5.15**	331	**5.10**
2024	245,012	116,411	128,601	29,429	158,030	69,405	23,072	46,333	**3.41**	357	**3.38**

(1) Does not include Passenger Facility Charges (PFC) revenues, Airport Improvement Program (AIP) grant proceeds, or Customer Facility Charges (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. CFC revenues are recorded as operating and nonoperating revenues. Between July 1, 2016 and June 30, 2019, the Airport used a portion of CFC revenues to pay for the transportation costs, which is recorded as operating revenue. CFC revenues are recorded as nonoperating revenues for the amount that exceeds the annual debt service on the Airport Revenue Bond Series 2021C (refunding of 2011B). The Airport did not expend CFC revenues on the transportation costs in the fiscal years ended June 30, 2021 and June 30, 2020. The Airport was awarded $65.6 million of funding from the federal Coronavirus Aid, Relief, and Economic Security Act (CARES), which became law on March 27, 2020, to assist with the economic crisis caused by the COVID-19 pandemic. The Airport was also awarded $13.4 million in the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA) funds on March 22, 2021, which will be used to pay for operating expenses. In August 2021, the Airport was notified that the CRSSA agreement would be amended to increase the award by $11,095. An additional $1.6 million in CRRSA funding was awarded to provide relief from rent and minimum annual guarantees to on-airport car rental and in-terminal airport concessions. In March 2021, the Airport was also awarded $48.9 million in American Rescue Plan (ARP Act) funds to use for operating expenses and an additional $6.6 million to provide relief to in-terminal airport concessions. In fiscal year (FY) 2021, the Airport used $53.5 million of CARES funding toward debt service payments and payroll expenses and received reimbursement for the full $1.6 million in concession relief. Both CARES and CRRSA funding are classified as nonoperating revenue in the Statements of Revenues, Expenses, and Changes in Net Position in accordance with Government Accounting Standard Board (GASB) Technical Bulletin 2020-1. In FY 22, the Airport used $6.6 million in ARP Act to provide relief to eligible in-terminal airport concessions. Grants funding is available for any purpose for which the Airport revenues may lawfully be used per the Master Trust Agreement (MTA). Therefore, they are classified as General Airport Revenue and included in operating revenue for the purpose of debt service coverage. The Airport used $28.9 million and $10.0 million in FY 23 and FY 24, respectively, from the ARP Act funds for Airport operating expenses.

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

(3) Excludes letter of credit (LOC) fees associated with Subordinated Commercial Paper Notes (Subordinated CP Notes). LOC 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 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 PFC as "Available PFC" for payment of eligible debt service. The amount of Debt Service is reduced by the amount of Available PFC designated by the City and deposited with the Trustee to pay Bond Debt Service.

(5) As required by the LOC and Reimbursement Agreements related to the Airport's Subordinated CP Notes, the principal amount of the Subordinated CP Notes is assumed to be amortized on a substantially level debt service basis 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 Subordinated CP Notes proceeds were not used for a project. As also required, the interest rate on the Subordinated CP Notes 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 FY by 1.15, as certified by a certificate of a financial advisor.

(6) Includes LOC fees associated with Subordinated CP Notes.

(7) FY 15 operating expenses were revised to exclude expenses related to GASB Statement No. 68.

(8) Other Available Funds include the Rolling Coverage Amount, uncommitted monies in the General Revenue Fund from the prior FY, unspent bond proceeds in FY 15 through FY 17, and CFC Revenues, in an amount not to exceed the amount of eligible debt service and transportation costs.

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

(10) FY 18 operating expenses were revised to exclude expenses related to GASB Statement No.75.

(11) FY 21 amounts were revised to reflect restated revenues and expenses related to GASB Statement No. 87.

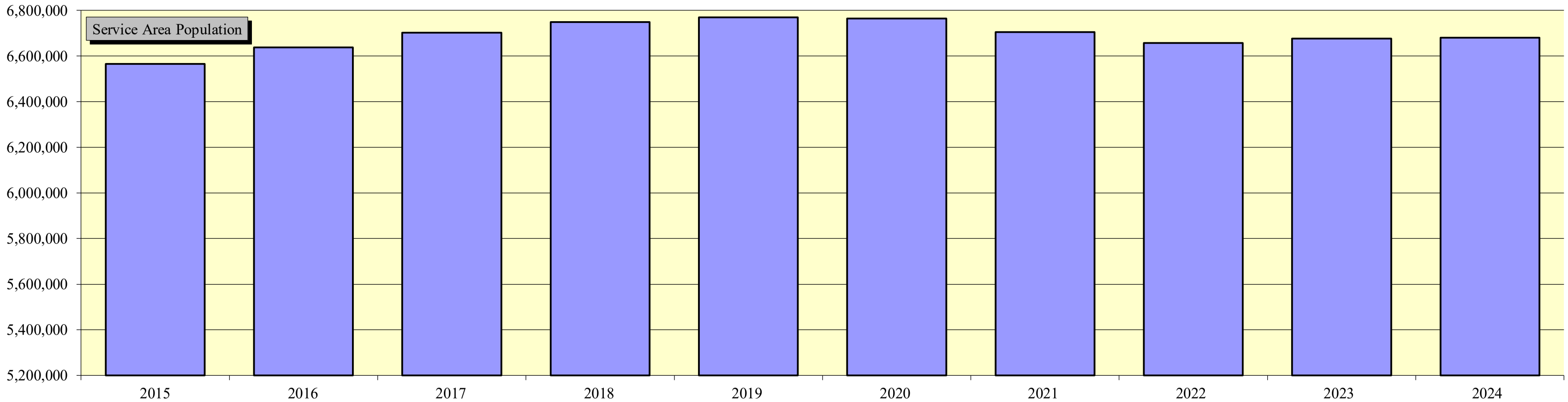
(12) FY 21 total bond debt service amount was revised to reflect total gross bond debt service payments.

(13) FY 22 amounts were revised to reflect restated expenses related to GASB Statement No. 96.

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

Schedule G

SAN JOSE MINETA 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



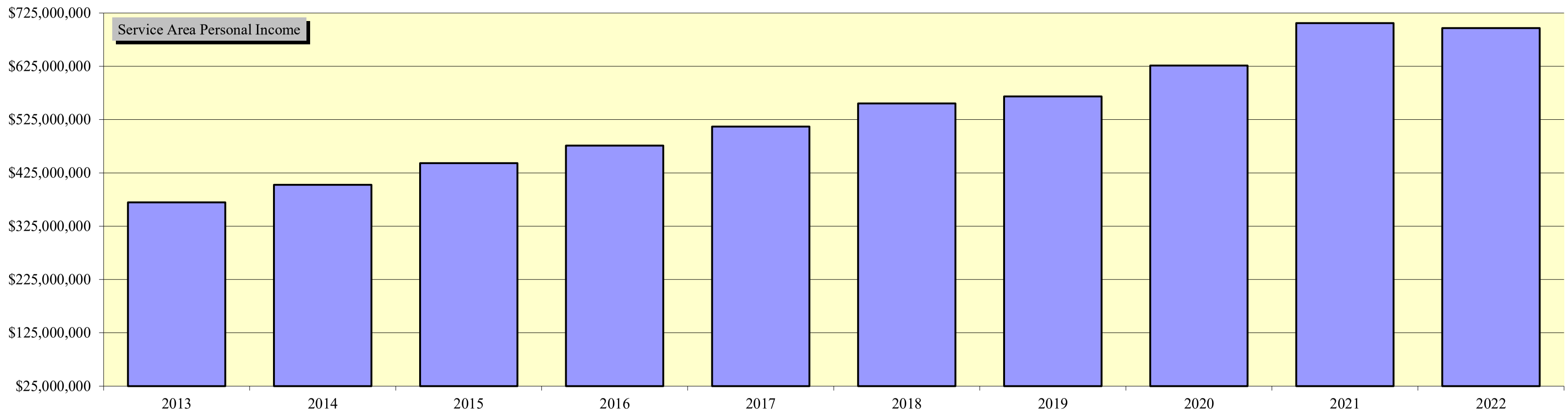
	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2015	1,610,765	432,637	56,445	759,155	1,903,974	273,594	269,280	723,761	534,902	6,564,513
2016	1,629,233	438,171	56,621	765,895	1,922,619	275,557	271,547	735,677	541,466	6,636,786
2017	1,646,405	442,149	56,879	770,256	1,937,473	276,504	275,104	747,263	549,976	6,702,009
2018	1,656,884	442,940	60,841	772,372	1,947,798	276,071	279,424	757,279	554,108	6,747,717
2019	1,664,783	441,304	61,513	774,231	1,954,833	272,501	280,735	765,556	554,018	6,769,474
2020	1,663,114	440,393	62,486	771,061	1,945,166	270,373	283,352	773,505	554,931	6,764,381
2021	1,662,370	435,721	64,769	751,596	1,907,693	266,553	281,874	782,372	551,737	6,704,685
2022	1,644,248	433,964	65,543	740,821	1,890,967	264,912	284,130	782,811	548,719	6,656,115
2023[1]	1,650,656	433,953	65,165	745,302	1,902,799	263,338	285,193	783,903	545,753	6,676,062
2024	1,641,869	437,614	65,853	741,565	1,903,198	262,572	287,303	791,408	548,744	6,680,126

[1] Some data reported previously were revised to reflect the most recent information.

Source: California Department of Finance, Demographic Research Unit

Schedule H

SAN JOSE MINETA 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)



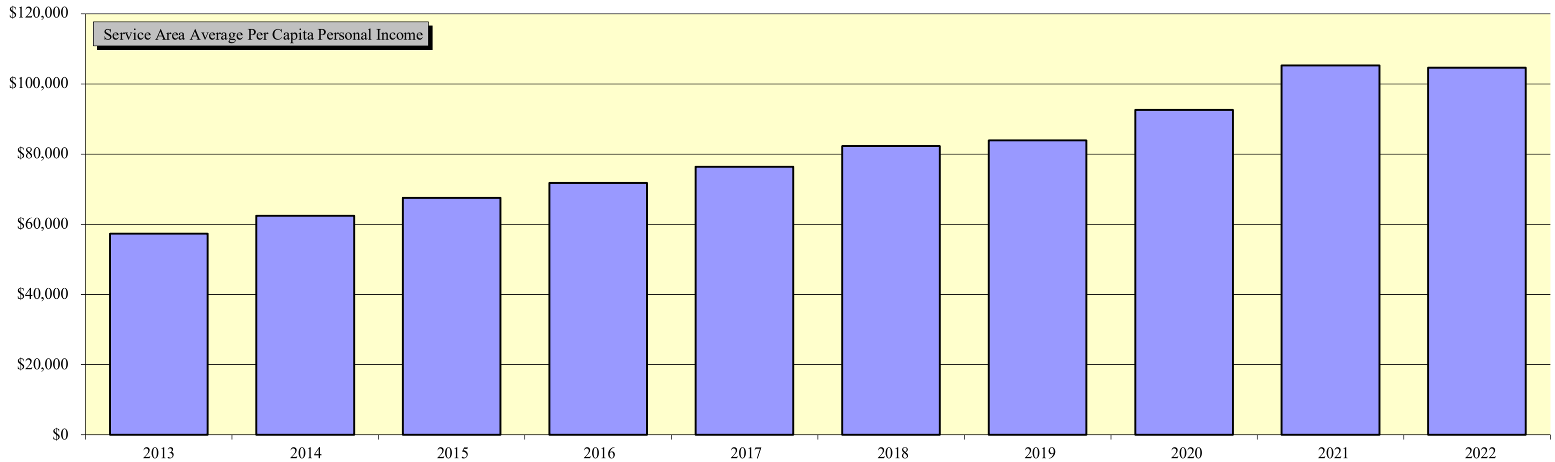
	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2013	$ 85,173,987	$ 19,184,636	$ 2,279,346	$ 64,281,690	$ 133,654,835	$ 13,456,565	$ 8,635,380	$ 24,470,917	$ 18,399,577	$ 369,536,933
2014	93,290,149	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	102,742,614	22,142,878	2,622,190	77,283,538	163,034,586	15,911,723	9,683,705	28,279,556	21,578,734	$ 443,279,524
2016	111,354,955	22,828,552	2,870,816	82,046,470	178,029,092	16,766,106	9,913,086	30,102,917	22,360,836	$ 476,272,830
2017	118,655,307	23,511,124	3,067,422	90,249,278	193,680,090	17,854,678	10,320,877	31,475,861	23,094,445	$ 511,909,082
2018	128,728,021	24,576,499	3,235,448	98,568,258	213,221,976	18,697,119	10,696,798	33,634,157	23,915,119	$ 555,273,395
2019	131,535,494	24,505,664	3,316,389	101,056,496	220,402,406	18,825,262	10,517,004	34,327,494	23,860,986	$ 568,347,195
2020	149,239,559	26,794,525	3,971,313	108,469,755	237,047,825	20,866,180	12,390,335	40,404,026	27,153,448	$ 626,336,966
2021[2]	162,176,203	28,333,347	4,143,744	129,090,019	272,711,739	23,183,258	13,532,782	43,999,624	28,820,142	$ 705,990,858
2022	159,241,119	28,189,179	4,169,135	127,657,596	270,162,197	22,832,350	13,395,227	42,979,635	28,123,096	$ 696,749,534

(1) Information for calendar years 2023 and 2024 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 I

SAN JOSE MINETA 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)



Years	Primary Service Area						Secondary Service Area			
	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Average PCPI(3)
2013	$ 53,798	$ 44,707	$ 39,576	$ 85,653	$ 71,431	$ 49,942	$ 32,774	$ 34,709	$ 34,961	$ 57,350
2014	57,842	46,438	40,543	91,935	77,663	54,585	34,567	36,483	37,352	62,504
2015	62,926	51,256	44,844	101,264	85,354	58,151	36,255	39,087	40,305	67,527
2016	67,356	52,316	48,383	106,615	92,168	60,924	36,868	40,996	41,305	71,763
2017	71,560	53,989	50,955	117,389	100,177	64,901	38,037	42,391	42,354	76,381
2018	77,233	56,634	52,637	128,230	110,344	68,277	39,018	44,697	43,631	82,291
2019	78,839	56,545	52,806	132,133	114,649	68,990	37,952	45,075	43,402	83,957
2020	88,841	61,105	61,564	142,264	122,785	77,181	43,980	51,766	49,128	92,593
2021(2)	98,657	64,799	62,148	174,668	144,552	88,997	47,574	55,827	52,130	105,298
2022	97,754	65,123	61,693	175,070	144,399	86,365	46,188	54,183	51,015	104,678

(1) Information for calendar years 2023 and 2024 is not available.

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

(3) Some data reported previously were revised to reflect a change in methodology for calculating the Average PCPI.

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

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

	2024			2015		
Company or Organization	Number of Employees	Rank	Percent of Total Employment	Number of Employees	Rank	Percent of Total Employment
County of Santa Clara	22,732	1	4.4%	17,476	1	3.4%
City of San José[(1)]	8,262	2	1.6%	6,388	4	1.2%
Cisco Systems	7,500	3	1.5%	15,470	2	3.0%
Adobe Systems Inc.	4,100	4	0.8%	2,010	12	0.4%
San José State University	4,086	5	0.8%	4,480	5	0.9%
Kaiser Permanente	3,969	6	0.8%	2,290	10	0.4%
San José Unified School District	3,609	7	0.7%	2,320	9	0.5%
eBay Inc.[(2)]	3,088	8	0.6%	6,130[(2)]	3[(2)]	1.2%
Paypal Inc.[(2)]	2,808	9	0.5%	n/a[(2)]	n/a[(2)]	n/a[(2)]
Broadcom Inc.	2,736	10	0.5%	1,780[(3)]	14[(3)]	0.3%
TikTok	2,601	11	0.5%	n/a[(4)]	n/a[(4)]	n/a[(4)]
Target Stores	2,437	12	0.5%	2,000	13	0.4%
Super Micro Computer	2,422	13	0.5%	n/a[(4)]	n/a[(4)]	n/a[(4)]
IBM Corporation	2,300	14	0.4%	2,360	8	0.5%
Western Digital	2,159	15	0.4%	2,660	7	0.5%

(1) Total employees (full-time and part-time) reported in this schedule are based on the City's payroll system and may not match Full-Time Equivalents (FTEs) employees presented in the Proposed Budget Document.

(2) In 2002, eBay Inc. acquired Paypal Inc. and spun it off in July 2015. Both companies are combined in this schedule for FY 15.

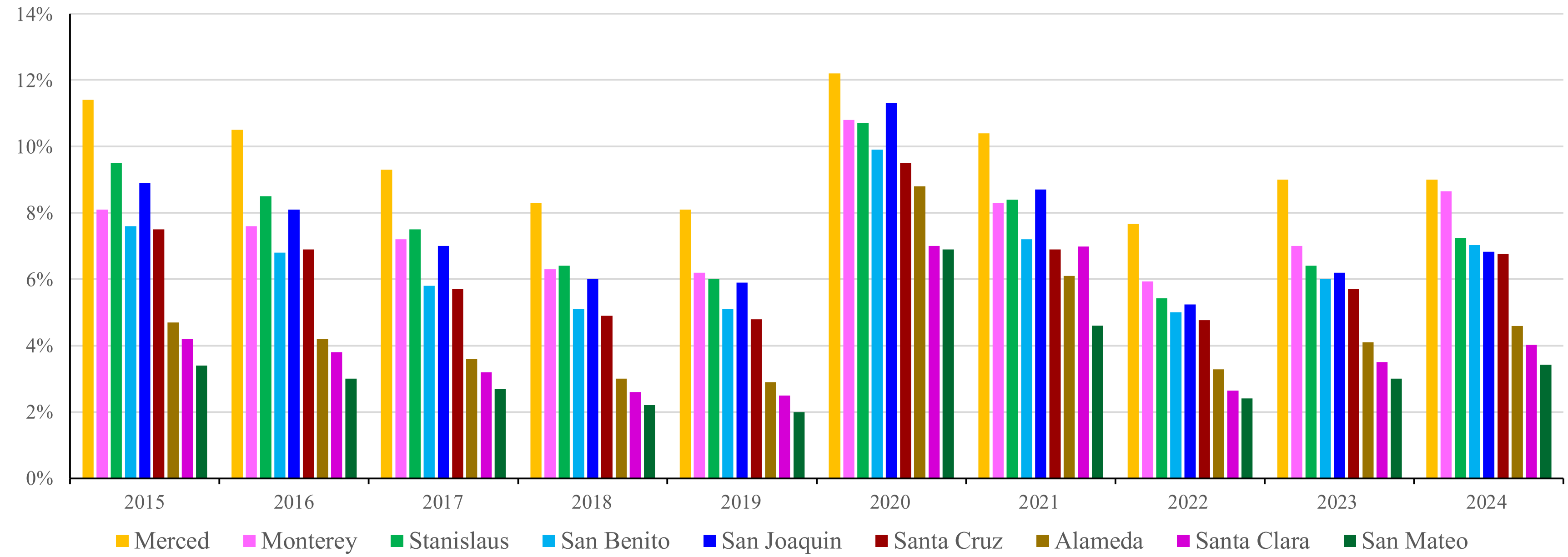
(3) Broadcom Inc. completed the acquisition of Brocade Communications Systems, Inc. in November 2017. FY 15 ACFR lists Brocade Communications Systems Inc.'s ranking as No. 14.

(4) Companies or organizations not included in top 15 principal employers in FY 15.

Source: California Employment Development Department, Labor Market Information Division
City of San José Finance Department (payroll divison)
City of San José FY 24 Proposed Operating Budget
City of San José FY 15 ACFR

Schedule K

SAN JOSE MINETA 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



	2015	2016	2017	2018	2019	2020	2021	2022	2023[1]	2024[2]
Merced	11.4%	10.5%	9.3%	8.3%	8.1%	12.2%	10.4%	7.7%	9.0%	9.0%
Monterey	8.1%	7.6%	7.2%	6.3%	6.2%	10.8%	8.3%	5.9%	7.0%	8.7%
Stanislaus	9.5%	8.5%	7.5%	6.4%	6.0%	10.7%	8.4%	5.4%	6.4%	7.2%
San Benito	7.6%	6.8%	5.8%	5.1%	5.1%	9.9%	7.2%	5.0%	6.0%	7.0%
San Joaquin	8.9%	8.1%	7.0%	6.0%	5.9%	11.3%	8.7%	5.2%	6.2%	6.8%
Santa Cruz	7.5%	6.9%	5.7%	4.9%	4.8%	9.5%	6.9%	4.8%	5.7%	6.8%
Alameda	4.7%	4.2%	3.6%	3.0%	2.9%	8.8%	6.1%	3.3%	4.1%	4.6%
Santa Clara	4.2%	3.8%	3.2%	2.6%	2.5%	7.0%	7.0%	2.6%	3.5%	4.0%
San Mateo	3.4%	3.0%	2.7%	2.2%	2.0%	6.9%	4.6%	2.4%	3.0%	3.4%

[1] Some data reported previously were revised to reflect the most recent information.

[2] Information for 2024 is the average of January through June 2024.

Source: California Employment Development Department, Labor Market Information Division

SAN JOSE MINETA 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Administration	28	28	30	30	31	32	30	30	32	32
Air service development	1	1	1	1	1	1	1	1	1	1
Airport technology services	13	11	11	11	11	11	11	12	13	14
Airside operations	43	43	51	51	50	52	53	53	53	53
Customer service and outreach	6	8	10	10	11	13	11	11	11	11
Capital and airport development	15	18	19	19	20	21	20	20	21	21
Environmental	1	1	2	2	2	2	2	2	2	3
Facilities (building services, trades, and maintenance)	64	61	68	68	70	73	66	66	68	70
Landside operations and services	8	8	9	9	10	10	10	10	11	11
Property management	8	8	10	10	10	11	10	10	11	12
	187	187	211	211	216	226	214	215	223	228

[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.
Totals may not add due to rounding.

Source: Finance and Administration, San José Mineta International Airport

Schedule M

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRPORT INFORMATION
JUNE 30, 2024

Location:	Four miles north of downtown San José, "Capital of Silicon Valley"		
Area:	1,124 acres		
Elevation:	62.2 ft.		
Airport Code:	SJC		
Runways:	12R/30L North/South	11,000 × 150	ft. ILS/VOR/GPS
	12L/30R North/South	11,000 × 150	ft. GPS (VOR 30R only)
Terminal:	Airlines	280,799	sq. ft.
	Concessions and Other Rentables	78,676	sq. ft.
	Public/Common	545,547	sq. ft.
	Vacant	24,652	sq. ft.
	Other	98,413	sq. ft.
	Total	1,028,087	sq. ft.
	Number of passenger gates - Terminal A and FIS	16	
	Number of passenger gates - Terminal B	20	
	Number of loading bridges	36	
	Number of open concessionaires in terminal	42	
	19 Food & Beverage Concessions		
	23 Retail Concessions		
	Number of rental car brands	11	
Apron:	Commercial Airlines	1,330,140	sq. ft.
	Cargo Airlines	596,482	sq. ft.
	Fixed Base Operator (FBO) and Specialized Aviation Service Operator (SASO)	1,515,294	sq. ft.
	General Aviation West	308,218	sq. ft.
	Total	3,750,134	sq. ft.
Public Parking Spaces:	Lot 1 (Economy Lot 1)	2,495	
	Lot 2 (Terminal A Garage)	953	
	Lot 3 (Terminal B Garage & Surface)	346	
	Lot 4	732	
	Lot 5	935	
	Total	5,461	
Cargo:	Air Freight Building	19,112	sq. ft.
International:	Customs / Federal Inspection Service Facility		
Tower:	Operational hours 0600 - 0000, after hours CTAF 124.0/TRACON 24/7		
FBOs:	Atlantic Aviation		
	Signature Flight Support		
SASO:	AvBase		
	SJC Hangars		

Source: San José Mineta International Airport, City of San José

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
LAST TEN FISCAL YEARS
(Ranked by Fiscal Year 2024 Results)

	2015		2016		2017		2018		2019	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	2,420,333	50.8%	2,507,648	49.3%	2,607,667	45.4%	3,050,314	45.4%	3,569,213	47.8%
Alaska Airlines(1)	750,673	15.8%	795,136	15.6%	988,852	17.2%	1,183,145	17.6%	1,416,446	19.0%
Delta Airlines(2)	463,746	9.7%	551,084	10.8%	648,825	11.3%	701,037	10.4%	783,809	10.5%
American Airlines(3)	604,952	12.7%	642,626	12.6%	634,827	11.1%	628,683	9.3%	606,477	8.1%
United Airlines(4)	186,656	3.9%	184,570	3.6%	237,281	4.1%	314,024	4.7%	323,965	4.3%
Spirit Airlines	-	-	-	-	-	-	-	-	-	-
Volaris	51,185	1.1%	58,385	1.1%	61,585	1.1%	60,602	0.9%	91,784	1.2%
Hawaiian Airlines	161,707	3.4%	164,088	3.2%	153,379	2.7%	169,044	2.5%	143,314	1.9%
ZIPAIR	-	-	-	-	-	-	-	-	-	-
JetBlue Airways	71,577	1.5%	73,950	1.5%	151,587	2.6%	222,987	3.3%	155,313	2.1%
British Airways	-	-	9,872	0.2%	54,145	0.9%	54,092	0.8%	59,099	0.8%
Frontier Airlines	-	-	-	-	-	-	80,943	1.2%	99,539	1.3%
Air Canada	-	-	6,882	0.1%	46,701	0.8%	57,145	0.8%	56,389	0.8%
All Nippon Airways	47,560	1.0%	49,717	1.0%	49,160	0.9%	49,735	0.7%	48,901	0.7%
Hainan Airlines	1,849	-	34,939	0.7%	44,123	0.8%	38,995	0.6%	42,025	0.6%
AeroMexico	-	-	-	-	-	-	51,326	0.8%	34,761	0.5%
Lufthansa	-	-	-	-	40,490	0.7%	30,057	0.4%	17,756	0.2%
Air China	-	-	-	-	15,511	0.3%	25,829	0.4%	4,436	0.1%
All other airlines(5)	4,763	0.1%	8,808	0.2%	5,636	0.1%	7,169	0.1%	8,899	0.1%
Total(6)	4,765,001	100%	5,087,705	100%	5,739,769	100%	6,725,127	100%	7,462,126	100%

(1) Includes enplaned passengers on flights operated by Skywest and Horizon.
(2) Includes enplaned passengers on flights operated by Skywest and Compass Airlines.
(3) Includes enplaned passengers on flights operated by Skywest, Mesa Airlines, and Compass Airlines.

Source: San José Mineta International Airport activity reports

Schedule N
(Concluded)

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
LAST TEN FISCAL YEARS
(Ranked by Fiscal Year 2024 Results)

	2020		2021		2022		2023		2024	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	2,893,513	51.1%	1,151,709	54.2%	2,800,739	57.0%	3,727,889	61.5%	3,512,597	58.9%
Alaska Airlines[(1)]	1,004,249	17.7%	394,867	18.6%	888,396	18.1%	964,487	15.9%	790,163	13.3%
Delta Airlines[(2)]	640,408	11.3%	159,862	7.5%	421,620	8.6%	489,224	8.1%	540,933	9.1%
American Airlines[(3)]	443,899	7.8%	195,189	9.2%	300,852	6.1%	297,814	4.9%	279,177	4.7%
United Airlines[(4)]	215,104	3.8%	69,106	3.3%	192,677	3.9%	201,302	3.3%	241,915	4.1%
Spirit Airlines	-	-	-	-	-	-	13,040	0.2%	211,193	3.5%
Volaris	89,250	1.6%	90,049	4.2%	131,547	2.7%	147,254	2.4%	169,066	2.8%
Hawaiian Airlines	88,139	1.6%	42,474	2.0%	107,849	2.2%	114,200	1.9%	103,394	1.7%
ZIPAIR	-	-	-	-	-	-	29,041	0.5%	55,055	0.9%
JetBlue Airways	92,699	1.6%	3,726	0.2%	50,761	1.0%	31,796	0.5%	36,706	0.6%
British Airways	37,503	0.7%	-	-	2,965	0.1%	41,759	0.7%	16,065	0.3%
Frontier Airlines	52,646	0.9%	15,010	0.7%	6,847	0.1%	-	-	-	-
Air Canada	37,232	0.7%	-	-	-	-	-	-	-	-
All Nippon Airways	31,735	0.6%	-	-	-	-	-	-	-	-
Hainan Airlines	23,111	0.4%	-	-	-	-	-	-	-	-
AeroMexico	5,670	0.1%	-	-	-	-	-	-	-	-
Lufthansa	-	-	-	-	-	-	-	-	-	-
Air China	-	-	-	-	-	-	-	-	-	-
All other airlines[(5)]	4,909	0.1%	3,831	0.2%	6,953	0.1%	7,669	0.1%	7,003	0.1%
Total[(6)]	5,660,067	100%	2,125,823	100%	4,911,206	100%	6,065,475	100%	5,963,267	100%

(4) Includes enplaned passengers on flights operated by Skywest and GoJet.
(5) Consists of charter airlines and airlines no longer serving the Airport.
(6) Percentage totals may not add due to rounding.

Source: San José Mineta International Airport activity reports

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

Airline[1]	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
AeroMexico	-	-	-	51,936	37,427	4,608	-	-	-	-
Air Canada	-	8,103	57,831	70,950	73,271	52,420	-	-	-	-
Air China	-	-	51,359	61,390	9,630	-	-	-	-	-
Alaska Airlines	825,699	864,768	1,127,836	1,359,717	1,682,496	1,334,216	726,375	1,090,775	1,114,145	912,184
All Nippon Airways	138,700	140,925	138,790	141,175	139,285	100,995	-	-	-	-
American Airlines	653,971	726,312	730,283	735,296	688,165	528,987	272,518	346,462	306,202	291,268
British Airways	-	24,650	152,150	138,460	146,625	98,175	-	5,835	117,700	38,895
Delta Airlines	537,959	677,209	829,238	849,208	894,266	810,877	328,342	537,224	571,494	622,109
Frontier Airlines	269	-	-	80,893	94,850	53,660	26,802	5,561	-	-
Hainan Airlines	4,180	80,559	97,695	82,815	85,785	56,534	12,368	-	-	-
Hawaiian Airlines	230,520	230,052	206,901	229,459	184,495	95,472	69,248	127,864	126,415	110,875
JetBlue Airways	75,508	82,039	199,784	302,960	216,553	135,081	4,379	61,730	34,656	40,494
Lufthansa	-	-	99,364	62,646	35,556	-	-	-	-	-
Southwest Airlines	2,884,182	2,976,117	3,161,461	3,635,596	4,223,415	3,944,466	2,052,349	3,494,415	4,695,143	4,218,387
Spirit Airlines	-	-	-	-	-	-	-	-	14,085	223,815
United Airlines	206,682	214,585	268,074	353,304	347,168	259,896	103,010	229,038	240,142	294,685
Volaris	55,653	59,565	61,549	61,549	96,214	98,045	101,256	141,140	147,730	160,538
ZIPAIR	-	-	-	-	-	-	-	-	51,300	101,840
All other airlines	15,137	29,020	19,857	27,580	29,505	17,826	18,555	31,581	36,855	30,050
Subtotal	5,628,460	6,113,904	7,202,172	8,244,933	8,984,703	7,591,258	3,715,202	6,071,623	7,455,867	7,045,138
Cargo Carriers										
Fedex	150,160	164,527	149,908	146,996	147,188	143,939	122,582	86,622	108,968	137,348
United Parcel Service	86,546	101,377	98,944	100,450	97,171	89,692	87,193	111,040	118,744	85,052
All other cargo airlines	-	440	168	161	82	-	630	-	-	-
Subtotal	236,706	266,344	249,020	247,607	244,440	233,630	210,406	197,662	227,712	222,401
Total	5,865,167	6,380,248	7,451,193	8,492,540	9,229,143	7,824,888	3,925,608	6,269,285	7,683,578	7,267,538

[1] See notes on Schedule N.
Totals may not add due to rounding.

Source: San José Mineta International Airport activity reports

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

Airline[1]	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
AeroMexico	-	-	-	722	526	64	-	-	-	-
Air Canada	-	214	1,538	1,920	1,952	1,396	-	-	-	-
Air China	-	-	256	306	48	-	-	-	-	-
Alaska Airlines	13,936	14,314	20,330	25,400	30,784	23,948	14,764	20,242	20,090	16,412
All Nippon Airways	730	732	730	730	730	528	-	-	-	-
American Airlines	12,172	12,356	12,042	12,256	11,452	8,614	3,844	5,674	4,958	4,812
British Airways	-	116	716	652	690	462	-	30	574	204
Delta Airlines	12,702	14,300	15,958	16,496	17,338	14,872	7,848	11,010	10,896	12,172
Frontier Airlines	4	-	-	1,132	1,294	682	358	74	-	-
Hainan Airlines	22	424	504	420	420	268	60	-	-	-
Hawaiian Airlines	1,462	1,462	1,324	1,466	1,454	1,078	788	1,462	1,448	1,270
JetBlue Airways	1,062	1,146	2,740	4,126	2,924	1,856	58	826	490	606
Lufthansa	-	-	476	296	168	-	-	-	-	-
Southwest Airlines	45,654	46,918	48,538	55,466	64,484	59,594	29,792	51,234	68,912	61,420
Spirit Airlines	-	-	-	-	-	-	-	-	190	3,026
United Airlines	3,714	3,444	4,042	5,624	5,434	4,052	2,102	3,670	3,496	3,962
Volaris	774	820	846	846	1,328	1,352	1,392	1,940	1,994	2,104
ZIPAIR	-	-	-	-	-	-	-	-	270	536
All other airlines	226	394	296	384	428	252	252	472	514	402
Subtotal	92,458	96,640	110,336	128,242	141,454	119,018	61,258	96,634	113,832	106,926
Cargo Carriers										
FedEx	920	936	928	918	916	922	802	510	680	864
United Parcel Service	580	670	664	676	644	572	540	760	842	558
All other cargo airlines	-	8	4	2	2	-	2	-	-	-
Subtotal	1,500	1,614	1,596	1,596	1,562	1,494	1,344	1,270	1,522	1,422
Total	93,958	98,254	111,932	129,838	143,016	120,512	62,602	97,904	115,354	108,348

[1] See notes on Schedule N.

Source: San José Mineta International Airport activity reports

CARRIER	NONSTOP SERVICE
SCHEDULED DOMESTIC AIRLINE SERVICE	
Alaska Airlines	Boise (BOI)
	Honolulu (HNL)
	Kahului (OGG)
	Kalaoa (KOA)
	Lihue (LIH)
	Los Angeles (LAX)
	Portland (PDX)
	San Diego (SAN)
	Seattle (SEA)
American Airlines	Dallas (DFW)
	Phoenix (PHX)
Delta Air Lines	Atlanta (ATL)
	Los Angeles (LAX)
	Minneapolis/St. Paul (MSP)
	Salt Lake City (SLC)
	Seattle (SEA)
Hawaiian Airlines	Honolulu (HNL)
	Kahului (OGG)
JetBlue Airways	Boston (BOS)
Spirit Airlines	Baltimore (BWI)
	Dallas (DFW)
	Las Vegas (LAS)
	Los Angeles (LAX)
	Portland (PDX)
	San Diego (SAN)
Southwest Airlines	Austin (AUS)
	Boise (BOI)
	Burbank (BUR)
	Chicago (MDW)
	Dallas (DAL)
	Denver (DEN)
	Eugene (EUG)
	Honolulu (HNL)
	Houston (HOU)
	Kahului (OGG)

SAN JOSE MINETA INTERNATIONAL AIRPORT
(A Department of the City of San José)
SCHEDULED/CARGO AIRLINE SERVICE

Schedule Q
(Concluded)

CARRIER	NONSTOP SERVICE
SCHEDULED DOMESTIC AIRLINE SERVICE	
Southwest Airlines	Las Vegas (LAS)
	Long Beach (LGB)
	Los Angeles (LAX)
	Nashville (BNA)
	Ontario (ONT)
	Santa Ana (SNA)
	Palm Springs (PSP)
	Phoenix (PHX)
	Portland (PDX)
	Reno (RNO)
	Salt Lake City (SLC)
	San Diego (SAN)
	Seattle (SEA)
	Spokane (GEG)
	St. Louis (STL)
United Airlines	Chicago (ORD)
	Denver (DEN)
	Houston (IAH)
SCHEDULED FOREIGN AIRLINE SERVICE	
Alaska Airlines	Guadalajara (GDL)
	Los Cabos (SJD)
	Puerto Vallarta (PVR)
Volaris	Guadalajara (GDL)
	León (BJX)
	Morelia (MLM)
	Zacatecas (ZCL)
ZIPAIR	Tokyo (NRT)
ALL-CARGO AIRLINES	
Federal Express Corporation	
United Parcel Service	

Source: San José Mineta International Airport activity reports

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Passengers (1,000's):										
Enplanements	4,765	5,088	5,740	6,725	7,462	5,660	2,126	4,911	6,065	5,963
Deplanements	4,790	5,125	5,775	6,765	7,488	5,669	2,100	4,903	6,063	5,978
Total Passengers	9,555	10,213	11,515	13,490	14,950	11,329	4,226	9,814	12,128	11,941
Mail/freight/cargo (1,000 lbs):										
Mail	1,546	1,786	1,856	4,132	3,497	760	1,474	1,851	1,629	1,051
Freight/express	18,257	22,344	42,126	43,228	42,402	27,287	10,321	8,477	16,135	16,093
Cargo	84,203	92,294	78,013	74,868	68,887	69,556	68,924	61,025	55,460	46,895
Total mail/freight/cargo	104,006	116,424	121,995	122,228	114,786	97,603	80,719	71,353	73,224	64,039

Source: San José Mineta International Airport activity reports

SAN JOSE MINETA 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[3]	Military Operations	Total Operations
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
2018	128,242	1,596	129,838	78.3%	35,664	249	165,751
2019	141,454	1,562	143,016	74.5%	48,762	230	192,008
2020	119,018	1,494	120,512	71.6%	47,724	148	168,384
2021	61,258	1,344	62,602	56.1%	48,959	99	111,660
2022	96,634	1,270	97,904	64.7%	53,125	204	151,233
2023	113,832	1,522	115,354	68.5%	52,900	26	168,280
2024	106,926	1,422	108,348	66.2%	55,276	137	163,761

Annual compound growth rate

FY 2015 through FY 2024	1.5%	(0.5)%	1.4%		5.2%	(4.3)%	2.5%

[1] An aircraft operation is defined as the takeoff or landing of an aircraft.
[2] Includes domestic, including regional commuter operations, and international airlines.
[3] Includes local and itinerant general aviation.

Source: San José Mineta International Airport activity reports

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BOND DISCLOSURE

Construction of the Facilities and Vehicle Maintenance Campus was substantially completed in June 2024. This project relocated the Airport Facilities Division from the east side of the Airport to the west side and includes a new building to house all administration and field personnel, along with storage of materials and equipment required by the division.

Work continues on the multi-phase construction of a new full-length taxiway on the west side of the Airport, which began in April 2023. In addition to prior FAA grant funding, the Airport was awarded a $9.6 million FAA grant in July 2023 to complete Phase 1B of the project.

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

Bond Disclosure Report

June 30, 2024

In accordance with the requirements of the Disclosure Agreements for the City of San José Airport Revenue Bonds Series 2014B and 2014C and Airport Revenue Refunding Bonds (the ARBs) Series 2014A, 2017A, 2017B, 2021A, 2021B, and 2021C, the Airport is including this section to meet the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the Rule).

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 nine 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. This Bond Disclosure Report 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 - 81 of this report.

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

  Since there are no changes to the debt service requirements during the fiscal year ended June 30, 2024, an update of this table is not required.

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

  Refer to Table 1, page B-3 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 S-26 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 2, page B-4 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 S-23 and S-24 of the Statistical Section of this report.

(Continued)

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

  Refer to Schedule N, pages S-19 and S-20 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 21 of this report.

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

  Refer to Schedule F, page S-11 of the Statistical Section of this report.

REPORTING OF SIGNIFICANT EVENTS

Airport revenue and revenue refunding bond ratings

The underlying ratings of the outstanding Airport Revenue Bonds and ARBs were "A", "A2", and "A" by S&P Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings, Inc. (Fitch), respectively. On August 11, 2023, Moody's updated its credit analysis and remained an "A2" rating with a stable outlook. On April 5, 2024, S&P maintained the current “A” rating with a stable outlook. On June 20, 2024, Fitch reaffirmed its "A" ratings and stable outlook for the Airport Revenue Bonds and ARBs, along with an "A-" on the bank note associated with the Airport's Subordinated Commercial Paper Notes.

(Concluded)

Table 1

SAN JOSE MINETA 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
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%
2018	6,258,431	466,696	6,725,127	17.2%
2019	6,997,766	464,360	7,462,126	11.0%
2020	5,358,074	301,993	5,660,067	(24.1)%
2021	1,988,654	137,169	2,125,823	(62.4)%
2022	4,672,808	238,398	4,911,206	131.0%
2023	5,762,352	303,123	6,065,475	23.5%
2024	5,619,101	344,166	5,963,267	(1.7)%
Annual compound growth rate				
FY 2015 through FY 2024	2.0%	7.1%	2.3%	

[1] Includes commuter enplanements previously reported separately.

Source: San José Mineta International Airport activity reports

Table 2

SAN JOSE MINETA 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]
2015	5,628,460	236,706	5,865,167
2016	6,113,904	266,344	6,380,248
2017	7,202,172	249,020	7,451,193
2018	8,244,933	247,607	8,492,540
2019	8,984,703	244,440	9,229,143
2020	7,591,258	233,630	7,824,888
2021	3,715,202	210,406	3,925,608
2022	6,071,623	197,662	6,269,285
2023	7,455,867	227,712	7,683,578
2024	7,045,138	222,401	7,267,538
Annual compound growth rate			
FY 2015 through FY 2024	2.3%	(0.6)%	2.2%

[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: San José Mineta International Airport activity reports