Comprehensive Annual Financial Report

Norman Y. Mineta San Jose International Airport

San Jose, California
A Department of the City of San Jose

Fiscal Years Ended
June 30, 2020 and 2019

Norman Y. Mineta
San Jose
International
Airport
Silicon Valley's Airport

City of
San Jose
Capital of Silicon Valley

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

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Introductory

Since the COVID-19 pandemic, the Norman Y. Mineta San José International Airport (Airport or SJC) invested in regular sanitization of its facilities and implemented new health and safety measures to help travelers feel confident about their health when traveling through SJC, including social distancing signage and floor decals, plexiglass shields at ticket counters and boarding gate podiums, hand sanitizing fixtures at high-touch point areas, and an electrostatic sprayer used daily to clean hard-to-reach areas such as in-between holdroom seats and keyboards at the ticket counters. SJC's Facilities and Engineering team followed the Silicon Valley way of ingenuity by designing and fabricating its own hand sanitizing fixtures and plexiglass shields.

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Norman Y. Mineta San Jose International Airport

San Jose, California

A Department of the City of San Jose

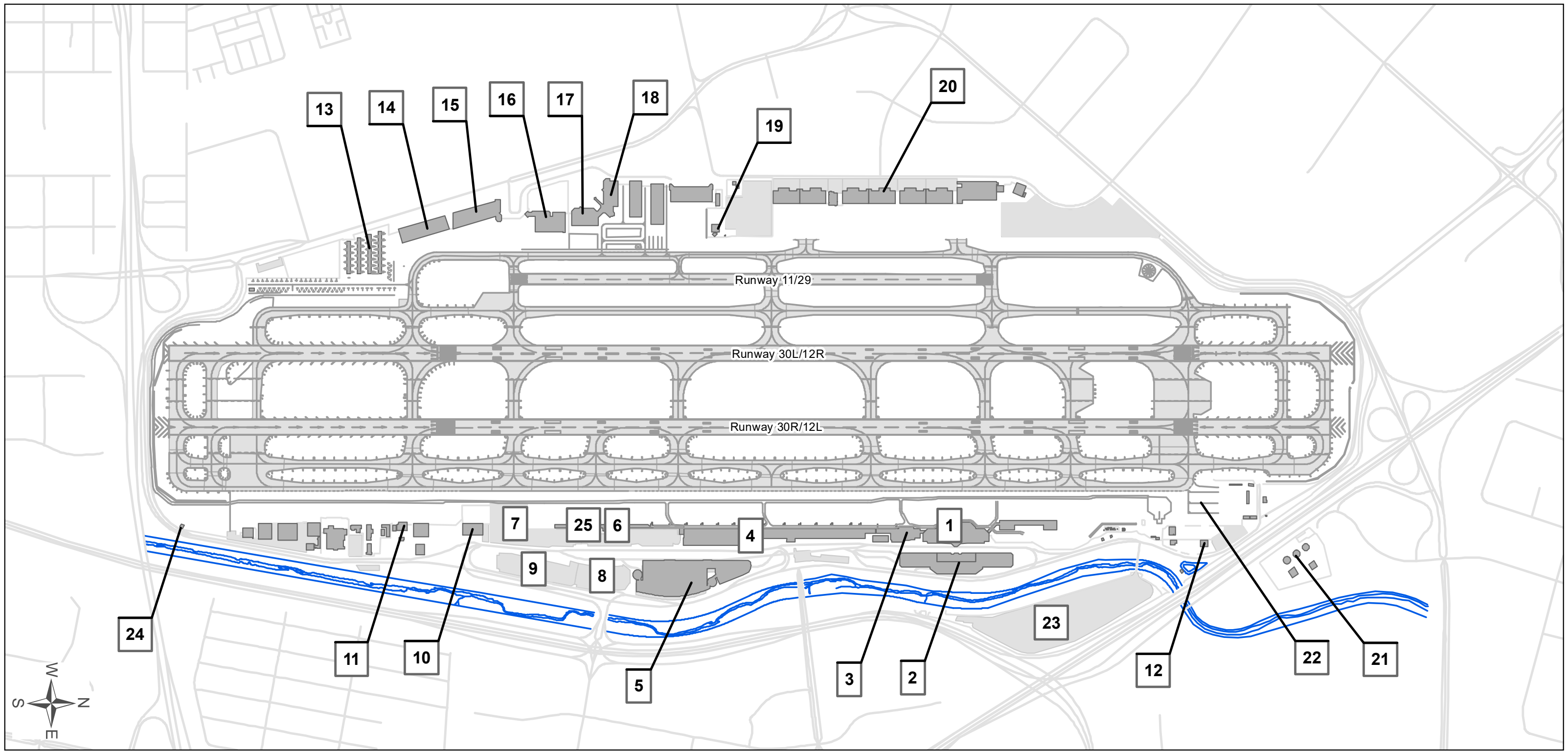
Fiscal Years Ended June 30, 2020 and 2019

Reduced View of Service Areas

Norman Y. Mineta San Jose International Airport
Silicon Valley's Airport

City of San Jose
Capital of Silicon Valley

Norman Y. Mineta San José International Airport



Map Legend

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

LOCATOR MAP

September 2020

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

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

November 12, 2020

HONORABLE MAYOR AND CITY COUNCIL

The Comprehensive Annual Financial Report (CAFR) of the Norman Y. Mineta San José International Airport (Airport or SJC), a department of the City of San José (City), for the fiscal years ended June 30, 2020 and 2019, 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 CAFR and provides readers with a more detailed discussion of the Airport's financial results.

The annual audit of Airport funds was completed by the independent firm of Macias Gini & O'Connell LLP, Certified Public Accountants for the fiscal year ended June 30, 2020 and fiscal year ended June 30, 2019. 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.[2] 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

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

[2] After discussions during June and July, the Council voted on July 28, 2020 to establish a Charter Review Commission to bring forward recommendations to the Council on (1) the City's governance structure, (2) alignment of the Mayoral election with the presidential election and term of office of candidate elected to be Mayor in 2022, serving a two year or six year term. The Council approved the formation of the Charter Review Commission on September 22, 2020.

Area). The Air Service Area is part of the larger San Francisco/San José/Oakland Area. The nearby counties of Merced, Stanislaus, and San Joaquin comprise a secondary service area. Three of the six Air Service Area counties belong to the Association of Bay Area Governments (ABAG) regional planning agency and rank within the top five most populated counties of the ABAG Region, with Santa Clara and Alameda Counties ranking first and second, and the County of San Mateo ranking fifth. In addition to the Airport, two other commercial airports serve the San Francisco/San José/Oakland area: San Francisco International Airport and Oakland International Airport.

ECONOMIC CONDITION AND OUTLOOK

Aviation demand nationwide and globally is primarily a function of population and economic growth, developments within the airline industry, and airport and airspace capacity. Airline traffic at airports principally serving O&D passengers is most responsive to local economic and population growth. As a predominantly 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.

The worldwide outbreak of a new strain of coronavirus (COVID-19) was discovered around December 2019 in Wuhan, China and began affecting aviation demand worldwide. The City released a Voluntary Financial Disclosure dated May 18, 2020, and posted to the Electronic Municipal Market Access website to describe certain impacts that the COVID-19 pandemic had had on Airport passenger traffic and Airport finances and operations through March 2020, and to describe some of the actions that the City was then taking in response to these impacts. COVID-19 has spread to numerous countries around the globe, including the United States, and the World Health Organization has characterized the outbreak as a pandemic. The COVID-19 pandemic has caused significant disruptions to domestic and international air travel, including passenger, cargo, and general aviation operations. The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate the outbreak; (v) the development of medical therapeutics and/or vaccinations; (vi) travel restrictions and the demand for air travel, including at the Airport; (vii) the impact of the outbreak on the local and global economies, on the airlines and concessionaires serving the Airport, or on the airline or travel industry generally; (viii) whether and to what extent the City may provide further deferrals, forbearances, adjustments, or other changes to the City's arrangements with airlines, tenants, and concessionaires; and (ix) the impact of the outbreak and actions taken in response to the outbreak on Airport revenues, expenses, and financial condition.

In fiscal year (FY) 20, passenger levels at the Airport were 11.3 million, 9% higher than the pre-recession levels of 10.3 million in FY 08. Airport management closely monitors its operating budget costs and continues to look for ways to increase non-airline revenues. In addition, the Airport has an objective of maintaining a competitive cost per enplaned passenger (CPE). The CPE was $8.21 in FY 19 and $14.79 in FY 20. The CPE is estimated to be $25.45 for FY 21 based on a number of assumptions, which may or may not materialize.

From FY 13 through February of 2020, the Airport had experienced a rebound in passenger activity, resulting in a peak of approximately 15.8 million passengers traveling through the Airport on a rolling twelve-month basis. Since the impact of the COVID-19 pandemic in March of 2020, passenger traffic at the Airport declined and the FY 20 passengers decreased by 24.2% from the prior year. It is unknown how long the impact of the COVID-19 pandemic will affect passenger activity and what the recovery timeline will be.

The City and the Airport continue to work with business stakeholders including the Silicon Valley Leadership Group and the Silicon Valley Organization to help attract new airlines and routes. In an effort to attract new service, the Airport and airports across the nation have 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 twelve and eighteen months. The minimum frequency of the new flight must be three times weekly nonstop service for twelve consecutive months or four consecutive months for international seasonal service. Given the constraints on airport facilities, there are no fee waivers for ticket counters or boarding gates. 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 COVID-19 pandemic resulted in international travel restrictions and quarantine conditions including suspension of all international flights at the Airport. On August 4, 2020, the Airport received City Council approval to provide temporary limited-term landing and Federal Inspection Service (FIS) fee waivers ranging from three to six months upon resumption of the international routes. The fee waiver period is effective August 4, 2020 through June 30, 2021 for North American flights and through June 30, 2022 for intercontinental (non-North America) flights.

The Airport entered into an Airline-Airport Lease and Operating Agreement (prior Airline Lease Agreement) that took effect on December 1, 2007 and expired on June 30, 2019. The Airport entered into a new Airline-Airport Lease and Operating Agreement (Airline Lease Agreement) with the various passenger and cargo airlines serving the Airport effective 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 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, Lease and Agreements, to the financial statements.

Due to the decline in Airport passengers, on April 14, 2020 and May 12, 2020, City Council approved suspension of the Minimum Annual Guarantee (MAG) rent and implementation of percentage of sales rent to provide temporary financial relief to non-aeronautical concessionaires including Rental Car companies, for April through June 2020. These concessionaires experienced financial losses with the decline in passengers, but did not receive Federal Government assistance. With prolonged pressure due to the COVID-19 pandemic, on August 4, 2020, City Council approved an extension of the MAG rent suspension through December 31, 2020. For additional information on subsequent events affecting the Airport, see Note 11, Subsequent Events, to the financial statements.

On April 14, 2020, the City Council gave approval for the Airport to provide financial relief to commercial passenger and cargo air carriers operating at the Airport for up to six months, from April 1, 2020 through September 30, 2020. The Airport initially offered payment deferrals for April to June 2020 to Signatory airlines that were current as of March 30, 2020. The payment deferral extended the fixed rent payment due date until June 30, 2020. Additionally, landing fees and other fees were deemed delinquent only if payment was not received within 60 days from the invoice date. On July 15, 2020, the Airport offered qualifying airlines an additional deferral of payments for the months of July through September 2020. Refer to Note 11, Subsequent Events, for details on the additional deferral.

Population and Income

The City is the county seat of Santa Clara County. It is the tenth largest city in the United States and the third largest in California behind Los Angeles and San Diego. According to the California Department of Finance estimates, San José has an estimated population of 1,049,187 as of January 1, 2020, reflecting growth of 0.13% over the prior year. San José is located in the Santa Clara Valley, at the southern end of the San Francisco Bay Area, a region referred to as Silicon Valley. Santa Clara County is the sixth largest county in California and the largest in Northern California. The population of Santa Clara County grew 0.4% from 2019 to 2020, with the population increasing to 1,961,969 as of January 1, 2020. The six counties comprising the primary service area for the Airport grew 0.2% from 2019, in line with the state growth rate of 0.2%. In total, the population of the primary service area increased by 11,611 from the prior year and accounts for 13% of the state's population.[3]

The per capita income information described below is the information available from the U.S. Bureau of Economic Analysis as updated on November 14, 2019. 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 14, 2019, for 2018 Santa Clara County had a PCPI of $107,877 and was 170% of the state average of $63,557, 198% of the national average of $54,446, and ranked 4th in the State of California. Within the Air Service Area, the remaining counties personal income and PCPI were as follows:

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

County	Personal Income (in Thousand Dollars)			Per Capita Personal Income (Dollars)			
Name	2017	2018	% Change 2017-2018	2017	2018	% Change 2017-2018	2018 Rank
Santa Clara	$193,680,090	$209,019,944	7.9%	$100,177	$107,877	7.7%	4
Alameda	118,655,307	127,746,433	7.7%	71,560	76,644	7.1%	6
San Mateo	90,249,278	97,264,611	7.8%	117,389	126,392	7.7%	3
Monterey	23,511,124	24,477,179	4.1%	53,989	56,193	4.1%	21
Santa Cruz	17,854,678	19,021,010	6.5%	64,901	69,355	6.9%	9
San Benito	3,067,422	3,312,046	8.0%	50,955	53,822	5.6%	23
California	$2,370,112,356	$2,514,129,262	6.1%	$60,156	$63,557	5.7%	
United States	$16,870,106,000	$17,813,035,000	5.6%	$51,885	$54,446	4.9%	

Per capita income increased by 7.7% from 2017 in Santa Clara County compared to an increase of 5.7% and 4.9% for California and the nation, respectively.[4]

Employment

Employment levels in Santa Clara County have increased by 223,600 from 803,900 in 2007 to 1,027,500 in 2019. As of June 2020, employment levels are reported just under 1 million. The COVID-19 pandemic has caused an increase in county, state, and national unemployment rates. With 110,900 unemployed, Santa Clara County's unemployment rate of 10.7% as of June 2020 has increased about 8.1 points, compared to

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

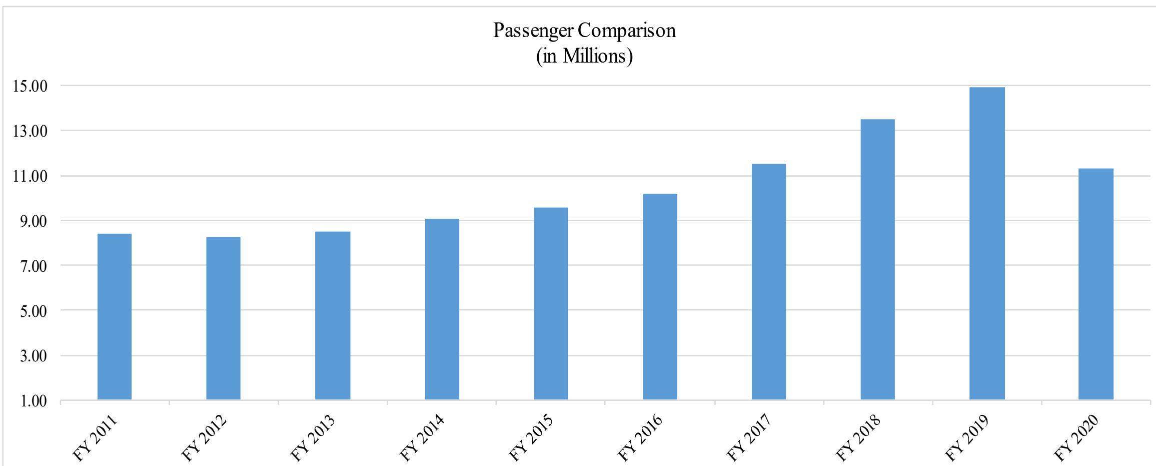
June 2019[5] and is lower than the 14.9% and 11.1% unemployment rates for California[4] and the U.S., respectively.[6]

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

The Airport is classified as a medium-hub airport by the FAA and ranked as the 39th busiest airport in the nation in terms of total passengers according to Airports Council International-North America statistics, as of calendar year 2019. As of June 30, 2020, six carriers provided scheduled passenger service to 21 destinations, including five mainline carriers and one international carrier. In addition, two all-cargo carriers provided scheduled cargo service at the Airport. Due to the COVID-19 pandemic, Hainan operated temporarily as a cargo only carrier. Hainan has not resumed passenger service as of June 30, 2020.

For FY 20, the Airport enplaned and deplaned 11.3 million passengers, which represents a decrease of 24.2% from the previous fiscal year.

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



For FY 20, the Airport experienced an overall decrease of 12.3% in traffic operations due to losses in the following categories: passenger carrier (a decrease of 22,436 or 15.9%), cargo carrier (a decrease of 68 or 4.4%), military (a decrease of 82 or 35.7%), general aviation local (a decrease of 237 or 6.8%), and general aviation itinerant (a decrease of 801 or 1.8%).

Airport Master Plan

In 1997, after extensive planning and environmental studies, the San Jose 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.

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

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 a total of 184,000 annual aircraft operations, and includes up to 42 airline terminal gates in 1.80 million square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

Phase I of the Master Plan's Terminal Area Improvement Program (TAIP) was substantially completed in 2010. The Phase I improvements included nine new airline gates and approximately 366,000 square feet of terminal space in a new Terminal B; improvements to existing Terminal A, including new ticketing facilities, in-line baggage system, security checkpoint, and concession space; the demolition of the original Terminal C; design and construction of a Consolidated Rental Car Facility (ConRAC); and realignment and improvement of existing terminal roadways and parking facilities. The Phase I program also included preliminary design of certain TAIP Phase II projects. On the airfield, the build-out of the Airport's two commercial runways (12R/30L and 12L/30R) to 11,000 x 150 feet was completed in 2004, allowing the Airport to regularly serve takeoffs and landings by all domestic and most international commercial airline aircraft. Airfield project construction since 2004 has consisted of improvements to taxiways, aircraft parking aprons, and navigational aids to increase efficiency and compliance with current FAA airfield design standards.

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 fourteen (14) additional airline gates plus a new parking garage. Eight of those 14 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. 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.

Two Master Plan construction projects underway at the time of this report include the first phase of a multi-story parking garage (Lot 1) on a portion of the existing public parking lot on the northeast side of the Airport, and a new larger Aircraft Rescue and Fire Fighting (ARFF) Facility, partially funded by the FAA, on an existing vacant site on the southwest side of the Airport (to replace the smaller, 1960s-era ARFF Facility located on the southeast side 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 for the fiscal year ended June 30, 2020, include the following:

- Air Service Development

  From July 2019 through February 2020, passenger levels grew 8.9% with the addition of numerous new nonstop domestic and international destinations. Due to the impact of the COVID-19 pandemic from mid-March through June, FY 20 passengers declined by 24.2% year-over-year. For calendar year 2019, the Airport set a new record of 15.7 million passengers.

  International:

  International enplanements decreased 35.0% in FY 20. The Airport has one international carrier as of June 30, 2020. See additional flights announced by Volaris in Note 11, Subsequent Events.

  Domestic:

  FY 20 domestic enplaned passengers declined by 23.4% compared to FY 19. From July 2019 through February 2020, prior to the impact of the COVID-19 pandemic, domestic enplanements were up 10.6%. Prior to March of 2020, capacity had increased for destinations throughout the United States, including nonstop flights to Hawaii. Some of those flights were suspended, and it is unknown when or if they will resume service. See new flights announced by Alaska Airlines in Note 11, Subsequent Events.

- CARES Act Funding

  In May 2020, the Airport was awarded $65.6 million in federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funds. The funds are available to the City on a reimbursable basis and will be used to pay for operating expenses that may no longer be covered by revenues. In addition, the CARES Act provided $1.2 million in matching funds to increase the federal share of federal fiscal year 2020 Airport Improvement Program (AIP) grants to 100%, eliminating the requirement for the Airport to provide a percentage of funds. The federal grants are administered by the FAA.

- Interim Facility

  With the increased passenger growth that the Airport had been experiencing in the past years, there became a need for additional gates in the terminal. The Interim Facility is a temporary facility with six gates, until Terminal C of the New Terminal Project is complete. On November 1, 2019, the sixth gate and holdroom in the Interim Facility at the south end of Terminal B opened. The first five gates in the Interim Facility were opened in June of 2019.

- Funding for the ARFF Facility

  In December 2019, the Airport was awarded $10 million in federal funding for the replacement and relocation of the ARFF Facility. Relocation improves airfield safety with direct access to the primary landing runway and provides space for ARFF personnel and vehicles based on current Index D requirements, which require a minimum of three ARFF vehicles. The FAA Index D requirements are based on the length and average daily departures of aircraft serving the Airport. An additional $6.97 million was awarded in September 2020. The total estimated cost of the facility is $22 million. The federal grants are administered by the FAA.

- Funding for the Pavement Management Study

  In August 2020, the Airport was awarded $400,000 in federal funding, which covers the full estimated cost to conduct a Pavement Management Study, which the Airport uses for planning, maintenance, condition assessment, and capital budgeting for the airfield pavements. The federal grant is administered by the FAA.

- Funding for Perimeter Protection Project

  In September 2019, the Airport entered into an agreement with the Transportation Security Administration (TSA) to provide $2.5 million in federal funding for new security technologies on portions of the Airport perimeter. The TSA will fully reimburse the Airport for expenses incurred for this project, up to the maximum obligation.

- Clear Channel Advertising Extension

  In February 2019, the term of the Clear Channel Advertising agreement was extended seven years, from 2020 to 2027, as Clear Channel is transforming the SJC advertising program to an all-digital platform. The new advertising program creates an opportunity for the Airport to receive additional revenue based on Clear Channel's commitments from the Foundation Brand Partnerships, which are larger, longer-term sponsorships with companies that are interested in launching new products, promoting brand awareness, and executing multiple year advertising and sponsorship type agreements. The new all-digital platform rolled out in the spring of 2020.

- Shared-Use Lounge

  In October 2019, Airport Dimensions opened a second shared-use lounge. The lounge is located in Terminal A and provides seating for 88 visitors. Within the lounge there is a Productivity Zone for guests to utilize a workspace, a Relax Zone for guests to relax in ultra-comfortable seating, a Rest Zone for a quiet space, a Replenish Zone that provides guests an all-inclusive dining area, and a Refresh Zone that provides a shower facility.

- Face Covering Required

  In May 2020, the Airport enhanced health and safety measures by requiring a face covering inside Airport buildings due to the COVID-19 pandemic.

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.

The Airport experienced strong passenger growth over the past seven years with increases of more than one million total passengers in FY 17 (+12.7%), FY 18 (+17.2), and FY 19 (+10.8%). The worldwide outbreak of the COVID-19 pandemic caused significant disruptions to domestic and international air travel. Through February 2020, fiscal year-to-date passenger growth was 8.9% compared to the same time period for FY 19. By the end of FY 20, fiscal year-to-date passengers were 11.3 million, or 24.2% lower than the prior fiscal year. Commercial airlines have continued to modify their flight schedules on a rolling basis in response to changes in passenger demand, stay at home directives, border closures, quarantines, and a number of policy decisions that impact travel. Airport passenger levels are expected to remain substantially below levels from the prior fiscal year.

General Airport Revenues depend significantly on the level of aviation activity and passenger traffic at the Airport. The ability of the Airport to derive revenues from operations may additionally be adversely impacted in the event of a severe decline in the financial health of airlines and other tenants serving the Airport and the aviation industry as a whole. Other airport revenues, such as Passenger Facility Charges (PFC) and Customer Facility Charges (CFC) revenues, are also directly impacted by lower levels of passenger traffic at the Airport. The operations of airline and non-airline tenants at the Airport have been significantly impacted by the declines in foot traffic at the Airport resulting from the COVID-19 pandemic and related events. City Council approved, and the Airport offered, payment deferrals and financial relief to such tenants. For airlines, the Airport offered to extend applicable due dates for April through June 2020 fixed terminal and space rents to June 30, 2020 and activity-based landing fees were given a 60-day payment deferral. Subsequent to June 30, 2020, additional payment deferrals were given to the airlines for July through September 2020 with various due dates within the fiscal year. For non-airline tenants, including food and beverage concessionaires, retail concessionaires, and on-Airport rental car companies, the Airport offered abatement of MAG concession fees for April through December 2020. These non-airline tenants will instead pay an activity-based percentage rent. Additional strategies to provide financial relief to tenants include abatement of concession marketing fees, reducing hours of operation, closing some concession locations, and delaying construction of new concession locations. The CARES Act provided $65.6 million of direct aid funds to the Airport. The funds are available to the City on a reimbursable basis and will be used to pay for operating expenses that may no longer be covered by revenues, with the priorities to ensure debt service is paid and that the debt service coverage requirements are met.

The Airport will continue to actively collaborate with the City's Office of Economic Development as well as local business groups like the Silicon Valley Leadership Group and the Silicon Valley Organization to pursue air service development opportunities and customer service enhancements. The drastically changed economic environment requires the Airport to focus on strategies to endure several years of recovery to FY 19 levels. Measures include cost containment, collaborative partnerships with tenants to foster more stable long-term revenue streams, strategic use of the federal CARES Act funding, leveraging technology to increase efficiencies, and keeping the airline CPE at a competitive level. City Council recognized the changed aviation landscape and rescinded the $11-$12 CPE target established in 2010 and directed Airport staff to use its best efforts to maintain a CPE that is competitive with other airports in the region in the Manager's Budget Addendum #15 that was included in the FY 21 Adopted Operating Budget.

The FY 21 Adopted Budget eliminates eleven full-time and one half-time vacant positions to reduce overall costs. Staffing in several programs were reduced including finance, facilities maintenance, operations, and engineering services.

Additional expenditure reductions were achieved in busing, financing, and consultant fees. The expense reductions are offset by funding increases for cost of living adjustments to existing agreements, gas and electric utility cost adjustments, and anticipated increases for new service providers. Given the ongoing uncertainty regarding progress in fighting COVID-19 and the timing for a recovery in the general economy and the aviation sector, Airport management implemented internal savings targets of $6.0 million. The targets provide flexibility for adjusting service levels at the Airport to fit needs.

Conservative budget and fiscal policies combined with strong passenger levels for nine months of the fiscal year have led to a surplus for FY 20. After completion of the year-end closing and annual audit, the FY 20 actual net remaining revenues were $25.1 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 $11.9 million for FY 20.

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

Drive Growth
Innovate
Fund the Future
Invest in the Organization

The Airport's FY 21-25 Adopted Capital Improvement Program (CIP) contains projects reflecting all of the Airport's strategic priorities. In response to the COVID-19 pandemic and resulting reduced revenues, the Airport took opportunities to reduce the near-term CIP, defer projects where necessary or appropriate, and scale ongoing and future projects appropriately in response to the rate of recovery of the air travel industry. 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 recovery.

The FY 21-25 Adopted CIP budget funding of $310.1 million is primarily for projects and debt service, of which $128.0 million is allocated to FY 21. Over the five-year CIP, funding allocated to pay debt service on outstanding bonds totals $66.9 million. A total of $34.0 million is allocated to general non-construction activities and public art projects, leaving $209.2 million for capital construction over the next five years.

Program highlights of the Airport's FY 21-25 Adopted CIP are as follows:

- $42.6 million for the Economy Lot Parking Garage provides for the construction of up to 900 new parking spaces (current capacity is 1,673 spaces), elevators, stairways, conduit for electric vehicle chargers, parking system equipment, and other modifications to the existing surface level parking lot to accommodate the transfer of passengers to the busing system. The project is intended to improve accommodation of current and near-term demand for auto parking given the recent reduction to parking south of Terminal B from construction of the Interim Terminal Facility. Construction of the garage started in FY 20 and is expected to be completed early in calendar year 2021.

- $56.2 million for Runway Incursion Mitigation (formerly known as Airfield Geometric Implementation) is the second stage of a multi-year project. The goal of the project is to implement changes to airfield geometry to comply with FAA regulations and new design standards identified in the Runway Incursion Mitigation Study project. This project is important to maximize airfield safety through facility design and reconfiguration improvements.

- $47.3 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 Phase 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.

- $16.7 million for Airfield Electrical Circuit Rehabilitation provides for the replacement of airfield lighting cables and associated improvements to improve electrician access, safety to airfield lighting circuits, and help reduce the impacts of confined space. This project will help ensure the integrity and reliability of the airfield lighting system, further supporting Airfield safety and security. This project has received FAA AIP grant funding for the first phase of tasks related to improvements to runway lighting and runway guard lights. Additional phases are planned for improvements to signage and taxiway lighting. Funding for this project is within the term of the current CIP.

- $19.5 million for the ARFF Facility. The new facility will include a larger training area, additional sleeping quarters, and additional vehicle bays. A recent change to comply with federal requirements resulting from up-gauge in aircraft types, and new international flights with wide-body aircraft required additional staff and activation of a third apparatus. In FY 18, FAA grant funding supported the replacement of two ARFF vehicles to further support Airfield safety and security. This project has received nearly $17 million in FAA grant funding. Planning and design work started in FY 20 and the project is expected to progress and be completed late in the calendar year 2021.

FINANCIAL INFORMATION

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

Single Audit, PFC, and 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 year ended June 30, 2020 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 year ended June 30, 2020 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 Norman Y. Mineta San José International Airport for its CAFR for the fiscal year ended June 30, 2019. This was the twenty-third consecutive year that the Airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Airport must publish an easily readable and efficiently organized CAFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgments

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

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

Respectfully submitted,

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

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Norman Y. Mineta
San Jose International Airport
California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

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

ELECTED OFFICIALS:

Sam Liccardo	Mayor
Charles Jones	Council Member, District 1
Sergio Jimenez	Council Member, District 2
Raul Peralez	Council Member, District 3
Lan Diep	Council Member, District 4
Magdalena Carrasco	Council Member, District 5
Devora Davis	Council Member, District 6
Maya Esparza	Council Member, District 7
Sylvia Arenas	Council Member, District 8
Pam Foley	Council Member, District 9
Johnny Khamis	Council Member, District 10

AIRPORT COMMISSION:

Ken Pyle	Member
Julie Riera Matsushima	Member
E. Ronald Blake	Member
Robert Hencken	Member
Allison Stember	Member
Surjit Bains	Member
Catherine Hendrix	Member
Dan Connolly	Member
Joe Head	Member
Raul Peralez	Council Member, Airport Liaison

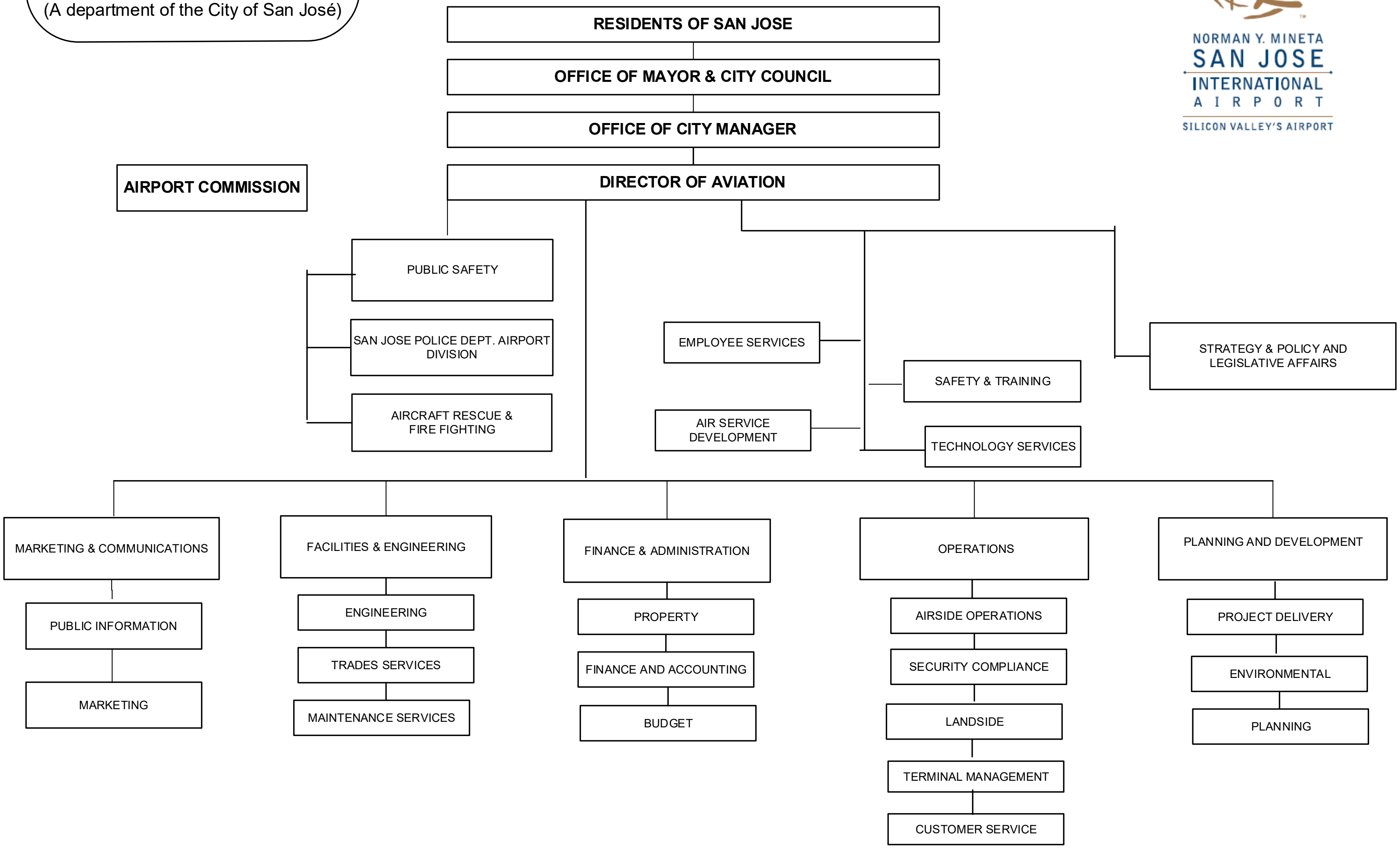
CITY OFFICIAL:

David Sykes	City Manager
Julia H. Cooper	Director of Finance

AIRPORT DEPARTMENT:

John Aitken, A.A.E.	Director of Aviation
Judy M. Ross, A.A.E.	Assistant Director of Aviation
Robert Lockhart, C.M., ACE	Deputy Director, Airport Operations
Kim Hawk, CPA (Inactive)	Deputy Director, Finance & Administration
Patrick R. Tonna	Deputy Director, Facilities & Engineering
Andres Niemeyer	Deputy Director, Planning & Development
Scott Wintner	Deputy Director, Marketing & Communications
Lieutenant Douglas Wedge	San José Police Dept. – Airport Division

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



Financial

The demand for CARGO FLIGHTS remains strong. Cargo carriers handled two million pounds of N-95 masks following the outbreak of the COVID-19 pandemic. Most of the masks were purchased by the State of California to distribute to essential workers in the state, including medical providers in hospitals and nursing homes as well as emergency responders, farm and factory workers, and schools. The Governor also committed to maintain a stockpile of masks so these frontline workers can avoid shortages that were experienced during the early stages of the pandemic. A smaller portion of the masks were sold to private companies and retailers.

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

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Certified
Public
Accountants

Independent Auditor's Report

Honorable City Council
City of San José, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Norman Y. Mineta San José International Airport (Airport), a department of the City of San José, California (City), as of and for the fiscal years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of June 30, 2020 and 2019, and the changes in its financial position

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Walnut Creek, CA 94596

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and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Basis of Presentation

As discussed in Note 1(a) to the financial statements, the financial statements of the Airport are intended to present the financial position, the changes in financial position and cash flows of only that portion of the business-type activities and major fund of the City that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis identified in the accompanying table of contents, and 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 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 basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The introductory, statistical and bond disclosure sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory, statistical and bond disclosure sections have not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2020 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 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 12, 2020

This section of the Norman Y. Mineta San José International Airport (Airport) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the Airport for the fiscal years ended June 30, 2020 and 2019. The Airport is a department of the City of San José (City).

AIRPORT ACTIVITIES HIGHLIGHTS

The worldwide outbreak of a new strain of coronavirus (COVID-19) has caused significant disruptions to domestic and international air travel. Various governments, including the U.S. government, have closed or restricted access to their borders to nonessential travel and issued other travel restrictions and warnings.

The Airport continued its operations as essential infrastructure. Non-essential concession operations, including duty free and certain other retail, were temporarily closed and remained closed as of June 30, 2020 in line with Santa Clara County's Public Health Orders. Due to the large decline in passengers, the City Council approved payment deferrals and financial relief to tenants that have been impacted by the COVID-19 pandemic. Airlines received extended payment terms for the April to June 2020 activity. Non-airline tenants, including terminal concessionaires, rental car companies, and an in-flight kitchen company, were granted minimal annual guarantee (MAG) waiver for April to June 2020. MAG is the annual amount that a concessionaire agrees to pay at a minimum as rent under a concession agreement. Instead of paying the monthly MAG for April through June the concessionaires paid an activity-based percentage rent.

The Airport was awarded $65.6 million of funding from the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act), which became law on March 27, 2020, to assist with the economic crisis created by the COVID-19 pandemic. The aid will reimburse amounts spent for any lawful airport purpose, and must be used within four years. The Airport did not request reimbursement for any costs in fiscal year (FY) 2020.

A total of approximately 11.3 million passengers traveled through the Airport in FY 20 compared to approximately 14.9 million in FY 19, resulting in passenger traffic decline of 24.2%. The Airport experienced an increase in passenger traffic of 10.8% in FY 19 and of 17.2% in FY 18.

As of February 2020, the Airport remained on pace to set another consecutive annual record for passengers, with new Hawaii routes being added by Southwest, new service by Air Canada to Toronto, American Airlines flights to Austin, Alaska Airlines service to Puerto Vallarta, and additional capacity by other carriers. However, that pace of growth dramatically changed by March 2020 as global air travel dropped significantly due to the COVID-19 pandemic. As a result, domestic passengers declined 23.6% for FY 20. Detailed information regarding flights launched since the inception of the COVID-19 pandemic can be found in Note 11 to the financial statements.

International passengers declined 34.2% in FY 20. Hainan Airlines suspended passenger service in February 2020 followed by Air Canada, All Nippon Airways, and British Airways in March 2020 due to the COVID-19 pandemic. Volaris suspended some of its routes in March and operated with limited service in April and June 2020. Alaska Airlines also suspended its international routes in March 2020.

As of June 30, 2020, Airport carriers served 21 nonstop markets. Daily departures ranged from 40 minimum to 234 peak departures in FY 20, compared to 50 nonstop markets with 232 peak daily departures in FY 19, and 53 nonstop markets with 208 peak daily departures in FY 18.

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

	2020	2019	2018
Flight operations	168,384	192,008	165,751
	(12.3)%	*15.8 %*	*13.0 %*
Landed weight by passenger (1,000 lbs)	7,591,258	8,984,703	8,244,933
	(15.5)%	*9.0 %*	*14.5 %*
Landed weight by cargo carriers (1,000 lbs)	233,630	244,440	247,607
	(4.4)%	*(1.3)%*	*(0.6)%*
Total enplaned and deplaned passengers	11,328,759	14,949,956	13,490,514
	(24.2)%	*10.8 %*	*17.2 %*
Enplaned passengers	5,660,067	7,462,126	6,725,127
	(24.1)%	*11.0 %*	*17.2 %*
Deplaned passengers	5,668,692	7,487,830	6,765,387
	(24.3)%	*10.7 %*	*17.2 %*
Domestic passengers	10,714,124	14,015,534	12,552,055
	(23.6)%	*11.7 %*	*17.4 %*
International passengers	614,635	934,422	938,459
	(34.2)%	*(0.4)%*	*13.9 %*
Cargo tonnage (in tons)	48,801	57,393	61,114
	(15.0)%	*(6.1)%*	*0.2 %*
Parking (vehicles) exits	771,225	1,133,242	1,187,802
	(31.9)%	*(4.6)%*	*5.8 %*

FINANCIAL HIGHLIGHTS

The Airport posted a decrease in net position for the 2020 fiscal year.

- Operating revenues increased by 0.3% from $174.8 million in 2019 to $175.3 million in 2020.
- Operating expenses before depreciation increased by 4.8% from $100.8 million in 2019 to $105.6 million in 2020.
- Operating income before depreciation decreased by 5.9% from $74.1 million in 2019 to $69.7 million in 2020.
- Depreciation increased by 13.0% from $49.0 million in 2019 to $55.4 million in 2020.
- The above resulted in an operating income before nonoperating revenues and expenses of $25.0 million in 2019 and $14.3 million in 2020.
- Nonoperating expenses, net of nonoperating revenues, increased 55.2% from $14.5 million in 2019 to $22.5 million in 2020.
- Capital contributions earned in the form of grants from the federal government decreased by 83.6% from $18.7 million in 2019 to $3.1 million in 2020.
- Change in net position from current year activities showed a decrease of $5.1 million in 2020 compared to an increase of $13.0 million in 2019. The combination of an increase in operating expenses, including an increase in depreciation, a decrease in Passenger Facility Charges (PFC) and

Customer Facility Charges (CFC) revenues resulting from the COVID-19 pandemic, and a decrease in capital contributions was greater than the one-time distribution of the rate stabilization fund and ten-year lookback in 2019.

In addition, the Airport showed an increase in net position for the 2019 fiscal year.

- Operating revenues increased by 3.7% from $168.6 million in 2018 to $174.8 million in 2019.
- Operating expenses before depreciation increased by 1.9% from $98.9 million in 2018 to $100.8 million in 2019.
- Operating income before depreciation increased by 6.3% from $69.6 million in 2018 to $74.1 million in 2019.
- Depreciation increased by 3.2% from $47.5 million in 2018 to $49.0 million in 2019.
- The above resulted in an operating income before nonoperating revenues and expenses of $22.2 million in 2018 and $25.0 million in 2019.
- Nonoperating expenses, net of nonoperating revenues, increased 32.1% from $11.0 million in 2018 to $14.5 million in 2019.
- Capital contributions earned in the form of grants from the federal government increased from $9.3 million in 2018 to $18.7 million in 2019.
- The Airport recorded $16.3 million in 2019 as a special item pertaining to the rate stabilization fund and ten-year lookback distribution.
- Change in net position showed an increase of $13.0 million in 2019 compared to an increase of $7.9 million in 2018. The combination of an increase in operating income and capital contributions, and the restatement of 2018 beginning net position to reflect the changes in accounting principle resulting from the implementation of GASB Statement No. 75 was more than the offset to an increase in net nonoperating expenses and the rate stabilization fund and ten-year lookback distribution.

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, 2020, 2019, and 2018:

	2020	2019	2018
Operating revenues	$ 175,291	$ 174,828	$ 168,582
Operating expenses before depreciation	(105,601)	(100,766)	(98,935)
Operating income before depreciation	69,690	74,062	69,647
Depreciation	(55,383)	(49,026)	(47,486)
Operating income	**14,307**	**25,036**	**22,161**
Nonoperating revenues and expenses, net	(22,503)	(14,498)	(10,978)
Income (loss) before capital contributions	(8,196)	10,538	11,183
Capital contributions	3,076	18,747	9,287
Special item - rate stabilization fund and ten-year lookback distribution	-	(16,266)	-
Change in net position	**(5,120)**	**13,019**	**20,470**
Net position - beginning, as previously reported	217,541	204,522	196,589
Restatement due to implementation of GASB 75	-	-	(12,537)
Net position - beginning, as restated	**217,541**	**204,522**	**184,052**
Net position - ending	**$ 212,421**	**$ 217,541**	**$ 204,522**

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 $212.4 million, $217.5 million, and $204.5 million at June 30, 2020, 2019, and 2018, respectively, a $5.1 million decrease from June 30, 2019 to June 30, 2020 and a $13.0 million increase from June 30, 2018 to June 30, 2019.

A condensed summary of the Airport's net position (in thousands) at June 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
Assets:			
Unrestricted assets	$ 171,287	$ 173,870	$ 168,230
Restricted assets	155,979	173,584	166,958
Capital assets	1,289,890	1,305,205	1,275,662
Other assets	3,239	3,401	4,850
Total assets	**1,620,395**	**1,656,060**	**1,615,700**
Deferred outflows of resources:			
Deferred outflows of resources related to pension	18,824	18,111	27,068
Deferred outflows of resources related to OPEB	2,306	2,427	1,754
Loss on refundings of debt	7,639	8,128	8,616
Total deferred outflows of resources	**28,769**	**28,666**	**37,438**
Liabilities:			
Current liabilities - unrestricted	82,642	84,728	24,334
Current liabilities - restricted	57,392	56,668	55,483
Noncurrent liabilities	1,293,578	1,322,553	1,368,640
Total liabilities	**1,433,612**	**1,463,949**	**1,448,457**
Deferred inflows of resources:			
Deferred inflows of resources related to pension	996	61	128
Deferred inflows of resources related to OPEB	2,134	3,175	31
Total deferred inflows of resources	**3,130**	**3,236**	**159**
Net Position:			
Net investment in capital assets	139,388	126,419	100,587
Restricted	44,795	61,897	62,014
Unrestricted	28,238	29,225	41,921
Net position	**$ 212,421**	**$ 217,541**	**$ 204,522**

2020 versus 2019

Restricted assets declined 10.1%, or $17.6 million, from $173.6 million at June 30, 2019 to $156.0 million at June 30, 2020, due to the spending of commercial paper proceeds towards the interim facility and economy lot parking garage, and the decline of PFC revenues and CFC revenues due to the COVID-19 pandemic.

Deferred outflows of resources related to pension increased from $18.1 million at June 30, 2019 to $18.8 million at June 30, 2020, which reflects the increase in the changes of assumptions and contributions made subsequent to the measurement date, partially offset by the decreases in differences between expected and actual experience and net difference between projected and actual earnings on pension plan investments. Deferred outflows of resources related to other post employment benefits (OPEB) decreased from $2.4 million at June 30, 2019 to $2.3 million at June 30, 2020, which reflects the decreases in contributions made subsequent to the measurement date and differences between expected and actual experience, partially offset by increases in the changes in assumptions and net difference between projected and actual earnings on OPEB plan investments. 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 Note 7 to the financial statements.

Total liabilities declined 2.1%, or $30.3 million. Noncurrent liabilities decreased 2.2%, or $29.0 million, due to decreases in the bond payable balance, partially offset by an increase in net pension liability. Unrestricted current liabilities declined 2.5%, or $2.1 million, due to reductions of unearned revenues and accounts payable due from unrestricted accounts. Restricted current liabilities increased $0.7 million due to an increase in bond principal due, partially offset by decreases in accounts payable due from restricted accounts and accrued interest payable.

The largest portion of the Airport's net position, 65.6% and 58.1% at June 30, 2020 and 2019, 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>2019 versus 2018</u>

Total deferred outflows of resources decreased 23.4%, or $8.8 million, which was attributed to the decreases from the deferred outflows of resources related to pension and the loss on the refundings of debt, partially offset by the increase in the deferred outflows of resources related to OPEB.

Deferred outflows of resources related to pension decreased from $27.1 million at June 30, 2018 to $18.1 million at June 30, 2019, which reflects the increase in contributions made subsequent to the measurement date, offset by the decreases in the changes in assumptions and net difference between projected and actual earnings on pension plan investments. Deferred outflows of resources related to OPEB increased from $1.8 million at June 30, 2018 to $2.4 million at June 30, 2019, which reflects the increase in contributions made subsequent to the measurement date and increases in the changes in assumptions, differences between expected and actual experience, and net difference between projected and actual earnings on OPEB plan investments.

Loss on the refundings of debt decreased $0.5 million from $8.6 million as of June 30, 2018 to $8.1 million as of June 30, 2019 mainly due to the annual amortization.

Total liabilities increased 1.1%, or $15.5 million. Unrestricted current liabilities increased 248.2%, or $60.4 million, due to the issuance of $55.0 million of commercial paper in FY 19 and an increase in accounts payable. Noncurrent liabilities decreased 3.4%, or $46.1 million, due to decreases in the bond payable balance, net OPEB liability, and net pension liability.

Total deferred inflows of resources increased 1,935.2%, or $3.1 million, which was mainly attributed to the changes in assumptions made by the FCERS OPEB actuarial valuation, which reduced the total OPEB liability.

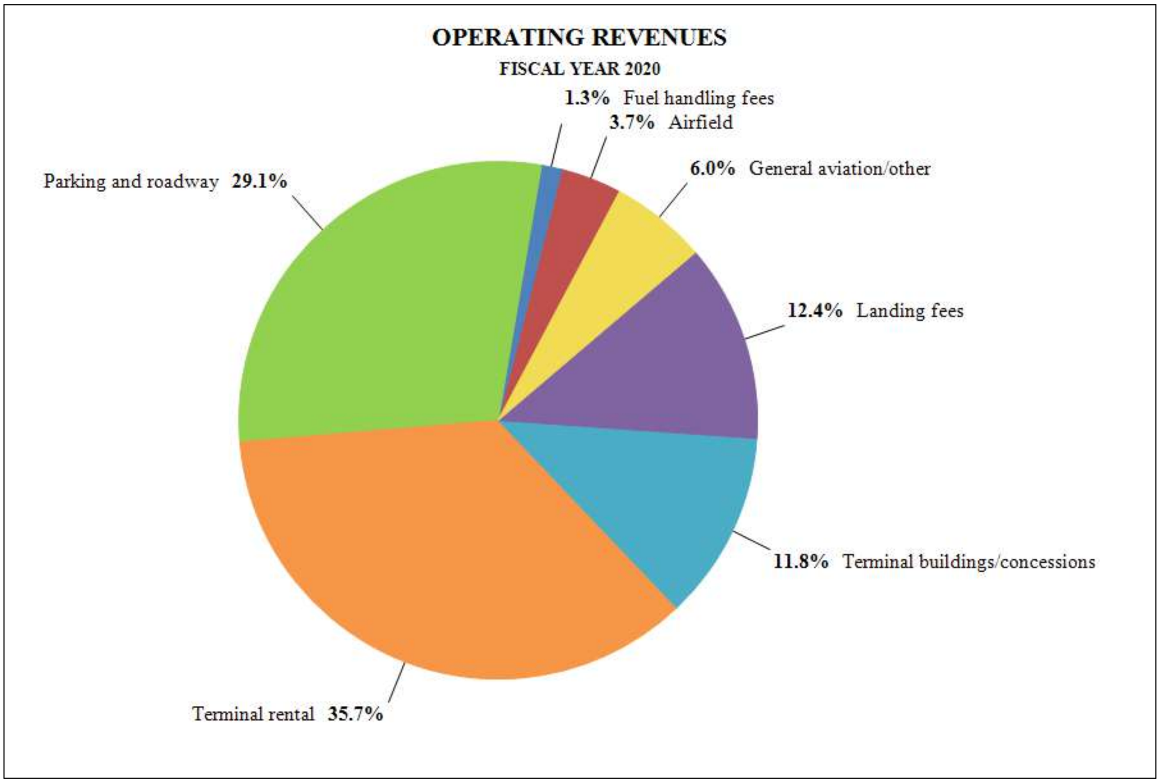
The largest portion of the Airport's net position 58.1% and 49.2% at June 30, 2019 and 2018, respectively, represents its investment in capital assets (e.g. land, buildings, improvements, and equipment), less the debt outstanding used to acquire those capital assets and related deferred inflows and outflows 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, 2020:



As illustrated in the above chart, airline terminal rental revenue, represents 35.7% of the total operating revenues.

The next largest category is parking and roadway revenue, which represents 29.1% 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 and the cost to demolish the previous temporary common use rental car facility is charged to each of the rental car companies. In the event that CFC revenues exceed the sum of annual debt service plus coverage amounts and reserve fund requirements, each rental car company's share of any such CFC revenues will be deducted from its share of operating costs for the transportation system. In the event that CFC revenues remain after CFC revenues are deducted from each company's share of operating costs for the transportation system, the City may, in its sole discretion, deduct each rental car company's share of any such CFC revenues from its share of demolition costs, as calculated under the terms of the rental car agreement. The City had previously determined that it should identify the specific rental car customers who used the transportation system in order to apply the CFC revenues to cover transportation costs. However, upon further consultation with the rental car companies, the City and the rental car companies have agreed that the City may apply the CFC revenues to cover transportation costs, which are a component of CFC eligible ConRAC expenses, without first identifying the specific rental car customers who used the transportation system. In FY 20, the City did not recognize any CFC revenues for transportation costs.

Landing fees from passenger and cargo carriers represent 12.4% of the total operating revenues.

Revenues from terminal buildings/concessions, which came in at 11.8% of total operating revenues, include food and beverage, news and gift shops, advertising, and telephony fees. Fees for the use of the Federal Inspection Service (FIS) facility and rental of space, other than airline space, are also included in this category.

General aviation/other revenues are 6.0% of total operating revenues and are comprised of rents for aircraft hangars, aircraft parking spaces, building and land rentals, fingerprinting fees, and fees for tenant plan reviews, which are calculated on a cost recovery basis.

The remaining categories, airfield and fuel handling fees represent 3.7% and 1.3%, respectively, of the total operating revenues. The airfield area category is comprised of air carrier parking fees, fees from the in-flight kitchen services, and fees from ground service providers. Fuel handling fees include sales of diesel, unleaded, propane, and compressed natural gases (CNG), as well as jet flowage fees, a fee charged to operators for engaging in the activity of retail sales of aviation fuel petroleum products.

A summary of revenues (in thousands) for the fiscal years ended June 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
Operating revenues:			
Landing fees	$ 21,682	$ 18,984	$ 19,297
Terminal rental	62,690	42,815	43,477
Terminal buildings/concessions	20,623	23,717	22,375
Airfield	6,535	8,340	8,027
Parking and roadway	50,973	64,507	59,714
Fuel handling fees	2,289	2,930	3,078
General aviation/other	10,499	10,773	10,096
Customer facility charges for transportation costs	-	2,762	2,518
Total operating revenues	**175,291**	**174,828**	**168,582**
Nonoperating revenues:			
Passenger facility charges	20,456	29,735	27,048
Customer facility charges for debt service	15,394	18,704	18,364
Investment income	11,266	9,893	2,842
Operating grants	486	720	809
Other, net	913	1,045	1,214
Total nonoperating revenues	**48,515**	**60,097**	**50,277**
Capital contributions	3,076	18,747	9,287
Total revenues	**$ 226,882**	**$ 253,672**	**$ 228,146**

2020 versus 2019

Total operating revenues increased by 0.3% from $174.8 million in 2019 to $175.3 million in 2020.

Landing fees increased 14.2%, or $2.7 million, due to an increase in the landing fee rate. Although the landing fee rate increased from $2.18 to $2.87 per thousand pounds, landed weights decreased year-over-year from 9.2 billion pounds to 7.8 billion pounds due to the decrease in passenger activity.

Terminal rental revenues increased 46.4%, or $19.9 million, due to an increase in the average terminal rental rate. The budgeted rate for terminal space increased from an average of $183.78 per square foot in 2019 to $268.31 per square foot in 2020. The terminal rate increase was partially due to calculation methodology changes, where the Terminal true-up and Revenue Sharing no longer rolled into the subsequent years rates, starting in FY 20. See the "AIRLINE RATES AND CHARGES" section later in the Management's Discussion and Analysis.

Terminal buildings/concessions posted a decrease of 13.1%, or $3.1 million, primarily due to the decrease in passenger activity and the abatement of MAG to non-airline tenants, including food and beverage concessionaires and retail concessionaires. Instead of paying the monthly MAG for April through June 2020, the concessionaires paid an activity-based percentage rent.

Airfield revenues decreased by 21.6%, or $1.8 million, mainly due to the decrease in passenger activity and the abatement of MAG to non-airline tenants, including an in-flight kitchen tenant. Instead of paying the monthly MAG for April through June 2020, the concessionaires paid an activity-based percentage rent.

Parking and roadway revenues were down by 21.0%, or $13.5 million, mainly due to a decrease in public parking revenues and TNC trip fee revenues resulting from the decrease in passenger activity.

Fuel handling fees fell by 21.9%, or $0.6 million. The main contributors to the decrease were a decrease in air activity.

PFC revenues are the charges to eligible passengers enplaning at the Airport. The Airport may use these fees to fund certain Federal Aviation Administration (FAA) approved projects and associated debt service. PFC revenues declined by 31.2%, or $9.3 million, reflective of the decline in passenger activity.

Investment income in 2020 increased by 13.9%, or $1.4 million, to $11.3 million, mainly due to higher unrealized gains, interest rates, and higher average cash and investment balances.

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 declined 28.3%, or $6.1 million, from the 2019 level, reflective of the Airport's 24.2% passenger traffic decline and presence of TNC levels before the COVID-19 pandemic.

Capital contributions earned during 2020 pertained to grant reimbursements from the FAA, mainly for the Aircraft Rescue and Fire Fighting (ARFF) Facility and airfield electrical circuit rehabilitation, which decreased 83.6%, or $15.6 million, from $18.7 million in 2019 to $3.1 million in 2020.

2019 versus 2018

June 2019 marked the 78th straight month of consecutive passenger growth at the Airport. Total operating revenues increased by 3.7% from $168.6 million in 2018 to $174.8 million in 2019. All revenue categories grew, except for landing fees, terminal rental, and fuel handling fees.

Landing fees decreased 1.6%, or $0.3 million, due to a decrease in the landing fee rate. Although the landing fee rate decrease from $2.45 to $2.18 per thousand pounds, landed weights increased year-over-year from 8.5 billion pounds to 9.2 billion pounds.

Terminal rental revenues decreased 1.5%, or $0.7 million, mainly due to a $5.2 million credit applied against terminal revenues resulting from the final true-up under the Airline Lease Agreement, offset by an increase in the budgeted rate for terminal space. $5.2 million represents the amount of the 2019 airline terminal true-up based on the actual results. The budgeted rate for terminal space increased from an average of $172.24 per square foot in 2018 to $183.78 per square foot in 2019.

Terminal buildings/concessions posted an increase of 6.0%, or $1.3 million, primarily due to the increase in passenger activity.

Airfield revenues increased by 3.9%, or $0.3 million, mainly due to the higher inflight kitchen revenues and ground support concessions resulting from the increased passenger activity.

Parking and roadway revenues were up by 8.0%, or $4.8 million. Ground transportation, including trip fees from the TNCs and public parking revenues experienced increases. TNC trip fee revenue increased $2.9 million or 45.8% due to increased activity, as well as an increase in the pick-up fee and the implementation of a new drop-off fee, effective October 1, 2017. Public parking increased $1.3 million or 4.1% from $31.0 million to $32.3 million as a result of rate changes for various parking lots: Hourly Lot 2 from $30.00 per day to $24.00 per day effective August 24, 2018, Daily Lots 4 and 6 from $22.00 per day to $30.00 per day effective September 24, 2018, and Hourly Lot 3 from $30.00 per day to $38.00 per day effective September 24, 2018.

General aviation/other revenues rose by 6.7%, or $0.7 million. The main contributor to this increase was the higher land and building rental rates as a result of appraised values. Additionally, there were new land rental agreements and consumer price index adjustments.

PFC revenues grew by 9.9%, or $2.7 million, reflective of the growth in passenger activity.

Investment income in 2019 increased by 248.1%, or $7.1 million, to $9.9 million, mainly due to higher unrealized gains, interest rates and higher cash and investment balances.

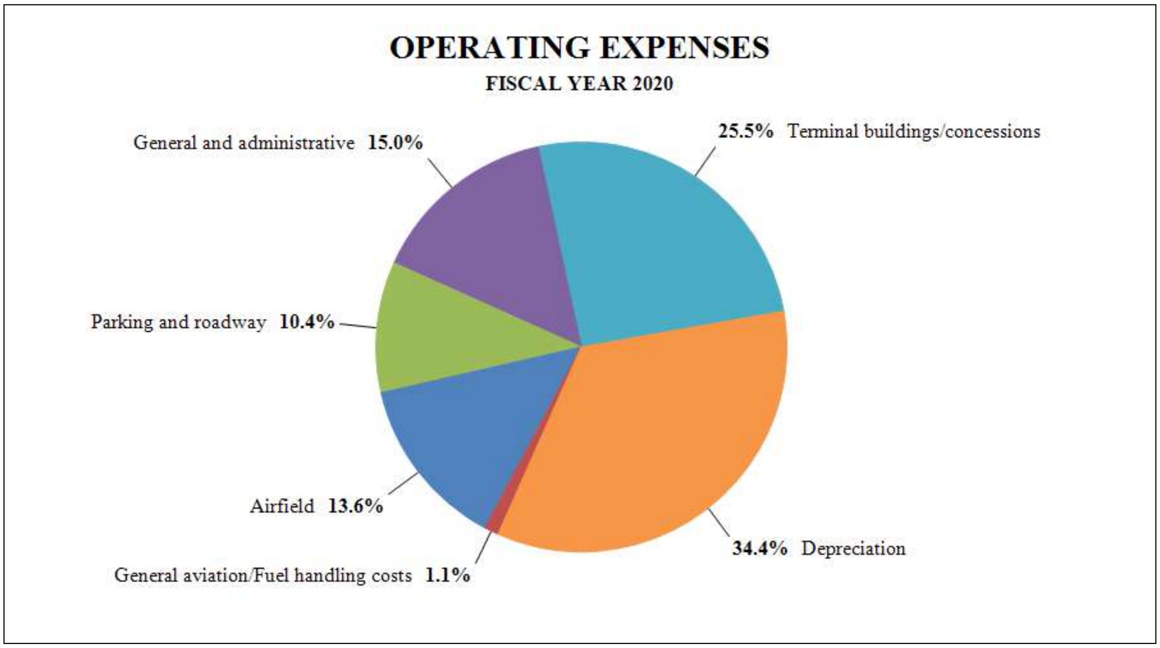
CFC revenues are the charges to customers of rental car companies at the Airport in accordance with California Government Code Sections 50474.1-50474.3 to help pay for capital costs and related debt service associated with the ConRAC and certain operating expenses related to the transportation of rental car customers between the terminals and the ConRAC. Despite the Airport's 10.8% passenger traffic growth, CFC revenues increased only 2.8% from the 2018 level, reflective of the presence of TNCs.

Other nonoperating revenues decreased 13.9%, or $0.2 million, mainly as a result of a settlement income received from a lawsuit in FY 2018 and the expired CNG tax credits. Decreases in other nonoperating revenues were partially offset by an increase in jet fuel sales tax revenues and the reduction of the amortization of bond issuance costs.

Capital contributions earned during 2019 pertained to grant reimbursements from the FAA, mainly for the Terminal B expansion ramp, zero emission buses and related infrastructure, and airfield electrical circuit rehabilitation, which increased 101.9%, or $9.5 million, from $9.3 million in 2018 to $18.7 million in 2019.

EXPENSES

The following chart reflects the major cost centers as a percentage of operating expenses for the fiscal year ended June 30, 2020:



A summary of expenses (in thousands) for the fiscal years ended June 30, 2020, 2019, and 2018 is as follows:

	2020	2019	2018
Operating expenses:			
Terminal buildings/concessions	$ 41,025	$ 37,372	$ 34,922
Airfield	21,912	20,062	20,116
Parking and roadway	16,761	15,837	16,282
Fuel handling costs	27	69	58
General aviation	1,717	2,383	2,438
General and administrative	24,159	25,042	25,118
Depreciation	55,383	49,026	47,486
Total operating expenses	**160,984**	**149,791**	**146,420**
Nonoperating expenses:			
Participating airline net revenue sharing	11,910	13,944	-
Interest expense	59,108	60,381	61,305
Bond issuance costs	-	-	(50)
Loss on capital assets disposal	-	271	-
Total nonoperating expenses	**71,018**	**74,596**	**61,255**
Special item - rate stabilization fund and ten-year lookback distribution	-	16,266	-
Total expenses	**$ 232,002**	**$ 240,653**	**$ 207,675**

2020 versus 2019

Operating expenses in 2020 increased 7.5%, or $11.2 million, from $149.8 million in 2019 to $161.0 million in 2020, due to increases in depreciation expense, OPEB expense, salaries and fringe benefits, higher costs for public safety employees, and pension expense, partially offset by a decrease in expenses related to noncapitalized projects.

Depreciation expense increased $6.4 million from $49.0 million in 2019 to $55.4 million in 2020 due to the $57.4 million Interim Facility placed in service in June 2019.

OPEB expense increased $4.4 million due to the actuarial impact of changes to benefit terms.

Salaries and fringe benefits increased $2.7 million from $31.3 million in 2019 to $34.0 million in 2020 due to additional staff and cost of living allowance adjustments.

Costs of public safety personnel increased $1.1 million from $16.1 million in 2019 to $17.2 million in 2020 due to the higher salaries and benefits.

Noncapitalizable capital activities decreased $6.1 million from $7.5 million in 2019 to $1.4 million in 2020. The Airport expended less in noncapitalizable capital activities in FY 20.

Nonoperating expenses in 2020 decreased by $3.6 million due to a decrease in the airline net revenue sharing and interest expense.

2019 versus 2018

Operating expenses in 2019 increased 2.3%, or $3.4 million, from $146.4 million in 2018 to $149.8 million in 2019, due to increases experienced in salaries and fringe benefits, overhead costs, higher costs for public safety employees, depreciation expense, and non-personal expenses, partially offset by a decrease in OPEB expense.

Salaries and fringe benefits increased $2.7 million from $28.6 million in 2018 to $31.3 million in 2019 due to the cost of living allowance adjustments and additional staff.

Overhead costs increased $2.3 million from $2.8 million in 2018 to $5.1 million in 2019. Overhead costs were reduced in 2018 partly due to the termination of the Municipally-Funded Air Service Incentive Program. In addition, the City overhead rate increased year-over-year.

Costs of public safety personnel increased $1.8 million from $14.3 million in 2018 to $16.1 million in 2019 due to the higher salaries, benefits, and additional staffing as a result of increased passenger activity.

Depreciation expense increased $1.5 million from $47.5 million in 2018 to $49.0 million in 2019 due to an increase in capital assets acquired during the year.

Non-personal expenses increased $1.0 million from $36.0 million in 2018 to $37.0 million in 2019 due to cost of living adjustments for ongoing agreements and services, augmenting contractual staffing to maintain service levels associated with higher passenger volumes, and utility cost increases.

OPEB expense increased $6.2 million due to assumption changes effective at the beginning of the measurement year and benefit changes as a result of Measure F, which decreased the net OPEB liability.

Nonoperating expenses in 2019 decreased by $13.3 million due to the recognition of the participating airline net revenue sharing required by the Airline Lease Agreement.

The Airport recorded $16.3 million in 2019 as a special item pertaining to the rate stabilization fund and ten-year lookback distribution.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Airport expended $41.5 million on both capitalized and noncapitalizable capital activities in FY 20 and $86.1 million in 2019. Major capital projects in 2020 included the economy lot parking garage, Interim Facility, ARFF Facility, airfield electric circuit rehabilitation, network replacement, and parking accessibility upgrade. Major capital projects in 2019 included the Interim Facility, Terminal B expansion ramp, zero emissions buses, network replacement, and airfield electrical circuit rehabilitation.

As of June 30, 2020, the Airport was obligated for purchase commitments relating to capital projects of approximately $13.4 million primarily for the economy lot parking garage. Detailed information about capital assets can be found in Note 3 to the financial statements.

OUTSTANDING DEBT

Subordinated Commercial Paper (CP) Notes

The Subordinated CP debt is a form of variable rate debt with a maturity between 1 to 270 days. As of June 30, 2020 and 2019, the total amount of Subordinated CP Notes outstanding totaled $51.9 million and $52.2 million, respectively. $3.0 million and $55.0 million of Subordinated CP Notes were issued to the Airport in fiscal years ended June 30, 2020 and 2019, respectively. The Airport paid principal of $3.3 million and $10.3 million during each of the fiscal years ended June 30, 2020 and 2019, respectively.

As of June 30, 2020, 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 Note 4 to the financial statements.

Revenue Bonds

As of June 30, 2020 and 2019, the Airport had total outstanding revenue bonds of $1,127.7 million and $1,158.7 million, respectively. During the fiscal years ended June 30, 2020, and 2019, the Airport paid principal of $31.0 million and $28.9 million, respectively.

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

Credit Ratings

As of June 30, 2020, the underlying ratings of the outstanding Airport Revenue Bonds are "A", "A2" and "A" by S&P Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings, Inc., respectively, all with a negative outlook due to the COVID-19 pandemic.

On October 1, 2020, S&P lowered its long-term rating to "A-" from "A" on the revenue bonds, and removed the rating from CreditWatch, where it had been placed with negative implications on August 7, 2020. The outlook is negative.

On October 22, 2020, Moody's completed its periodic review, which maintained the Airport Revenue Bonds "A2" rating. Moody's reported that the "A2" rating reflects the Airport's robust traffic performance in recent years, which along with well-controlled operating expenses has supported improvement in leverage and cost per enplanement (CPE), among other factors.

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 City. The prior Airline Lease Agreement was in effect from December 1, 2007 through June 30, 2019.

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 Carrier's (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 City 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 Note 6 to the financial statements.

The prior Airline Lease Agreement included a revenue sharing provision to evenly divide any net unobligated Airport revenues, after all other obligations were satisfied, between the Airport and the airlines operating at the Airport after each fiscal year. If net revenues exceeded the projected levels outlined in the Airport Forecast, identified in the Airline Lease Agreement, then the airlines' share of the difference was deposited into the Rate Stabilization Fund up to a cap of $9.0 million. Once the Rate Stabilization Fund had been fully funded or in the event that the actual net revenues did not exceed the projected net revenues, the airlines' share of net revenues were applied as a credit to the airline terminal revenue requirement for the following fiscal year, thus reducing terminal rental rates for the following fiscal year. The first $1.0 million of City’s share of any net revenues were retained by the Airport in a discretionary fund to be used for any lawful Airport purpose. The Rate Stabilization Fund was fully funded at $9.0 million during FY 19 and the entire balance was distributed among all the Signatory Airlines at the termination of the prior Airline Lease Agreement in accordance with the terms of the current Airline Lease Agreement. The current Airline Lease Agreement does not provide for a Rate Stabilization Fund.

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 2020 and 2019 were as follows:

	2020	2019
Landing fee (per 1,000 lbs MGLW)	$ 2.87	$ 2.18
Terminal average rental rate (per square foot)	268.31	183.78
Adjusted Airline CPE (budgeted)	11.55	10.07

Terminal rental rates and airline landing fees for FY 21 have been developed as part of the annual budget process. The rates and charges for signatory airlines for FY 21, which became effective July 1, 2020, are as follows:

Landing fee (per 1,000 lbs MGLW)	$ 4.30
Terminal average rental rates (per square foot)	240.82
Adjusted Airline CPE (budgeted)	25.45

After completion of the year-end closing and annual audit, the FY 20 actual net remaining revenues were $25.1 million and will be allocated in accordance with the revenue sharing provisions of the Airline Lease Agreement. As noted in the financial statements, the Signatory Passenger Carriers net revenue sharing portion was $11.9 million for FY 20.

OUTLOOK

The worldwide outbreak of the COVID-19 pandemic caused significant disruptions to domestic and international air travel. Passenger levels declined significantly from mid-March 2020 through June 2020. In response to the projected declining revenues in FY 21, the Airport took several measures to reduce its operating expenses compared to what was initially planned. The total amount of expenditures in the FY 21 operating budget is approximately the same as compared with the total in the FY 20 operating budget, as cost of living and other contractual increases were offset by other expense reductions. In addition, Airport management looked for opportunities to reduce the near-term costs of its Capital Improvement Plan, defer projects where necessary or appropriate, and scale ongoing and future projects appropriately in response to the rate of recovery of the air travel industry. This resulted in budgeted FY 21 capital expense reductions of approximately $79 million, or 63%, compared to the FY 20 budget.

Passenger levels from July through October 2020 exceeded Airport estimates but continue to be significantly below FY 19 levels. For FY 21, passenger projections are approximately 54% less than FY 20, or 6.0 million annual passengers. The Airport included $40 million of CARES Act funding in its FY 21 budget and submitted its first CARES Act reimbursement in September 2020. In the event that actual enplanements are lower than projected or operating expenses are higher than projected, under the Airline Lease Agreement the City is permitted to make certain adjustments to airline landing fees and rents at mid-year or at such other time during the fiscal year as the need for such an adjustment becomes apparent to the City. The Airport continues to monitor the impacts of the COVID-19 pandemic on the operations of the Airport, including factors such as travel restrictions, passenger levels, liquidity, CARES Act funding, and other governmental financial aid.

FORWARD-LOOKING STATEMENTS

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

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

REQUEST FOR INFORMATION

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

Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Norman Y. Mineta San José International Airport, 1701 Airport Blvd., Suite B1130, San José, CA 95110 or to the Director of Finance, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Unrestricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	$ 155,829,484	$ 159,169,837
Receivables:		
Accounts, net of allowance for uncollectible accounts of $551,299 in 2020 and $283,788 in 2019	12,804,325	11,087,452
Accrued interest	885,527	1,183,479
Grants	1,561,139	2,325,772
Prepaid expenses, advances, and deposits	206,766	103,993
Total unrestricted assets	171,287,241	173,870,533
Restricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	49,994,086	34,836,277
Investments held by the fiscal agents (Note 2)	103,850,552	133,293,744
Receivables:		
Accounts, net of allowance for uncollectible accounts of $3,692 in 2020 and $15,000 in 2019	1,596,346	4,789,939
Accrued interest	443,077	569,959
Prepaid expenses, advances, and deposits	1,619	844
Current portion of prepaid bond insurance	93,124	93,124
Total restricted assets	155,978,804	173,583,887
Total current assets	327,266,045	347,454,420
Noncurrent assets:		
Capital assets (Note 3):		
Nondepreciable	126,419,022	96,402,702
Depreciable assets, net of accumulated depreciation	1,163,471,139	1,208,801,789
Total capital assets	1,289,890,161	1,305,204,491
Advances and deposits	1,390,575	1,460,181
Prepaid bond insurance, less current portion	1,848,179	1,941,304
Total noncurrent assets	1,293,128,915	1,308,605,976
Total assets	1,620,394,960	1,656,060,396
Deferred Outflows of Resources		
Deferred outflows of resources:		
Deferred outflows of resources related to pension (Note 7)	18,823,585	18,111,144
Deferred outflows of resources related to OPEB (Note 7)	2,305,823	2,427,063
Loss on refundings of debt	7,639,155	8,127,577
Total deferred outflows of resources	$ 28,768,563	$ 28,665,784

See accompanying notes to the financial statements.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)
Statements of Net Position
June 30, 2020 and 2019

	2020	2019
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 22,358,203	$ 22,994,903
Accrued salaries, wages, and payroll taxes	1,532,867	1,290,134
Accrued vacation, sick leave, and compensatory time, current (Note 5)	1,975,000	1,842,000
Advances and deposits payable	1,897,881	1,846,845
Unearned revenues	2,290,885	3,826,127
Estimated liability for self-insurance, current (Notes 5 and 9)	633,500	633,500
Accrued interest payable	23,340	78,767
Commercial paper notes payable (Note 4)	51,930,000	52,216,000
Total payable from unrestricted assets	82,641,676	84,728,276
Payable from restricted assets:		
Accounts payable	124,227	1,169,431
Accrued salaries, wages, and payroll taxes	-	38,894
Unearned revenues	353,878	95,334
Accrued interest payable	20,123,927	20,739,206
Current portion of bonds payable, net of unamortized discount/premium (Note 5)	36,790,324	34,625,324
Total payable from restricted assets	57,392,356	56,668,189
Total current liabilities	140,034,032	141,396,465
Noncurrent liabilities:		
Bonds payable, less current portion and net of unamortized discount/premium (Note 5)	1,157,993,309	1,194,783,633
Estimated liability for self-insurance, noncurrent (Notes 5 and 9)	2,046,853	1,900,843
Accrued vacation, sick leave, and compensatory time, noncurrent (Note 5)	581,722	397,425
Net pension liability (Note 7)	112,614,873	105,487,247
Net OPEB liability (Note 7)	20,341,520	19,983,200
Total noncurrent liabilities	1,293,578,277	1,322,552,348
Total liabilities	1,433,612,309	1,463,948,813
Deferred Inflows of Resources		
Deferred inflows of resources:		
Deferred inflows of resources related to pension (Note 7)	996,311	60,780
Deferred inflows of resources related to OPEB (Note 7)	2,133,536	3,175,536
Total deferred inflows of resources	3,129,847	3,236,316
Net Position		
Net investment in capital assets	139,387,928	126,419,366
Restricted:		
Per Airline Lease Agreement for Airline revenue sharing	9,768,008	16,058,712
Per Master Trust Agreement for rolling debt service coverage	16,731,846	16,645,496
Per Rental Car Agreement	-	1,000,000
California Government Code Sections 50474.1-50474.3 for Customer Facility Charges	4,651,396	8,068,148
Future debt service (Note 1(j))	13,644,028	20,123,834
Unrestricted	28,238,161	29,225,495
Total net position	$ 212,421,367	$ 217,541,051

See accompanying notes to the financial statements.

Exhibit II

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)

Statements of Revenues, Expenses, and Changes in Net Position

Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Operating revenues:		
Airline rates and charges:		
Landing fees	$ 21,682,500	$ 18,984,453
Terminal rental	62,689,544	42,814,627
Total airline rates and charges	84,372,044	61,799,080
Terminal buildings/concessions	20,623,495	23,716,743
Airfield	6,534,655	8,340,064
Parking and roadway	50,972,941	64,507,752
Fuel handling fees	2,288,616	2,929,570
General aviation/other	10,499,275	10,772,808
Customer facility charges for transportation costs	-	2,761,531
Total operating revenues	175,291,026	174,827,548
Operating expenses:		
Terminal buildings/concessions	41,025,389	37,371,223
Airfield	21,912,191	20,062,237
Parking and roadway	16,760,739	15,837,473
Fuel handling costs	26,607	69,279
General aviation	1,716,754	2,383,080
General and administrative	24,159,104	25,041,601
Depreciation	55,382,980	49,026,263
Total operating expenses	160,983,764	149,791,156
Operating income	14,307,262	25,036,392
Nonoperating revenues (expenses):		
Passenger facility charges	20,456,342	29,735,049
Customer facility charges for debt service	15,393,630	18,703,660
Participating airline net revenue sharing (Note 1(i))	(11,909,916)	(13,943,476)
Investment income	11,265,332	9,893,377
Interest expense	(59,108,078)	(60,380,677)
Operating grants	486,364	719,852
Loss on capital assets disposal	-	(271,269)
Other, net	913,280	1,045,264
Total nonoperating revenues (expenses), net	(22,503,046)	(14,498,220)
Income (loss) before capital contributions	(8,195,784)	10,538,172
Capital contributions	3,076,100	18,747,529
Special item - rate stabilization fund and ten-year lookback distribution (Note 6)	-	(16,266,296)
Change in net position	(5,119,684)	13,019,405
Net position - beginning	217,541,051	204,521,646
Net position - ending	$ 212,421,367	$ 217,541,051

See accompanying notes to the financial statements.

Exhibit III
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)
Statements of Cash Flows
Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Receipts from customers and users	$ 170,139,551	$ 178,409,023
Payments to suppliers	(39,210,584)	(32,827,037)
Payments to employees	(34,988,219)	(32,652,080)
Payments for City services	(23,566,311)	(21,945,655)
Payments to airlines	(13,943,476)	(30,209,772)
Claims paid	(110,280)	(140,975)
Other receipts	1,006,399	1,138,389
Net cash provided by operating activities	59,327,080	61,771,893
Cash flows from noncapital financing activities:		
Operating grants	414,964	946,223
Cash flows from capital and related financing activities:		
Purchases of capital assets	(38,140,109)	(77,586,215)
Principal payments on bonds payable	(31,040,000)	(28,915,000)
Interest paid	(62,875,686)	(63,837,267)
Capital grants	3,912,133	19,978,904
Passenger facility charges received	23,390,470	29,520,735
Customer facility charges received	15,911,639	18,635,818
Proceeds from commercial paper	3,000,000	55,000,000
Principal payments on commercial paper	(3,286,000)	(10,293,000)
Advances and deposits received	69,606	1,355,575
Net cash used in capital and related financing activities	(89,057,947)	(56,140,450)
Cash flows from investing activities:		
Proceeds from sale and maturities investments	33,593,517	73,994,227
Purchase of investments	(13,259,403)	(69,510,989)
Investment income received	10,824,608	8,658,063
Net cash provided by investing activities	31,158,722	13,141,301
Net change in cash and cash equivalents	1,842,819	19,718,967
Cash and cash equivalents - beginning	287,239,930	267,520,963
Cash and cash equivalents - ending	$ 289,082,749	$ 287,239,930

See accompanying notes to the financial statements.

Exhibit III
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Cash Flows
Fiscal Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 14,307,262	$ 25,036,392
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	55,382,980	49,026,263
Special item - rate stabilization fund and ten-year lookback distribution	-	(16,266,296)
Participating airline net revenue sharing	(11,909,916)	(13,943,476)
Other revenues	1,006,402	1,138,389
Decrease (increase) in:		
Accounts receivable	(1,716,873)	3,007,449
Prepaid expenses, advances, and deposits	(103,548)	2,415
Increase (decrease) in:		
Accounts payable and accrued liabilities	(3,089,308)	18,295,265
Advances and deposits payable	51,036	262,582
Unearned revenues	(1,535,241)	(4,877,897)
Estimated liability for self-insurance	146,010	(486,887)
Net pension liability, deferred outflows/inflows of resources related to pension	7,350,716	6,209,673
Net OPEB liability, deferred outflows/inflows of resources related to OPEB	(562,440)	(5,631,979)
Net cash provided by operating activities	$ 59,327,080	$ 61,771,893
Noncash noncapital financing activities:		
Increase (decrease) in operating grants receivable	$ (71,400)	$ 226,370
Noncash capital and related financing activities:		
Increase in accounts payable related to acquisition of capital assets	1,928,540	1,253,935
Decrease in capital grants receivables	836,033	1,231,375
Increase in fair value of investments held by the Fiscal Agent	(865,558)	(879,950)
Amortization of bond discount/premium/prepaid bond insurance	3,492,199	3,492,200
Amortization of deferred outflows/inflows of resources related to bond refundings	(488,422)	(488,422)
Loss on disposal of capital assets	-	(271,272)
Reconciliation of cash and cash equivalents to the statements of net position		
Equity in pooled cash and investments held in City Treasury		
Unrestricted	$ 155,829,484	$ 159,169,837
Restricted	49,994,086	34,836,277
Investments held by the fiscal agents classified as cash equivalents	83,259,179	93,233,816
Total cash and cash equivalents	$ 289,082,749	$ 287,239,930

See accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Reporting Entity

The Norman Y. Mineta San José 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.

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, 2020 and 2019, the changes in its financial position, or, where applicable, its cash flows for the fiscal years then ended in conformity 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 (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by laws or regulations that the activity's cost of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) where the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

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

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

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

(d) Cash and Investments

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

The Airport reports its investments in investment agreements at cost and all other investments are reported at fair value in the accompanying financial statements and the corresponding change in fair value of investments is reported in the year in which the change occurred.

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.

Maintenance, repairs, and minor replacements are expended as incurred. Major replacements that extend the useful life of the related assets are capitalized. No depreciation is provided on construction in progress until construction is substantially complete and the asset is placed in service.

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

	Years
Buildings and improvements	5 - 40
Equipment	4 - 20

(f) Capitalization of Interest

Interest costs related to the acquisition of buildings and improvements acquired with debt are capitalized. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project, with interest earned on invested debt proceeds over the same period. Capitalized interest cost is prorated to completed projects based on the completion date of each project. The Airport did not capitalize interest during fiscal years ended June 30, 2020 and 2019.

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

Effective July 1, 2017, 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.

Grants awarded by 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 Charge

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. In the current Airline Lease Agreement, a provision was added that the fiscal year (FY) 19 terminal true-up and revenue sharing will follow the new lease terms, resulting in a payment to the airlines in FY 20. 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.

The prior Airline-Airport Lease and Operating Agreement, which was in effect from July 1, 2007 through June 30, 2019, also included true-up provisions for the terminal and airfield cost centers as well as a revenue sharing provision. Under the prior agreement, both the terminal and airfield true-ups, and the revenue sharing credited to the airlines, would roll into the following year's airline rates and charges.

(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, 2020 and 2019, accumulated PFC funds amounted to $13,644,028 and $20,123,834, 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 $27,479,274 and $27,025,696 from accumulated PFC funds had been designated as Available PFC Revenues for payment of eligible bond debt service in fiscal years ended June 30, 2020 and 2019, 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. 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 to the extent of the annual debt service on the Airport Revenue Bond Series 2011B. Excess Facility Rent payments (as defined in the On-Airport Rental Car Operations Agreement) were deposited in a Rent Stabilization Fund, up to $1.0 million, and available to reduce Facility Rent in future years. The Airport may make additional deposits into the Rate Stabilization Fund once the balance falls below the $1.0 million limit. The Airport did not expend CFC revenues on the transportation costs in the fiscal year ended June 30, 2020. Transportation costs due from the rental car companies were partly covered by using the $1.0 million in the Rent Stabilization Fund.

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 2011B Bonds during such period. CFC revenues of $19,057,245 and $18,703,660 had been designated as "Other Available Funds" for payment of eligible bond debt service in fiscal years ended June 30, 2020 and 2019, respectively.

(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 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 methodology for the City's pension allocation changed during the year ended June 30, 2020. For the year ended June 30, 2019 and previous years, the Airport recognized a proportionate share of its participation in the City's pension plans based on the Airport's contributions to FCERS relative to the total City contributions to both FCERS and the Police and Fire Department Retirement Plan (PFDRP). While the change in methodology for the City's pension allocation had a negligible impact to the Airport's proportionate share reported in the financial statements, it was determined by the City to be a better practice to isolate and allocate each pension plan separately given there are certain City departments with no employees participating in PFDRP, such as the Airport. 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. For more information regarding the Airport's retirement benefits, please refer to Note 7.

(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. For the year ended June 30, 2019, the Airport was also allocated a pro rata share of the PFDRP OPEB liability covering OPEB costs of Airport related police and fire personnel. During the year ended June 30, 2020, it was determined that the Airport should not be allocated OPEB costs related to the PFDRP, as those costs should only be recovered through the City's interdepartmental charges. The impact of the pro rata share of the PFDRP OPEB plan allocated to the Airport is insignificant to the financial statements, and the removal of this allocation was reflected in the OPEB expense during the year ended June 30, 2020. 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 retirement benefits, please refer to Note 7.

(o) Net Position

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

- Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation, deferred outflows and inflows 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, 2020 and 2019, the Airport’s statements of net position reports restricted net position of $44,795,278 and $61,896,190, respectively, of which $18,295,424 and $28,191,982, respectively, is restricted by enabling legislation.
- Unrestricted Net Position – This category represents the net amount that do not meet the criteria for “restricted” or “net investment in capital assets.”

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

(p) New Pronouncements

During the fiscal year ended June 30, 2020, the Airport implemented the following accounting standards:

- In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The requirements of this statement will provide governments with sufficient time to apply the authoritative guidance addressed in this statement helping to safeguard the reliability of their financial statements, which in turn will benefit the users of those financial statements. The new effective dates of the GASB Statements are reflected in the affected statements summarized below. Application of Statement No. 95 did not have any impact on the Airport's financial statements.

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

- In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities.* This statement establishes criteria for identifying fiduciary activities of all state and local governments and describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Application of Statement No. 84 is effective for the Airport’s fiscal year ending June 30, 2021.
- In June 2017, the GASB issued Statement No. 87, *Leases*. This statement will increase the usefulness of governments’ financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government’s leasing arrangements. GASB Statement No. 87 is effective for the Airport's fiscal year ending June 30, 2022.
- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before*

the End of a Construction Period. The requirements of this statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for business-type activities and enterprise funds. GASB Statement No. 89 is effective for the Airport's fiscal year ending June 30, 2022.

- In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*, to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. GASB Statement No. 90 is effective for the Airport's fiscal year ending June 30, 2021.

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The requirements of this statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. GASB Statement No. 91 is effective for the Airport's fiscal year ending June 30, 2023.

- In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses a variety of topics and includes specific provisions about the following: The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports; Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan; The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for postemployment benefits; The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements; Measurement of liabilities (and assets, if any) related to asset retirement obligations in a government acquisition; Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers; Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature; Terminology used to refer to derivative instruments. GASB Statement No. 92 is effective for the Airport's fiscal year ending June 30, 2022.

- In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement is to address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate. GASB Statement No. 93 is effective for the Airport's fiscal year ending June 30, 2022.

- In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The requirements of this statement will improve financial reporting by establishing the definitions of Public-Private and Public-Public Partnerships (PPP) and Availability Payment Arrangements and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. GASB Statement No. 94 is effective for the Airport's fiscal year ending June 30, 2023.

- In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The requirements of this statement will improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance will result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also will reduce diversity and improve comparability in financial reporting by governments. GASB Statement No. 96 is effective for the Airport's fiscal year ending June 30, 2023.

- In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. GASB Statement No. 97 paragraphs 4 and 5 are effective for the fiscal year ending June 30, 2020, and all other paragraphs are effective for the Airport's fiscal year ending June 30, 2022.

(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 10, 2020. The Investment Policy specifically prohibits trading securities for the sole purpose of speculating or taking an un-hedged position on the future direction of interest rates. Per the Investment Policy, the investments conform to Sections 53600 et seq. of the California Government Code and the applicable limitations contained within the Investment Policy.

The 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, 2020 and 2019, the Airport's share of the City's cash and investment pool totaled $205,823,570 and $194,006,114, 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, 2020 Comprehensive Annual Financial Report (CAFR). 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, 2020 and 2019, restricted investments held by the fiscal agents, comprised of the U.S. Bank National Association (US Bank) and Fiscal Agent, totaled $103,850,552 and $133,293,744, 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, 2020, the Airport's investments in LAIF held by the Fiscal Agent was $56,868,509. The weighted average maturity of LAIF at June 30, 2020 was 191 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2020 was approximately $32.1 billion. The total amount recorded by all public agencies in PMIA at June 30, 2020 was approximately $101.0 billion and, of that amount, 73.16% was invested in U.S. Treasuries and agencies, 18.61% in depository securities, 7.64% in commercial paper, 0.57% in loans, and 0.02% in mortgages.

As of June 30, 2019, the Airport's investments in LAIF held by the Fiscal Agent was $57,525,693. The weighted average maturity of LAIF at June 30, 2019 was 173 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2019 was approximately $24.6 billion. The total amount recorded by all public agencies in PMIA at June 30, 2019 was approximately $105.7 billion and of that amount, 70.72% was invested in U.S. Treasuries and agencies, 22.15% in depository securities, 6.37% in commercial paper, 0.74% in loans, and 0.02% in mortgages.

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

In practice, the City purchases a combination of shorter-term and longer-term investments and times the cash flows to meet liquidity needs for operations. The average maturity of the City's pooled cash and investments at June 30, 2020, and June 30, 2019, was approximately 672 days, and 661 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, 2020 and 2019. The credit ratings listed are for Moody's Investors Service (Moody's) and S&P Global Ratings (S&P), respectively.

As of June 30, 2020

		Maturities				
Type of Investments:	**Credit Rating**	**Under 30 Days**	**31-180 Days**	**181-365 Days**	**1-5 Years**	**Carrying Value**
Investments held by the fiscal agents						
Federated Treasury Obligations Fund	**Aaa-mf/AAAm**	$ 415,102	$ -	$ -	$ -	$ 415,102
Federal National Mortgage Association[1]	**Aaa/AA+**	-	-	5,535,316	-	5,535,316
Federal Farm Credit Bank[1]	**Aaa/AA+**	-	779,515	-	5,616,637	6,396,152
Federal Home Loan Bank[1]	**Aaa/AA+**	-	9,207,632	10,241,855	7,505,619	26,955,106
US Treasury[1]	**Aaa/N/A**	-	-	-	7,469,117	7,469,117
California Local Agency Investment Fund[1]	**Not rated**	-	-	56,868,509	-	56,868,509
Money Market Mutual Fund	**Aaa-mf/AAAm**	211,250	-	-	-	211,250
		$ 626,352	$ 9,987,147	$ 72,645,680	$ 20,591,373	$ 103,850,552

As of June 30, 2019

Type of Investments:	Credit Rating	Maturities Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Carrying Value
Investments held by the fiscal agents						
Federated Treasury Obligations Fund	Aaa-mf/AAAm	$ 311,862	$ -	$ -	$ -	$ 311,862
Federal National Mortgage Association	Aaa/AA+	-	-	-	5,499,438	5,499,438
Federal Agricultural Mortgage	Aaa/AA+	5,394,546	-	-	-	5,394,546
Federal Farm Credit Bank	Aaa/AA+	-	-	-	782,301	782,301
Federal Home Loan Bank[(1)]	Aaa/AA+	-	-	-	26,686,169	26,686,169
US Treasury[(1)]	Aaa/N/A	-	-	-	7,092,020	7,092,020
California Local Agency Investment Fund[(1)]	Not rated	-	57,525,693	-	-	57,525,693
Money Market Mutual Fund[(1)]	Aaa-mf/AAAm	30,001,715	-	-	-	30,001,715
		$ 35,708,123	$ 57,525,693	$ -	$ 40,059,928	$ 133,293,744

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

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, 2020 and June 30, 2019:

Investments by Fair Value Level	Carrying Value at June 30, 2020	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				
Federated Treasury Obligations Fund	$ 415,102	$ -	$ 415,102	$ -
Federal National Mortgage Association	5,535,316	-	5,535,316	-
Federal Farm Credit Bank	6,396,152	-	6,396,152	-
Federal Home Loan Bank	26,955,106	-	26,955,106	-
US Treasury	7,469,117	7,469,117	-	-
Total investments by fair value level	46,770,793	7,469,117	39,301,676	-
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	56,868,509	-	-	-
Money Market Mutual Fund	211,250	-	-	-
Total investments	57,079,759	-	-	-
Total Investments held by the fiscal agents	$ 103,850,552	$ 7,469,117	$ 39,301,677	$ -

Investments by Fair Value Level	Carrying Value at June 30, 2019	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				
Federated Treasury Obligations Fund	$ 311,862	$ -	$ 311,862	$ -
Federal National Mortgage Association	5,499,438	-	5,499,438	-
Federal Agricultural Mortgage	5,394,546	-	5,394,546	-
Federal Farm Credit Bank	782,301	-	782,301	-
Federal Home Loan Bank	26,686,169	-	26,686,169	-
US Treasury	7,092,020	7,092,020	-	-
Total investments by fair value level	45,766,336	7,092,020	38,674,316	-
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	57,525,693	-	-	-
Money Market Mutual Fund	30,001,715	-	-	-
Total investments	87,527,408	-	-	-
Total Investments held by the fiscal agents	$ 133,293,744	$ 7,092,020	$ 38,674,316	$ -

Government agency 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, 2020 and 2019, were as follows:

	Balance at July 1, 2019	Additions	Retirements	Transfers	Balance at June 30, 2020
Capital assets, not depreciated:					
Land	$ 75,781,265	$ -	$ -	$ -	$ 75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	7,739,890	30,656,950	-	(640,630)	37,756,210
Total capital assets, not depreciated	96,402,702	30,656,950	-	(640,630)	126,419,022
Capital assets, depreciated:					
Buildings	1,208,508,414	-	-	576,546	1,209,084,960
Other improvements	636,194,784	8,676,895	-	-	644,871,679
Equipment	74,114,580	734,805	(197,522)	64,084	74,715,947
Total capital assets, depreciated	1,918,817,778	9,411,700	(197,522)	640,630	1,928,672,586
Less accumulated depreciation:					
Buildings	359,225,828	31,365,236	-	-	390,591,064
Other improvements	308,581,731	18,809,775	-	-	327,391,506
Equipment	42,208,430	5,207,969	(197,522)	-	47,218,877
Total accumulated depreciation	710,015,989	55,382,980	(197,522)	-	765,201,447
Total capital assets, depreciated, net	1,208,801,789	(45,971,280)	-	640,630	1,163,471,139
Total capital assets, net	$ 1,305,204,491	$ (15,314,330)	$ -	$ -	$ 1,289,890,161

	Balance at July 1, 2018	Additions	Retirements	Transfers	Balance at June 30, 2019
Capital assets, not depreciated:					
Land	$ 75,781,265	$ -	$ -	$ -	$ 75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	8,495,833	61,616,571	-	(62,372,514)	7,739,890
Total capital assets, not depreciated	97,158,645	61,616,571	-	(62,372,514)	96,402,702
Capital assets, depreciated:					
Buildings	1,162,171,737	4,054,390	(2,283,621)	44,565,908	1,208,508,414
Other improvements	616,591,709	2,854,215	-	16,748,860	636,194,784
Equipment	63,323,704	10,314,974	(581,844)	1,057,746	74,114,580
Total capital assets, depreciated	1,842,087,150	17,223,579	(2,865,465)	62,372,514	1,918,817,778
Less accumulated depreciation:					
Buildings	334,270,640	26,967,540	(2,012,352)	-	359,225,828
Other improvements	290,274,800	18,306,931	-	-	308,581,731
Equipment	39,038,482	3,751,792	(581,844)	-	42,208,430
Total accumulated depreciation	663,583,922	49,026,263	(2,594,196)	-	710,015,989
Total capital assets, depreciated, net	1,178,503,228	(31,802,684)	(271,269)	62,372,514	1,208,801,789
Total capital assets, net	$ 1,275,661,873	$ 29,813,887	$ (271,269)	$ -	$ 1,305,204,491

The Airport's depreciation expense on capital assets was $55,382,980 and $49,026,263 for fiscal years ended June 30, 2020 and 2019, respectively.

(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. If sold as interest bearing notes, then interest will accrue at a rate to be determined upon their issuance calculated on the basis of a 360-day year and actual number of days elapsed.

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 (LOC) 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 a LOC as described below.

In February 2014, the City and Barclays Bank PLC (Barclays) entered into a LOC and Reimbursement Agreement (Barclays Reimbursement Agreement) and a fee letter to specify the facility fee rate and other charges payable by the Airport. Pursuant to the Barclays Reimbursement Agreement, Barclays issued a $65.0 million LOC supporting the Subordinated CP Notes, effective on February 11, 2014 with an initial expiration date of February 10, 2017. On September 16, 2015, the City reduced the LOC stated amount from $65.0 million to approximately $41.0 million. Subsequently, the expiration date of the LOC provided by Barclays was extended to February 8, 2019.

On September 12, 2018, the City substituted the LOC supporting the Subordinated CP Notes issued by Barclays with a LOC issued by Bank of America, N.A (BofA) and the Barclays Reimbursement Agreement and associated fee letter and LOC were terminated. Pursuant to a LOC and Reimbursement Agreement between the City and BofA (BofA Reimbursement Agreement), BofA issued its irrevocable transferrable LOC in the initial stated amount of $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) that is scheduled to expire on September 10, 2021 unless sooner terminated or extended pursuant to its terms. The $75.0 million principal amount of the LOC was secured in order to provide additional capacity for the issuance of the Subordinated CP Notes to finance proposed terminal area projects. The Interim Facility project with the extension of the six new gates at Terminal B was completed in November 2019.

In connection with BofA's issuance of its 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 promissory note payable to BofA in the amount of $81.7 million under which the City promises to pay principal 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 and interest on maturing Subordinated CP Notes in an amount not to exceed the stated amount of the LOC. In the event that the Commercial Paper (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 of the Airport Revenue Bonds.

Events of default under the BofA Reimbursement Agreement include, among others: (i) a default under the MTA or the issuing and paying agent agreement for the Subordinated CP Notes; (ii) non-payment; (iii) a breach of a various covenants; (iv) bankruptcy; (v) breach of representations and warranties; (vi) default on a Secured Debt (as defined in the BofA Reimbursement Agreement); (vii) 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 the 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 City's 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 Airport Revenue Bonds shall continue to be rated by any two of Moody's, Fitch, or S&P), or downgrades by any of Moody’s, Fitch, or S&P of its ratings on the Airport Revenue Bonds below “Baa2”, “BBB”, and “BBB”, respectively, for a period of 120 consecutive calendar days; and (xi) any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of the 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 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 the 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 LOC issued by Barclays and BofA, the City entered into a fee letter with each bank to specify the facility fee rate and other charges payable by the Airport with respect to the respective LOCs. The facility fee rate under each fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the associated 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 respective Reimbursement Agreements. The facility fee rates in effect were 0.35% as of June 30, 2020 and 2019.

The change in Subordinated CP Notes payable during FY 20 and FY 19 were as shown in the table below. The principal amount available under the LOC issued by BofA as of June 30, 2020 is $23.07 million.

	2020	2019
Beginning balance	$ 52,216,000	$ 7,509,000
Additional issuance	3,000,000	55,000,000
Paid	(3,286,000)	(10,293,000)
Ending balance	$ 51,930,000	$ 52,216,000

Balances of Subordinated CP Notes payable as of June 30, 2020 and 2019 were as follows:

As of June 30, 2020	
Series B Subordinated CP Notes that mature on August 12, 2020 were issued with an interest rate of 0.35%	$ 51,930,000
As of June 30, 2019	
Series B Subordinated CP Notes of $37,216,000 with an interest rate of 1.45% and $15,000,000 with an interest rate of 1.54% both maturing on August 14, 2019	$ 52,216,000

Although the Subordinated CP Notes have short-term maturities, the Airport's intent was to roll the outstanding balance over a long-term basis based on the assumption that the outstanding Subordinated CP Notes will be paid down on an 8-year amortization period with the first principal payments paid in FY 19. However, the Airport is monitoring the changes in interest rates and paying down the Subordinated CP Notes as cash flow permits.

(5) Long-Term Obligations

Airport Revenue Bonds are issued primarily to finance the construction of capital improvements at the Airport. Pursuant to the 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 premium, if any, and interest on the bonds. General Airport Revenues generally include all revenues, income, receipts, and moneys derived by the City from the operation of the Airport with the exception of certain expressly excluded revenues.

The net revenues available to pay Debt Service (as defined in the MTA) in fiscal year ended June 30, 2020 totaled $137,166,959, which is composed of $86,078,870 of Net General Airport Revenues (as defined in the MTA) and $51,088,089 of Other Available Funds (as defined in the MTA). Other Available Funds include surplus carryover of $15,385,348, rolling debt service coverage of $16,645,496, and CFC Revenues of $19,057,245. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to $65,778,343, which is net of $27,479,274 of bond Debt Service paid from the accumulated PFC funds.

The Airport reported net revenues available to pay Debt Service in fiscal year ended June 30, 2019 of $151,368,496, which was composed of $88,622,987 of Net General Airport Revenues and $62,745,509 of Other Available Funds. Other Available Funds include surplus carryover of $25,530,263, rolling debt service coverage of $18,511,586, and CFC Revenues of $18,703,660. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to $65,475,337, which is net of $27,025,696 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, Debt Service means for any specified period, the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds. Under the MTA, annual Debt Service excludes Available PFC Revenues for such fiscal year. Total principal and interest remaining on the bonds is $2,041,826,410, with the final payment due on March 1, 2047.

Events of default under the MTA include: (a) non-payment of the principal; (b) non-payment of interest; (c) 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 by a Municipal Bond Insurer (as defined in the MTA), or to the City and the Fiscal Agent by the bond owners who held not less than 25% in aggregate principal amount of the Bonds at the time outstanding; and (d) reorganization or bankruptcy. There is no acceleration remedy in the event of default for any current Airport Revenue Bonds that are outstanding.

Balances of Bonds payable as of June 30, 2020 and 2019 were as follows:

	2020	2019
2017B Series Airport Revenue Bonds of $150,675,000 with interest rates of 4.0% to 5.0%; payable in annual installments ranging from $1,275,000 to $11,180,000 with the final installment due in March 2047	$ 138,705,000	$ 142,595,000
2017A Series Airport Revenue Bonds of $473,595,000 with interest rates of 4.0% to 5.0%; payable in annual installments ranging from $4,005,000 to $35,145,000 with the final installment due in March 2047	435,995,000	448,205,000
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 Bonds of $57,350,000 with interest rates of 3.2% to 5.0%; payable in annual installments ranging from $140,000 to $9,175,000 with the final installment due in March 2026	42,135,000	49,155,000
2011B Series Airport Revenue Bonds of $271,820,000 with interest rates of 4.1% to 6.8%; payable in annual installments ranging from $2,865,000 to $27,330,000 with the final installment due in March 2041	255,760,000	258,150,000
2011A-2 Series Airport Revenue Bonds of $86,380,000 with interest rates of 4.0% to 5.3%; payable in annual installments ranging from $2,110,000 to $12,220,000 with the final installments due in March 2034	68,225,000	70,230,000
2011A-1 Series Airport Revenue Bonds of $150,405,000 with interest rates of 5.0% to 6.3%; payable in annual installments ranging from $3,710,000 to $21,115,000 with the final installment due in March 2034	118,575,000	122,100,000
Total bonds payable	$ 1,127,690,000	$ 1,158,730,000

Bonds outstanding and related activities for the fiscal years ended June 30, 2020 and 2019, were as follows:

	Balance at July 1, 2019	Additions	Retirements	Balance at June 30, 2020	Amounts Due Within One Year
2017B Series	$ 142,595,000	$ -	$ 3,890,000	$ 138,705,000	$ 4,070,000
2017A Series	448,205,000	-	12,210,000	435,995,000	12,795,000
2014C Series	40,285,000	-	-	40,285,000	-
2014B Series	28,010,000	-	-	28,010,000	-
2014A Series	49,155,000	-	7,020,000	42,135,000	7,655,000
2011B Series	258,150,000	-	2,390,000	255,760,000	2,865,000
2011A-2 Series	70,230,000	-	2,005,000	68,225,000	2,110,000
2011A-1 Series	122,100,000	-	3,525,000	118,575,000	3,710,000
Total long-term debt	1,158,730,000	-	31,040,000	1,127,690,000	33,205,000
Add unamortized:					
Premium	75,729,365	-	3,818,420	71,910,945	3,818,420
Less unamortized:					
Discount	5,050,408	-	233,096	4,817,312	233,096
Total long-term debt, net	$ 1,229,408,957	$ -	$ 34,625,324	$ 1,194,783,633	$ 36,790,324

	Balance at July 1, 2018	Additions	Retirements	Balance at June 30, 2019	Amounts Due Within One Year
2017B Series	$ 146,170,000	$ -	$ 3,575,000	$ 142,595,000	$ 3,890,000
2017A Series	459,450,000	-	11,245,000	448,205,000	12,210,000
2014C Series	40,285,000	-	-	40,285,000	-
2014B Series	28,010,000	-	-	28,010,000	-
2014A Series	56,040,000	-	6,885,000	49,155,000	7,020,000
2011B Series	260,095,000	-	1,945,000	258,150,000	2,390,000
2011A-2 Series	72,140,000	-	1,910,000	70,230,000	2,005,000
2011A-1 Series	125,455,000	-	3,355,000	122,100,000	3,525,000
Total long-term debt	1,187,645,000	-	28,915,000	1,158,730,000	31,040,000
Add unamortized:					
Premium	79,547,785	-	3,818,420	75,729,365	3,818,420
Less unamortized:					
Discount	5,283,504	-	233,096	5,050,408	233,096
Total long-term debt, net	$ 1,261,909,281	$ -	$ 32,500,324	$ 1,229,408,957	$ 34,625,324

Scheduled maturities of outstanding Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2021	$ 33,205,000	$ 60,701,680
2022	34,975,000	59,035,020
2023	24,630,000	57,295,803
2024	26,755,000	56,033,645
2025	28,995,000	54,669,933
2026-2030	168,695,000	250,088,262
2031-2035	244,930,000	192,679,762
2036-2040	256,090,000	123,406,790
2041-2045	218,970,000	53,387,015
2046-2047	90,445,000	6,838,500
Total	$ 1,127,690,000	$ 914,136,410

A number of limitations and restrictions are imposed upon the Airport by covenants relating to certain outstanding Bonds. As of June 30, 2020 and 2019, 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, 2020 and 2019 were as follows:

	Balance at July 1, 2019	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2020	Amounts Due Within One Year
Self-insurance	$ 2,534,343	$ 256,164	$ (110,154)	$ 2,680,353	$ 633,500
Accrued vacation, sick leave and compensatory time	2,239,425	1,620,154	(1,302,857)	2,556,722	1,975,000
Total	$ 4,773,768	$ 1,876,318	$ (1,413,011)	$ 5,237,075	$ 2,608,500

	Balance at July 1, 2018	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2019	Amounts Due Within One Year
Self-insurance	$ 3,021,230	$ (345,912)	$ (140,975)	$ 2,534,343	$ 633,500
Accrued vacation, sick leave and compensatory time	2,328,401	1,502,670	(1,591,646)	2,239,425	1,842,000
Total	$ 5,349,631	$ 1,156,758	$ (1,732,621)	$ 4,773,768	$ 2,475,500

(6) Lease and Agreements

The City entered into an 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 Signatory Passenger Carriers and the City. The prior Airline Lease Agreement was in effect from December 1, 2007 through June 30, 2019.

The key provisions in the Airline Lease Agreement include compensatory rate making for the terminal cost center and residual rate making for the airfield cost center. The terminal rate per square foot is calculated based on expenses allocable to the Terminal for each fiscal year divided by the total amount of rentable terminal space. Should there be any 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 Carrier's 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 percent 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 60%/40% (Signatory Airlines/Airport) 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 percent and not more than 25 percent 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.

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, 2020 and 2019, the Airport's revenues as defined in its lease agreements exceeded its expenditures and reserve requirements by $19,681,440 and $16,371,553, respectively. The surplus for the fiscal year ended June 30, 2020 will be divided by allocating the first $4 million to the Airport then splitting the balance 40/60 between the Airport and the Signatory Passenger Carrier, respectively, in accordance with the revenue sharing provisions of the Airline Lease Agreement. The surplus for the fiscal year ended June 30, 2019 was divided 50/50 between the Airport and all airlines in accordance with the revenue sharing provisions in effect at the time.

In December 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 for 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 4 acres (Additional Premises) bringing the total lease to approximately 33 acres. The base ground rental is subject to a consumer price index adjustment annually and by appraisal every five years. The interim rent on the Additional Premises ended effective January 02, 2020 per the First Amendment. The annual base ground rental rate as of May 1, 2020 is $2.49135 per square foot for the entire site. Rental revenues from the ground lease with Signature were $3,301,439 and $3,237,473 for the fiscal years ended June 30, 2020, and 2019, respectively.

The Airport also enters into leases with concessionaires, cargo carriers, and other business entities for building space and/or the privilege of operating a concession at the Airport. As of June 30, 2020, the remaining terms of these operating leases range from one month to 18 years. The leases with concessionaires are generally based on the greater of a percentage of their sales or a minimum annual guaranteed amount (MAG).

Rental revenues from the aforementioned operating leases were $107,321,824 and $99,708,486 for the fiscal years ended June 30, 2020 and 2019, respectively. Revenue from these operating leases is spread among the various cost centers depending on the location of the leased space.

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

Fiscal Year Ending June 30,	
2021	$ 93,018,527
2022	106,259,677
2023	104,514,165
2024	103,179,920
2025	99,773,558
2026-2030	402,964,795
2031-2035	60,467,748
2036-2040	35,839,938
2041-2045	25,111,629
2046-2050	27,052,356
2051-2055	29,143,070
2056-2060	31,395,363
2061-2065	23,262,473
Total minimum lease rentals	$ 1,141,983,219

These future minimum rentals are based upon annual rates and charges currently agreed to by the airlines and other tenants. FY 2021 rental revenues reflect the financial relief offered to rental cars and some terminal concessionaires described in Subsequent Events, Note 11, to the financial statements.

As of June 30, 2020, and 2019, assets leased to tenants had total historical costs of $1,095,136,142 and $1,091,338,819 and accumulated depreciation of $307,234,919 and $277,498,798, respectively.

Pursuant to the terms of individual agreements entered into with the City, every Non-Signatory Airline, operator, tenant or any other entity or person, which is party to an agreement with the City authorizing them to conduct business at the Airport, is required to maintain a security deposit on file with the City. The deposit shall be in a form and amount acceptable to the Director of Aviation, often in the form of irrevocable LOC, surety bond, cashier’s check or other form acceptable to the Director of Aviation. The Director of Aviation has the authority to revise the amount of security deposit at any time to protect the interests of the City. Each deposit must be maintained in full force and effect during the entire term of the agreement to ensure faithful performance by the other party of all the covenants, terms and conditions of the agreement. Security deposits in the form of cashier’s checks are recorded as advances and deposits payable on the accompanying statements of net position. The Airport maintains on file copies of all security deposits, in the form of LOC or surety bond, which are not recorded in the financial statements. The amount on file as of June 30, 2020 and 2019 totaled $22,074,567 and $34,539,983, respectively. The main reason for the decrease in LOC year-over-year is Signatory Airlines are no longer required to provide a security deposit under the Airline Lease Agreement effective July 1, 2019.

Rate Stabilization Fund and Ten-Year Lookback Distribution – The Rate Stabilization Fund under the prior Airline Lease Agreement was a fund of up to $9.0 million that was maintained by the City to facilitate the deposit and collection of moneys from the rates and charges of users of the Airport in the amounts and at the times needed to satisfy the financial requirements and contractual obligations of the Airport and to insure the City's ability to meet its obligations under the MTA.

The City distributed the entire balance remaining in the Rate Stabilization Fund under Section 9.11 of the prior Airline Lease Agreement in effect through June 30, 2019 among all the Signatory Airlines under the prior Airline Lease Agreement in the proportion to each airline's share, if any, of enplaned passengers for all Signatory Airlines for FY 15.

Under the terms of the Airline Lease Agreement, the City also distributed any overpayment of terminal rents by the airlines under the prior Airline Lease Agreement in effect through June 30, 2019. The overpayment of terminal rents by the passenger airlines resulted from the City’s annual calculation of terminal rents in a manner that was not consistent with the terms of the prior Airline Lease Agreement between the passenger airlines and the City. Specifically, from FY 08 to FY 17, the City did not include the City office and administrative space at the terminals that should have been counted as “Rentable Terminal Space” under the terms of the Airline Lease Agreement for the purpose of calculating terminal rents to be charged to the passenger airlines.

All of the eligible airlines met the conditions for the distribution of the Rate Stabilization Fund and Ten-Year Lookback by the end of June 30, 2019 deadline, and the corresponding $16,266,296 expense was recorded as a Special Item in the accompanying FY 19 financial statements because it is infrequent in occurrence.

(7) 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. Unrepresented executive management and professional employees who are hired directly into a position in the City's unrepresented executive management unit (Unit 99) and who are first hired on or after January 20, 2013, have a one-time irrevocable election to either participate in a defined contribution plan 401(a) plan that excludes participation in retiree healthcare or become a Tier 2 member in the FCERS; to be eligible, an employee must not have previously been a member of the Retirement Systems. 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, 1737 North First Street, Suite 600, San José, California 95112. The Airport presents the related defined benefit disclosures of FCERS as a participant in a cost-sharing arrangement with the City.

(b) Benefits Provided

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.

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

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

The Federated Framework includes among other things, revised Tier 2 pension benefits that include increased pension benefits for Tier 2 employees while preserving the 50/50 cost sharing between the City and Tier 2 employees; closing the defined benefit retiree healthcare benefit to new employees, as well as agreement on a new lowest cost medical plan associated with retiree healthcare; allowing Tier 1 and some Tier 2 employees to opt out of the applicable Postemployment Healthcare Plan to a Voluntary Employee Benefit Association (VEBA) for retiree healthcare subject to legal and Internal Revenue Service approval (which has since been received); allowing Tier 1 employees who terminated employment with the City and either subsequently returned or who return in the future to return as Tier 1 employees; and continuing the elimination of the Supplemental Retiree Benefit Reserve (SRBR). The Federated Framework also included an agreement that a ballot measure would be placed on the November 8, 2016 election for the voters to replace Measure B as described below. On November 8, 2016, the voters approved the Alternative Pension Reform Act known as Measure F. Measure F included, among other things, prohibiting any enhancements to defined retirement benefits without voter approval; codifying the Tier 2 pension benefit; closing the defined benefit retiree healthcare plan; and prohibiting retroactive defined retirement benefit enhancements.

The specific terms of FCERS are set forth in the Municipal Code. FCERS has different benefit Tiers. Prior to June 18, 2017, FCERS had Tier 1, Tier 2, Tier 2B, and Tier 2C. Tier 2, Tier 2B, and Tier 2C had the same reduced pension benefits as compared to Tier 1. Tier 2 had the same retiree healthcare (medical and dental) benefits as Tier 1. Tier 2B originally consisted of employees who were newly hired or rehired on or after September 27, 2013 and were not eligible for the defined benefit; however, the City was responsible for the contributions that both the City and the Tier 2B members would have otherwise paid for retiree healthcare had those employees been eligible. Tier 2C had retiree dental benefits but no retiree medical benefits.

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

The payroll for Airport employees covered by the FCERS for the fiscal years ended June 30, 2020 and 2019 was $17,270,097 and $16,189,970, respectively. The Airport’s total payroll for the fiscal years ended June 30, 2020 and 2019 was $22,288,349 and $20,872,191, 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[1]	Tier 1	Medical/Dental[2][4]
Tier 1 Rehire	- Former Tier 1 rehired on or after September 30, 2012 through June 17, 2018[1]	Tier 1	Medical/Dental[2][4][5]
Tier 1 Classic	- "Classic" membership with CalPERS/reciprocal agency hired on or after September 27, 2012, but before September 27, 2013 - "Classic" membership with CalPERS/reciprocal agency hired on or after September 27, 2013[6]	Tier 1	Medical/Dental[3][4] Not eligible[3][4]
Tier 2 (or Tier 2A)	- Hired/rehired/reinstated on or after September 30, 2012	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 Postemployment Healthcare Plan or opt-in to the defined contribution VEBA. Please note that those who opted in to the VEBA are no longer eligible for the Postemployment Healthcare Plan. The VEBA was implemented on March 25, 2018.
[3] Employees in these Tiers were mandatorily placed into the VEBA.
[4] Unrepresented employees were eligible to opt in to the VEBA, but are not eligible to make ongoing contributions to the VEBA.
[5] All Tier 1 rehires formerly in Tier 1B and Tier 1C who opted to remain in the Postemployment Healthcare Plan began contributing to retiree healthcare 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 Contributions 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	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)	2.0% x Years of Federated City Service x Final Compensation (70% max)
	If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months.	"Final Compensation" is the average monthly (or biweekly) base pay for the highest 3 consecutive Years of Federated City Service.
	If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months.	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 Federated City Service	
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation.) If under 55 years old, subtract 0.5% for every year under age 55. For those entering the System 9/1/98 or later, the calculation is as follows: 20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service. (Maximum 75% of Final Compensation)		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, FCERS adopted a reciprocal agreement with CalPERS. This may result in improved benefits for members who transfer between this retirement system and CalPERS or certain other public agency retirement systems that also have reciprocal agreements with CalPERS. 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, CPIU, December to December), or a back loaded 2% COLA per fiscal year. The back loaded COLA shall be calculated as follows: i. Service at retirement of 1-10 years: 1.25% per year ii. Service at retirement of 1-10 years and hired before June 16, 2017: 1.5% iii. Service at retirement of 11-20 years: 1.5% per year iv. Service at retirement of 21-25 years: 1.75% per year v. Service at retirement of 26 years and above: 2.0% per year The first COLA will be prorated based on the number of months retired.	

(1) 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.

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

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

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

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

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

Notes: For death before retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death, remarriage, or establishment of a domestic partnership if member was at least 62 with at least 20 years of service (or 55 with a reduction factor of 5%) at the time of death. For death after retirement, the survivorship allowance to surviving spouse/domestic partner lasts until death.

(c) Contributions

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

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 pension benefits to FCERS.

Subsequently, in October 2014, the FCERS' Board 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 to be applied to the discount rate of the City's prefunding of its contribution. The incremental reduction is 15% per year, up to a maximum of 45%, which was the reduction to the discount rate that was applied to calculate the actuarially determined prepayment amount for the Tier 1 members to be paid by the City at the beginning of the fiscal year ended June 30, 2019. However, the City elected to not prefund its actuarially determined contribution for Tier 1 members for the fiscal year ended June 30, 2020.

In FY 11, the FCERS' Board approved the establishment of a "floor funding method", commencing with FY 12, setting the City's funding policy contribution amount to be the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

In February 2016, the FCERS' Board approved the City's request that the floor methodology for Tier 1 pension contributions be used only for the annual employer normal cost contribution (which includes administrative expenses) and that the annual employer Unfunded Accrued Liability (UAL) contribution be set at the dollar amount recommended by the actuary and adopted by the Board in the annual actuarial valuation report beginning FY 17. The "floor funding method" does not apply to FCERS Tier 2A and Tier 2B members.

Under GASB Statement No. 68, 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.

FCERS contribution rates for the Airport and the participating employees for the periods July 1, 2018 through June 30, 2019 and July 1, 2019 through June 30, 2020 were established in accordance with actuarially determined requirements computed through actuarial valuations performed as of June 30, 2017, and June 30, 2018, respectively, for the Defined Benefit Pension Plan.

Defined Benefit Pension Plan	Airport's Contribution[1]		Employees' Contribution[2]	
Pay Period	**Tier 1**	**Tier 2**	**Tier 1**	**Tier 2**
July 1, 2018 - June 30, 2019	99.16%	8.28%	6.81%	8.28%
July 1, 2019 - June 27, 2020	19.34% *	8.33%	7.06%	8.33%
As of June 28, 2020	19.82%	7.92%	7.22%	7.92%

[1] For Tier 1 members, the actual contribution rates paid by the City for fiscal year ended June 30, 2020 and June 30, 2019 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 3/24/19, reclassified Tier 1 members paid an additional 3.00% in contributions. Classic Tier 1 members paid an additional 1.46% effective 8/12/18.

* Contributions are structured as a normal cost, plus a payment on the UAL. City contributions are administered as a contribution rate plus a minimum dollar amount based on actuarial payroll.

The Airport's contributions paid during the fiscal year ended June 30, 2020 were $10,634,355.

The Airport's contributions paid during the fiscal year ended June 30, 2019 were $9,989,148.

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

As of June 30, 2020, the Airport reported $112,614,873 of net pension liability (NPL) for its proportionate share of the City's NPL. The NPL of the FCERS was measured as of June 30, 2019, 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, 2018 and rolled forward to June 30, 2019 using standard update procedures. The Airport's percentage of the City's NPL for the FCERS NPL was 5.4% as of June 30, 2019, the measurement date.

For the fiscal year ended June 30, 2020, the Airport recognized pension expense of $17,985,072 for FCERS. As of June 30, 2020, 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	$ 10,634,355	$ -
Differences between expected and actual experience	525,939	526,942
Changes in assumptions	2,457,909	469,369
Net difference between projected and actual earnings on pension plan investments	5,205,382	-
	$ 18,823,585	$ 996,311

As of June 30, 2020, $10,634,355 was reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021.

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

	Deferred Outflows (Inflows) of Resources
2021	$ 3,435,765
2022	1,400,776
2023	1,605,013
2024	751,365
	$ 7,192,919

As of June 30, 2019, the Airport reported $105,487,247 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, 2018, and the TPL for the FCERS used to calculate the NPL was determined by actuarial valuation for FCERS as of June 30, 2017 and rolled forward to June 30, 2018 using standard update procedures. The Airport's percentage of the City's NPL of the FCERS NPL was 5.3% as of June 30, 2018, the measurement date. In FY 20, the Airport adjusted its net pension liability to remove its proportionate share of the City's net pension liability for PFDRP as explained in Note 1 (m). PFDRP amounts were immaterial to the FY 19 financial statements.

For the fiscal year ended June 30, 2019, the Airport recognized pension expense of $16,198,821 for the FCERS. As of June 30, 2019, 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	$ 9,989,148	$ -
Differences between expected and actual experience	2,433,884	60,780
Changes in assumptions	326,606	-
Net difference between projected and actual earnings on pension plan investments	5,361,506	-
	$ 18,111,144	$ 60,780

As of June 30, 2019, $9,989,148 was reported as deferred outflows of resources related to contributions for the FCERS subsequent to the June 30, 2018 measurement date was recognized as a reduction of the NPL in the fiscal year ended June 30, 2020.

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

	Deferred Outflows (Inflows) of Resources
2020	$ 6,368,567
2021	2,159,174
2022	(518,842)
2023	52,317
	$ 8,061,216

(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, 2020 and June 30, 2019 are from the FCERS actuarial valuation reports with valuation dates of June 30, 2018 and June 30, 2017, respectively. The valuation reports were rolled forward to June 30, 2019 and June 30, 2018, respectively, using standard update procedures:

	Method/Assumption (June 30, 2020)	Method/Assumption (June 30, 2019)
Measurement date	June 30, 2019	June 30, 2018
Valuation date	June 30, 2018	June 30, 2017
Actuarial Cost Method	Entry Age	Entry Age
Inflation rate	2.50%	2.50%
Discount rate	6.75% per annum	6.875% per annum
Mortality		
(a) Service:	Healthy annuitants: 0.952 for males and 0.921 for females, times the CalPERS 2009 Healthy Annuitant Mortality Table. Healthy non-annuitants: 0.919 for males and 0.918 for females, times the CalPERS 2009 Employee Mortality Table.	Healthy annuitants: 0.952 for males and 0.921 for females, times the CalPERS 2009 Healthy Annuitant Mortality Table. Healthy non-annuitants: 0.919 for males and 0.918 for females, times the CalPERS 2009 Employee Mortality Table.
(b) Disability:	Disabled annuitants: 1.051 for males and 1.002 for females, times the CalPERS 2009 Ordinary Disabled Mortality table. Mortality is projected from 2009 on a generational basis using the MP-2018 scale.	Disabled annuitants: 1.051 for males and 1.002 for females, times the CalPERS 2009 Ordinary Disabled Mortality table. Mortality is projected from 2009 on a generational basis using the MP-2017 scale.
Active, withdrawal, death, disability, service retirements	Tables based on current experience.	Tables based on current experience.
Salary increases		
Wage Inflation	The base wage inflation assumption of 3.25% plus a merit / longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of	The base inflation assumption of 2.85% plus a merit / longevity increase based on years of service ranging from 4.50% at hire to 0.25% for members with 14 or more years of service.
Merit increase	For the amortization schedule, payroll is is assumed to grow 3.25% per year.	For the amortization schedule, payroll is assumed to grow 3.00% per year.
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, 2019, and June 30, 2018 measurement dates, using a long-term expected rate of return on investments of 6.750% and 6.875% with a valuation date of June 30, 2018 and June 30, 2017:

Notes to the Financial Statements
June 30, 2020 and 2019

Asset Class	2019 Target Asset Allocation	2019 Long-Term Expected Real Rate of Return	2018 Target Asset Allocation	2018 Long-Term Expected Real Rate of Return
Public equity	30%	6.2%	28%	4.0%
Short-term investment grade bonds	20%	0.8%	-	-
Private equity	10%	7.3%	9%	6.4%
Market neutral strategies	7%	2.7%	11%	2.8%
Bonds (immunized cash flows)	5%	0.8%	-	-
Core real estate	5%	3.1%	-	-
Venture / Growth capital	5%	7.2%	-	-
Private debt	4%	4.6%	6%	3.9%
Commodities	3%	2.3%	4%	1.9%
Emerging market bonds	3%	2.6%	4%	2.4%
Growth real estate	3%	5.3%	-	-
Private real assets	3%	6.7%	-	-
Treasury inflation protected securities	2%	1.0%	-	-
Core bonds	-	-	25%	1.1%
High yield debt	-	-	4%	2.6%
Infrastructure	-	-	1%	3.0%
Real estate	-	-	8%	3.9%
Cash	-	-	-	-
Total	100%		100%	

Discount Rate - The discount rates used to measure the total pension liability as of June 30, 2019 and June 30, 2018 were 6.750% and 6.875%, respectively, for the FCERS plan for valuations dated June 30, 2018 and June 30, 2017. 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 allocation was based on 5.4% of the City's net pension liability at the measurement date June 30, 2019, and on 5.3% of the City's net pension liability at the measurement date June 30, 2018.

As of June 30, 2020:	1% Decrease 5.75%	Measurement Date Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	$ 155,684,492	$ 112,614,873	$ 77,500,252

As of June 30, 2019:	1% Decrease 5.875%	Measurement Date Discount Rate 6.875%	1% Increase 7.875%
Net pension liability	$ 147,235,704	$ 105,487,247	$ 71,448,389

As of June 30, 2018 and June 30, 2017, the actuarial valuation dates, the FCERS' Board was utilizing a discount rate of 6.750% and 6.875%, respectively. 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.

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. 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, 2020 and June 30, 2019, the Airport had no outstanding contribution payable to the pension plan.

(g) Other Postemployment Benefits Under GASB Statement No. 75

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 are 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, 2020 CAFR, the City established VEBA for retiree healthcare for the members of the FCERS in FY 18. The City does not make contributions into the VEBAs and the VEBAs are not subject to the jurisdiction of the Retirement Board.

In November 2017, the Internal Revenue Service and City entered into a Closing Agreement whereby FCERS Tier 1 and some FCERS Tier 2 members were eligible for an irrevocable opt-out of the applicable Postemployment Healthcare Plan into a VEBA. The transfer of their retiree healthcare contributions (medical and dental) from the applicable Postemployment Healthcare Plan to their individual VEBA accounts remained subject to Internal Revenue Service approval. The VEBA opt-in election period was October 18, 2017 through December 15, 2017. In February 2018, the Internal Revenue Service issued favorable private letter rulings with respect to the transfer of retiree healthcare contributions from the Postemployment Healthcare Plan for those employees opting into a VEBA and in March 2018, the retiree healthcare contributions of members who opted in to a VEBA were transferred from the applicable Postemployment Healthcare Plan into their individual VEBA accounts. The Internal Revenue Service also approved allowing eligible employees who are rehired by the City during calendar years 2018 through 2022 to opt into the applicable VEBA and transfer the retiree healthcare contributions from the applicable Postemployment Healthcare Plan to their individual VEBA accounts. Additional information can be found in Section IV.A.4 of the Notes to the Basic Financial Statements in the City's June 30, 2020 CAFR.

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. The FCERS transitioned into annual valuation beginning June 30, 2010, from biennial actuarial valuation.

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%, which was the reduction to the discount rate that was applied to calculate the actuarially determined prepayment amount for the participating members to be paid by the City at the beginning of fiscal years ended June 30, 2019. However, the City elected to not prefund its actuarially determined contribution for Tier 1 members for the fiscal year ended June 30, 2020.

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

Historically, member and City contributions to the Postemployment Healthcare Plan were negotiated through collective bargaining and was 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 City continued to pay the phased-in contribution rate until the beginning of FY 19 when it commenced paying the ADC as determined by the FCERS Board subject to a cap of 14% of payroll of all active members of FCERS.

The contributions to the FCERS Postemployment Healthcare Plan for the Airport and the participating employees for the periods July 1, 2018 through June 30, 2019 and June 1, 2019 through June 30, 2020 are shown below.

Postemployment Healthcare Plan	Airport's Contribution		Employee's Contribution	
Pay period	Tier 1	Tier 2	Tier 1	Tier 2
July 1, 2018 - June 30, 2019	*	*	7.50%	7.50%
July 1, 2019 - June 30, 2020	*	*	7.50%	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 City's contribution for FCERS Postemployment Healthcare Plan during the fiscal year ended June 30, 2020 of contributions that covered Tier 1 and Tier 2 in the amount of $21,246,777 was for the City as a whole. The Airport's contributions paid during the fiscal year ended June 30, 2020 were $1,183,200. The Airport's contributions paid during the fiscal year ended June 30, 2019 were $1,872,043.

As of June 30, 2020, the Airport reported $20,341,520 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, 2019, 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, 2018 and rolled forward to June 30, 2019 using standard update procedures. The Airport's percentage of the City's net OPEB liability of the FCERS' net OPEB liability was 5.4% as of June 30, 2019, the measurement date.

As of June 30, 2019, the Airport reported $19,983,200 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 to FCERS relative to the total City's OPEB contributions to FCERS. The net OPEB liability of FCERS was measured as of June 30, 2018, and the total OPEB liability for FCERS used to calculate the net OPEB liability was determined by an actuarial valuation for FCERS Postemployment Healthcare Plan as of June 30, 2017 and rolled forward to June 30, 2018 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, 2018 the measurement date. In FY 20, the Airport adjusted its net OPEB liability to remove its proportionate share of the City's net OPEB liability for PFDRP as explained in Note 1(n). PFDRP amounts were immaterial to the FY 19 financial statements.

The net OPEB liability of FCERS as of June 30, 2020 and June 30, 2019 was measured as of June 30, 2019 and June 30, 2018, respectively, and the total OPEB liability for FCERS used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2018 and June 30, 2017 based on the following actuarial methods and assumptions and rolled forward to June 30, 2019 and June 30, 2018, respectively, using standard update procedures.

	Method/Assumption (June 30, 2020)	**Method/Assumption (June 30, 2019)**
Measurement date	June 30, 2019	June 30, 2018
Valuation date	June 30, 2018	June 30, 2017
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%	2.50%
Discount Rate (net)	6.75%	6.875%
Merit Increase	Merit component added based on an individual's years of service ranging from 4.50% at hire to 0.25%.	Merit component added based on an individual's years of service ranging from 4.50% at hire to 0.25%.
Wage Inflation Rate	3.25%	3.25%
Investment Rate of Return	6.75%	6.875%
Mortality Rate*	Mortality is projected from 2009 on a generational basis using the MP-2018 scale.	Mortality is projected from 2009 on a generational basis using the MP-2017 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 8.00% to 4.25% per annum graded down over a 15 year period for medical-pre age 65 and 6.00% to 4.25% per annum graded down over a 15 year period 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 8.5% to 4.25% per annum graded down over a 15 year period for medical-pre age 65 and 6.0% to 4.25% per annum graded down over a 15 year period for medical-post age of 65. Dental inflation is assumed to be 3.50%

* FCERS Mortality Rates

Category	Male	Female
Healthy Annuitant	0.952 times the CalPERS 2009 Healthy Annuitant Mortality Table (Male)	0.921 times the CalPERS 2009 Healthy Annuitant Mortality Table (Female)
Healthy Non-Annuitant	0.919 times the CalPERS 2009 Employee Mortality Table (Male)	0.918 times the CalPERS 2009 Employee Mortality Table (Female)
Disabled Annuitant	1.051 times the CalPERS 2009 Ordinary Disability Mortality Table (Male)	1.002 times the CalPERS 2009 Ordinary Disability Mortality Table (Female)

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

Rates of Termination

Age	0 Years of Service	1-4 Years of Service	5 or more Years of Service
20	18.00%	17.50%	9.00%
25	18.00%	15.50%	9.00%
30	18.00%	13.50%	7.00%
35	18.00%	11.50%	5.50%
40	18.00%	9.50%	4.50%
45	18.00%	8.00%	3.50%
50	18.00%	7.00%	3.00%
55	18.00%	6.00%	3.00%
60	18.00%	5.00%	-
65	-	-	-

Note: Withdrawal/terminations 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 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.

For FCERS Postemployment Healthcare Plan, the assets were invested both in a 401(h) account within FCERS pension plan and in a 115 trust account. The table below refers only to the 115 trust account. The 401(h) account was depleted during FY 19. 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, 2019, using a long-term expected rate of return on investments of 6.750% with a valuation date of June 30, 2018:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	56%	6.1%
Short-term investment grade bonds	29%	0.8%
Core real estate	10%	4.3%
Commodities	5%	2.3%
Cash	-	0.3%
Total	100%	

As of June 30, 2018, using a long-term expected rate of return on investments of 6.875% with a valuation date of June 30, 2017:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	55%	4.7%
Short-term investment grade bonds	28%	0.8%
Core real estate	8%	2.7%
Commodities	5%	1.9%
Cash	-	0.2%
Natural resources	4%	4.4%
Total	100%	

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2019 and June 30, 2018 were 6.750% and 6.875%, respectively, based on the long-term expected rate of return on investments, for FCERS plan valuations dated June 30, 2018 and June 30, 2017. It is assumed that FCERS members' contributions and City contributions will continue at the current contribution rates and that the City will contribute the actuarially determined contribution toward the explicit subsidy up to a maximum of 14% 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 positions are 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 liabilities.

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.

As of June 30, 2020, the Airport's share of the City's net OPEB liability was based on 5.4% of the Airport's proportion of the City's net OPEB liability for FCERS at the measurement date, June 30, 2019.

As of June 30, 2020:	1% Decrease (5.75%)	Measurement Date Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	$ 25,564,903	$ 20,341,520	$ 16,092,576

As of June 30, 2019, the Airport's share of the City's net OPEB liability was based on 5.4% of the Airport's proportion of the City's net OPEB liability for FCERS at the June 30, 2018 measurement date.

As of June 30, 2019:	1% Decrease (5.875%)	Measurement Date Discount Rate (6.875%)	1% Increase (7.875%)
Net OPEB liability	$ 25,003,324	$ 19,983,200	$ 15,899,676

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.

As of June 30, 2020, the Airport's share of the City's net OPEB liability was based on 5.4% of the Airport's proportion of the City's net OPEB liability for FCERS at the measurement date, June 30, 2019.

As of June 30, 2020:	1% Decrease	Measurement Date Healthcare Trend Rate	1% Increase
Net OPEB liability	$ 15,648,223	$ 20,341,520	$ 26,129,087

As of June 30, 2019, the Airport's share of the City's net OPEB liability was based on 5.4% of the Airport's proportion of the City's net OPEB liability for FCERS at the June 30, 2018 measurement date.

As of June 30, 2019:	1% Decrease	Measurement Date Healthcare Trend Rate	1% Increase
Net OPEB liability	$ 15,473,810	$ 19,983,200	$ 25,541,801

OPEB Plan Fiduciary Net Position - Detailed information about FCERS' fiduciary net position is available in the separately issued FCERS' financial report.

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 is recognized in OPEB expense systematically over time. One fifth of the gain or loss 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 Years)

For fiscal year ended June 30, 2020, the Airport recognized OPEB expense of $620,764 for FCERS. As of June 30, 2020, 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	$ 1,183,200	$ -
Differences between expected and actual experience	-	398,910
Changes in assumptions	487,591	1,703,731
Net difference between projected and actual earnings on OPEB plan investments	635,032	30,895
Total	$ 2,305,823	$ 2,133,536

As of June 30, 2020, $1,183,200 reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2019 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2021. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

	Deferred Outflows (Inflows) of Resources
2021	$ (1,427,325)
2022	141,488
2023	171,782
2024	103,142
	$ (1,010,913)

For fiscal year ended June 30, 2019, the Airport recognized OPEB negative expense of $3,759,937 for FCERS. As of June 30, 2019, 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	$ 1,872,043	$ 23,916
Differences between expected and actual experience	105,010	39,780
Changes in Assumption	148,110	3,111,840
Net difference between projected and actual earnings on OPEB plan investments	301,900	-
Total	$ 2,427,063	$ 3,175,536

As of June 30, 2019, $1,872,043 reported as deferred outflows of resources related to contributions for FCERS, subsequent to the June 30, 2018 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2020. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as expense as follows:

	Deferred Outflows (Inflows) of Resources
2020	$ (1,395,567)
2021	(1,402,567)
2022	102,143
2023	75,475
	$ (2,620,516)

The City issues a publicly available CAFR that includes the complete note disclosures and required supplementary information related to the City's pension and other postemployment benefit obligations. A copy of that report may be obtained by 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.

(8) Related Party Transactions

The City provides certain general support services to the Airport and charges a pro rata fee. The fees charged to the Airport for these services for the fiscal years ended June 30, 2020 and 2019, were $5,434,741 and $5,128,635, respectively. The City also charged the Airport fees of $17,221,192 and $16,059,784 for the fiscal years ended June 30, 2020 and 2019, respectively, for airport rescue and firefighting and police services coverage. Additionally, various City departments charge the Airport for services they rendered on its behalf. These fees and service charges, which totaled $1,435,346 and $1,283,275 for the fiscal years ended June 30, 2020 and 2019, respectively. All fees charged by the City are included in the operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

(9) Risk Management

(a) Insurance Policies

The Airport is covered under the City's annual all-risk property insurance policy with coverage for City property, including coverage for boiler and machinery exposures. The policy also provides coverage for loss due to business interruption and flood coverage. The market for commercial property insurance has changed significantly since the City's last annual renewal. Industry record catastrophe losses in 2017 and above average catastrophe losses in 2018 produced the worst back-to-back loss years on record. Policyholders with catastrophe exposure and losses are seeing rate increases in excess of 15%, causing the significant decrease in limits per occurrence year-over-year. The City does not carry earthquake insurance as it is not available at reasonable rates. A summary of these coverages is provided below for the policy periods of October 1, 2019 to October 1, 2020 and October 1, 2018 to October 1, 2019.

October 1, 2019 to October 1, 2020

Coverage	Limit Per Occurrence	Deductible Per Occurrence
Property, including Business Interruption	$1 billion	$100,000
Flood Zone, Special Flood Hazard Area - as defined by the Federal Emergency Management Agency (FEMA)	$10 million per occurrence and annual aggregate	$10,000,000

October 1, 2018 to October 1, 2019

Coverage	Limit Per Occurrence	Deductible Per Occurrence
Property, including Business Interruption	$1.5 billion	$100,000
Flood Zone, Special Flood Hazard Area -as defined by the Federal Emergency Management Agency (FEMA)	$25 million per occurrence and annual aggregate	$10,000,000

The City has airport liability policies covering the Airport for the policy periods of October 1, 2019 to October 1, 2020 and October 1, 2018 to October 1, 2019 including Control Tower Operators, which provides a $200 million combined single limit for bodily injury and property damage subject to a deductible of $0 each occurrence and annual aggregate, with a sublimit of $50 million each occurrence and in the annual aggregate for personal injury, and a limit of $200 million each occurrence and in the annual aggregate for war liability. During the past five fiscal years, there have not been any instances that the amount of claim settlements exceeded the insurance coverage.

In addition, the airport liability policy also provides excess liability coverage with a limit of $5 million in excess of the underlying limit of $1 million, which is provided by a separate automobile liability policy issued to provide coverage for the off-premises operation of Airport vehicles including shuttle bus fleets with a limit of $1 million per occurrence, combined single limit for bodily injury and property damage, and a $250,000 deductible. Physical damage coverage is obtained for the Airport Shuttle Bus Fleet and is subject to a $10,000 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 period of October 1, 2019 to October 1, 2020 and October 1, 2018 to October 1, 2019, the City purchased government fidelity/crime coverage for City losses arising from employee bad acts. Coverage is for financial or property losses and provides a $5,000,000 per occurrence limit for losses resulting from employee theft, forgery or alteration, and inside the premises – theft of money and securities, and provides for a $1,000,000 per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims have a $100,000 deductible per occurrence.

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

(b) Workers' Compensation

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

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

	2020	2019	2018
Accrued liability, beginning of fiscal year	$ 2,534,343	$ 3,021,230	$ 2,852,669
Claims payments and adjustments	(110,154)	(140,975)	(234,071)
Provision for current year claims and changes in prior year estimates	256,164	(345,912)	402,632
Accrued liability, end of fiscal year	$ 2,680,353	$ 2,534,343	$ 3,021,230

(c) Airport Owner Controlled Insurance Program

On March 31, 2004, the City bound certain liability insurance coverage (see chart below) for major components of the airport's North Concourse Project through an Owner Controlled Insurance Program (OCIP) with American International Group (AIG), AIU Holdings, Inc., and AIU LLC, 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.

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

The City was also required to establish a claims loss reserve for the North Concourse Project in the aggregate amount of $3.9 million available in a cash working fund. The full amount of the claims loss reserve had been deposited with AIG and was recorded as advances and deposits in the accompanying statements of net position. The claims loss reserve funds were available to AIG to pay claims within the City's deductible of up to $250,000 per occurrence to an aggregate maximum loss exposure within coverage limits to the City of $3.9 million. The City was able to negotiate the return of a large portion of the unused claims reserve in advance of the 10-year coverage term.

The North Concourse Project was completed in fall of 2008 and the policies expired December 31, 2008. Closeout procedures on the North Concourse Project were completed in FY 19. AIG returned the balance of the reserve fund to the Airport in the amount of $831,000. The balance of the North Concourse reserve fund as of June 30, 2019 is now $0.

Activities relating to the North Concourse OCIP claims reserve fund for the fiscal years ended June 30, 2020, 2019, and 2018 were as follows:

	2020	2019	2018
Beginning balance	$ -	$ 835,036	$ 827,033
Interest earned	-	6,876	8,003
Reserve returned	-	(830,974)	-
Losses paid	-	(10,938)	-
Ending balance	$ -	$ -	$ 835,036

On March 15, 2007, the City obtained additional liability insurance through AIG for major components of the Airport's TAIP through another OCIP (the TAIP OCIP). The coverage for this program is as follows:

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

The liability under the TAIP OCIP is based upon an estimated payroll of $92.5 million for the covered projects and a construction period of 45 months, commencing on March 15, 2007 through December 31, 2010. The terms of the TAIP OCIP require the City to fund a claims loss reserve fund with 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 $2,236,241 has been returned to the Airport. The balance of the TAIP reserve fund as of June 30, 2020 is $1,390,575.

Activities relating to the TAIP OCIP claims reserve fund for the fiscal years ended June 30, 2020, 2019, and 2018 were as follows:

	2020	2019	2018
Beginning balance	$ 1,460,181	$ 1,980,719	$ 1,966,146
Interest earned	24,651	36,924	19,518
Reserve returned	(57,222)	(543,033)	-
Losses paid	(37,035)	(14,429)	(4,945)
Ending balance	$ 1,390,575	$ 1,460,181	$ 1,980,719

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 fund until such time as the exposure to risk of claims ceases or the City opts to cash out the remaining funds in exchange for accepting responsibility for potential future claims.

(10) Commitments and Contingencies

(a) Lease Commitments

In September 2009, the Airport entered into a restated operating lease and maintenance agreement for ten Compressed Natural Gas (CNG) powered buses from December 2007 to May 2017. In May 2017, the restated agreement was amended to extend through May 2019, with a one year option to extend. In May 2020, the third amendment to the restated agreement was executed, extending the term for up to three additional one-year option terms. The second amended and restated option was exercised in June 2020, extending through May 2021 and reducing the number of CNG buses from ten to six as of August 2020. Rental and maintenance expenses were $1,048,301 and $1,376,990 for fiscal years ended June 30, 2020 and 2019, respectively.

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

Fiscal Year Ending June 30,	Amount
2021	$ 400,260
Total minimum lease payments	$ 400,260

(b) Purchase Commitments and Capital Outlay Projections

As of June 30, 2020, the Airport was obligated for purchase commitments of approximately $20.5 million primarily for the parking revenue control system upgrade, network replacement, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber approximately $209.2 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.

(c) 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 a total of 184,000 annual aircraft operations, and includes up to 42 airline terminal gates in 1.80 million square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

Phase I of the Master Plan's Terminal Area Improvement Program (TAIP) was substantially completed in 2010. The Phase I improvements included nine new airline gates and approximately 366,000 square feet of terminal space in a new Terminal B; improvements to existing Terminal A, including new ticketing facilities, in-line baggage system, security checkpoint, and concession space; the demolition of the original Terminal C; design and construction of a Consolidated Rental Car Facility (ConRAC); and realignment and improvement of existing terminal roadways and parking facilities. The Phase I program also included preliminary design of certain TAIP Phase II projects. On the airfield, the build-out of the Airport's two commercial runways (12R/30L and 12L/30R) to 11,000 x 150 feet was completed in 2004, allowing the Airport to regularly serve takeoffs and landings by all domestic and most international commercial airline aircraft. Airfield project construction since 2004 has consisted of improvements to taxiways, aircraft parking aprons, and navigational aids to increase efficiency and compliance with current FAA airfield design standards.

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 fourteen (14) additional airline gates plus a new parking garage. Eight of those 14 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. 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.

Two Master Plan construction projects underway at the time of this report include the first phase of a multi-story parking garage (Lot 1) on a portion of the existing public parking lot on the northeast side of the Airport, and a new larger Aircraft Rescue and Fire Fighting (ARFF) Facility, partially funded by the FAA, on an existing vacant site on the southwest side of the Airport (to replace the smaller, 1960s-era ARFF Facility located on the southeast side of the Airport).

(d) FAA Audit of Use of Airport Revenue

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

Cost Allocations - The City uses both direct and indirect methodologies to allocate costs to the Airport. The FAA auditors found the direct cost allocations to be acceptable. The FAA contends that the City's indirect methodology does not correlate to the cost of services actually provided by the City to the Airport. Consequently, the auditors have recommended that the City re-allocate its costs charged to the Airport for 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 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. The City will continue discussions with the FAA, but cannot predict the final outcome of the audit.

Potential Claim from FAA Regarding Reuse of Guadalupe Gardens

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

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

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

(e) Workers' Compensation Program

The City is self-insured and self-administered for workers' compensation with claims paid on a "pay as you go" basis. The City budgets for workers' compensation payouts based on prior year payout history.

Pursuant to City Council direction, the City's Worker's Compensation Program has been fully outsourced to Intercare, a third-party administrator ("Intercare"). As of September 1, 2018, all in-house claims were electronically transferred to Intercare with all open claims administered by Intercare staff.

The City conducted a Request for Proposal process for a third-party administrator to provide all services related to the City's Workers' Compensation Program to commence on July 1, 2019, which was approved by the City Council in June 2019. Intercare was awarded a three-year contract that began July 1, 2019.

As of June 30, 2020, open claims data for Intercare were at 2,520. The total number of open claims has been reduced (by approximately 5%) since June 30, 2019 when the open claim inventory was 2,647.

The City is required to submit to the State a Public Annual Report. The Public Annual Report completed jointly with Intercare describes: (1) Claims paid in indemnity and medical, (2) Future liability on open claims, and (3) A list of all open indemnity claims. The annual report for FY 20 was submitted by the November 1, 2020 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.

(g) Uncertainties Related to the COVID-19 Pandemic

The COVID-19 pandemic has caused significant disruptions to domestic and international air travel, including passenger, cargo, and general aviation operations. The COVID-19 pandemic is ongoing, and its dynamic nature leads to uncertainties, including (i) the geographic spread of the virus; (ii) the severity of the disease; (iii) the duration of the outbreak; (iv) actions that may be taken by governmental authorities to contain or mitigate the outbreak; (v) the development of medical therapeutics and/or vaccinations; (vi) travel restrictions and the demand for air travel, including at the Airport; (vii) the impact of the outbreak on the local and global economies, on the airlines and concessionaires serving the Airport, or on the airline or travel industry generally; (viii) whether and to what extent the City may provide further deferrals, forbearances, adjustments, or other changes to the City's arrangements with airlines, tenants, and concessionaires; and (ix) the impact of the outbreak and actions taken in response to the outbreak on Airport revenues, expenses, and financial condition.

In March 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law to provide relief to eligible airports in the United States that were affected by the COVID-19 pandemic. The Airport was awarded $65.6 million in CARES Act funds in May 2020. The funds are available to the City on a reimbursable basis for up to four years and will be used to pay for operating expenses that may no longer be covered by revenues. In addition, the CARES Act provided $1.2 million in matching funds to increase the federal share of federal FY 20 Airport Improvement Program (AIP) grants to 100%, eliminating the requirement for the Airport to provide a percentage of funds. The Airport did not request reimbursement for any CARES Act funding during FY 20, however, $40 million is included in its FY 21 budget. The first reimbursement request was submitted in September 2020. The Airport continues to monitor the impacts of the COVID-19 pandemic on the operations of the Airport, including factors such as travel restrictions, passenger levels, liquidity, CARES Act funding, and other governmental financial aid.

(11) Subsequent Events

Subsequent to June 30, 2020, some airlines announced new routes from the Airport with various start dates in FY 21. Beginning in September 2020, Alaska Airlines (Alaska) will begin daily round trip service to Spokane, Washington. Beginning in November 2020, Volaris Airlines will begin three weekly round trip flights to Mexico City, Mexico. Beginning December 17, 2020, Alaska will begin twice daily flights to Palm Springs, California through April 12, 2021. Beginning December 19, 2020, Alaska will begin twice weekly flights to Jackson Hole, Wyoming, which will last until April 10, 2021. In March 2021, Alaska will begin daily round trip service to Redmond, Oregon and Missoula, Montana.

On August 7, 2020, S&P placed the Airport Revenue Bonds on CreditWatch with negative implications. S&P placed 99 ratings on most U.S. airports and airport related obligations on CreditWatch with negative implications due to the impact of the COVID-19 pandemic. On October 1, 2020, S&P downgraded the Airport Revenue Bonds to "A-" from "A" with a negative outlook.

On October 22, 2020, Moody's completed its periodic review, which maintained the Airport Revenue Bonds "A2" rating. Moody's reported that the "A2" rating reflects the Airport's robust traffic performance in recent years, which along with well-controlled operating expenses has supported improvement in leverage and cost per enplanement, among other factors.

On August 4, 2020, the City Council adopted Resolution 79667, which authorized the City Manager to negotiate and execute Concession Agreement Amendments to Non-Aeronautical Concession Agreements at the Airport. It also approves continued financial relief to Non-Aeronautical Concessionaires at the Airport retroactive from July 1, 2020 to December 31, 2020. The financial relief could include, 1) suspension of the MAG Rent, and charge only percentage rent; and 2) allow Non-Aeronautical Concessionaires to charge higher prices by allowing a higher percentage markup over street prices.

On August 4, 2020, the City Council adopted Resolution 79668, which authorized the City Manager to negotiate and execute Concession Agreement Amendments to Non-Aeronautical Rental Car Operations Agreements and Lease Agreements at the Airport. It also approves continued financial relief to Non-Aeronautical Rental Car Concessionaires at the Airport retroactive from July 1, 2020 to December 31, 2020. The financial relief could include, 1) suspension of the MAG Rent, and charge only percentage rent; 2) defer the reallocation date of construction and any relocation services to a later date; and 3) defer rent adjustment appraisals to a later date and instead increase leased premises rent by the Consumer Price Index formula as set out in the agreement.

On August 4, 2020, the City Council adopted Resolution 79669, which authorized the Director of Aviation to provide support in the form of fee waivers for Air Canada, Alaska Airlines, All Nippon Airways (ANA), British Airways, Southwest Airlines, Volaris Airlines, and Hainan Airlines at the Airport. The following fee waivers would apply after the resumption and reinstatement of international flights at the Airport. These include, 1) three months of landing fees for Air Canada resuming service to Vancouver three times daily; 2) three months of landing fees and FIS fees for Alaska Airlines resuming service to Guadalajara and San José del Cabo three times daily; 3) six months of landing fees and FIS fees for ANA resuming service to Tokyo once daily; 4) six months of landing fees and FIS fees for British Airways resuming service to London once daily; 5) three months of landing fees and FIS fees for Southwest Airlines resuming service to San José del Cabo once daily or fewer; 6) three months of landing fees and FIS fees for Volaris Airlines resuming service to Guadalajara, Leon, Morelia, and Zacatecas three times daily; 7) six months of landing fees and FIS fees for Hainan Airlines resuming service to Beijing four times a week.

Beginning in August 2020, the Airport sent out additional offers of deferral of payments to the Airlines, which offered deferral of payments of fixed rents for the months of July 2020 (until November 1, 2020), August 2020 (until January 1, 2021), and September 2020 (until March 1, 2021). Additionally, all activity based fees for these three months will be due 60 days from the invoice dates. To be eligible for these deferrals, the Airlines must be current on all amounts due to the Airport.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)
Required Supplementary Information (Unaudited)
Last 10 Fiscal Years
(dollars in thousands)

Schedule of the Proportionate Share of the Net Pension Liability

	2020	2019	2018	2017	2016
Proportion of the collective net pension liability	5.4 %	5.3 %	3.4 %	3.4 %	3.6 %
Proportionate share of the collective net pension liability	$ 112,615	$ 105,487	$ 108,167	$ 102,069	$ 81,313
Covered payroll	$ 16,190	$ 15,335	$ 13,694	$ 13,163	$ 12,903
Proportionate share of the collective net pension liability as percentage of covered payroll	695.6 %	687.9 %	789.9 %	775.4 %	630.2 %
Plan fiduciary net position as a percentage of the total pension liability	63.9 %	65.0 %	63.3 %	63.4 %	68.9 %

Schedule of Contributions

	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 10,634	$ 9,989	$ 8,814	$ 8,134	$ 7,374
Contributions in relation to the actuarially determined contributions	10,634	9,989	8,814	8,134	7,374
Covered payroll	$ 17,270	$ 16,190	$ 15,335	$ 13,694	$ 13,163
Contributions as a percentage of covered payroll	61.6 %	61.7 %	57.5 %	59.4 %	56.0 %

Note to Schedules

The Norman Y. Mineta San Josè Airport (Airport) as a cost-sharing department of the City of San Josè (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.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)
Required Supplementary Information (Unaudited)
Last 10 Fiscal Years
(dollars in thousands)

Schedule of the Proportionate Share of the Net Pension Liability

	2015	2014
Proportion of the collective net pension liability	3.8 %	3.7 %
Proportionate share of the collective net pension liability	$ 64,650	$ 74,527
Covered payroll	$ 12,532	$ 12,932
Proportionate share of the collective net pension liability as percentage of covered payroll	515.9 %	576.3 %
Plan fiduciary net position as a percentage of the total pension liability	74.0 %	69.0 %

Schedule of Contributions

	2015	2014
Actuarially determined contribution	$ 7,103	$ 6,654
Contributions in relation to the actuarially determined contributions	$ 7,103	$ 6,654
Covered payroll	$ 12,903	$ 12,532
Contributions as a percentage of covered payroll	55.0 %	53.1 %

Note to Schedules

The Norman Y. Mineta San Josè Airport (Airport) as a cost-sharing department of the City of San Josè (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.

(A Department of the City of San José)
Required Supplementary Information (Unaudited)
Last 10 Fiscal Years
(dollars in thousands)

Schedule of the Proportionate Share of the Net OPEB Liability

	2020	2019	2018
Proportion of the collective net OPEB liability	5.4 %	5.4 %	5.5 %
Proportionate share of the collective net OPEB liability	$ 20,342	$ 19,983	$ 28,086
Covered payroll	$ 16,190	15,335	$ 13,694
Proportionate share of the collective net OPEB liability as percentage of covered payroll	125.6 %	130.3 %	205.1 %
Plan fiduciary net position as a percentage of the total OPEB liability	44.6 %	43.8 %	34.0 %

Schedule of Contributions

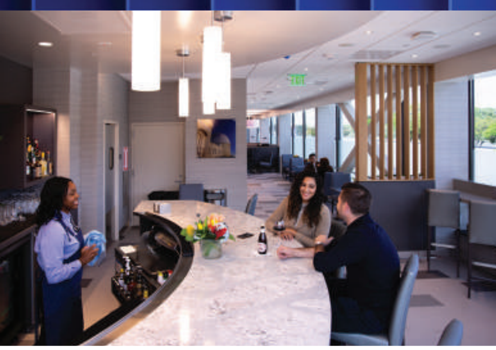
	2020	2019	2018
Actuarially determined contribution	$ 1,183	$ 1,872	$ 1,754
Contributions in relation to the actuarially determined contributions	1,183	$ 1,872	$ 1,754
Covered payroll	$ 17,270	$ 16,190	$ 15,335
Contributions as a percentage of covered payroll	6.9 %	11.6 %	11.4 %

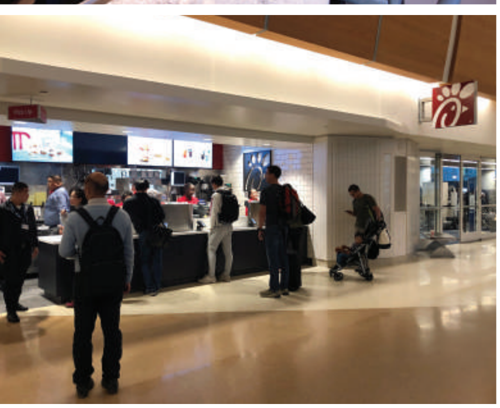
Note to Schedules

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 Other Postemployment Benefits (OPEB). 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.

Statistical





Visitors will notice that the Airport underwent major enhancements. SJC became the launch site for the nation's first ALL-DIGITAL ADVERTISING EFFORT by partnering with Clear Channel Advertising. Many new food concepts have opened, including a new Chick-fil-A that opened near Terminal B's checkpoint, while others are being constructed.

In addition, passengers now have TWO EXCEPTIONAL LOUNGE OPTIONS through Airport Dimensions, one near gate 15, providing seating for 156 visitors, and a new lounge located near gate 8, providing seating for 88 visitors. Within both lounges, there are different areas where guests can utilize a workspace, relax in ultra-comfortable seating, take a shower, and enjoy all-inclusive dining.

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

Statistical Section
June 30, 2020

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

Contents **Schedule**

Financial Trends

This schedule presents trend information to help the reader understand the Airport's financial performance and condition.

Revenue Capacity

These schedules contain information regarding the Airport's cost per enplaned passenger, gross concession revenue, and airline rates and charges.

Debt Capacity

These schedules present information regarding the Airport's current levels of outstanding debt.

Demographic and Economic Information

These schedules illustrate demographic and economic indicators to provide a context for understanding and assessing the Airport's financial activities.

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

Statistical Section
June 30, 2020

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

	2011	2012	2013	2014	2015[2]
Operating revenues:					
Airline rates and charges:					
Landing fees	$ 13,370	$ 11,414	$ 12,888	$ 11,973	$ 11,856
Terminal rental	34,446	39,864	38,256	38,130	34,372
Total airline rates and charges	47,816	51,278	51,144	50,103	46,228
Terminal buildings/concessions	16,877	15,770	15,102	15,423	16,271
Airfield	2,925	2,783	3,038	3,553	3,993
Parking and roadway	47,320	51,023	46,700	47,268	49,049
Fuel handling fees	1,504	1,690	2,361	3,170	3,257
General aviation/other	4,521	4,431	4,770	6,193	7,183
Customer facility charges[1]	-	-	-	-	-
Total operating revenues	120,963	126,975	123,115	125,710	125,981
Operating expenses:					
Terminal buildings/concessions	33,019	23,659	23,303	24,233	23,833
Airfield	9,749	9,069	8,707	9,570	9,891
Parking and roadway	25,344	25,514	16,631	16,343	17,170
Fuel handling costs	288	556	1,065	11	28
General aviation	2,409	1,676	1,605	1,609	2,006
General and administrative	19,095	18,328	18,763	19,877	18,208
Depreciation	51,532	51,520	54,353	54,027	53,437
Total operating expenses	141,436	130,322	124,427	125,670	124,573
Operating income (loss)	(20,473)	(3,347)	(1,312)	40	1,408
Nonoperating revenues (expenses):					
Passenger facility charges	17,311	16,787	17,294	18,161	19,291
Customer facility charges for debt service[1]	6,840	10,137	13,385	15,493	18,690
Participating airline net revenue sharing	-	-	-	-	-
Investment income	1,613	2,217	(257)	1,571	1,222
Interest expense	(54,430)	(70,009)	(75,058)	(73,836)	(72,237)
Bond issuance costs	-	(4,141)	(196)	-	(976)
Operating grants	701	670	565	605	610
Loss on capital assets disposal	-	(9)	-	(481)	-
Other, net	1,438	698	451	614	806
Total nonoperating revenues (expenses), net	(26,527)	(43,650)	(43,816)	(37,873)	(32,594)
Income (loss) before capital contributions	(47,000)	(46,997)	(45,127)	(37,833)	(31,186)
Capital contributions	10,862	7,399	6,954	4,843	937
Special item - rate stabilization fund and ten-year lookback distribution	-	-	-	-	-
Change in net position	$ (36,138)	$ (39,598)	$ (38,173)	$ (32,990)	$ (30,249)
Net position at year-end					
Net investment in capital assets	$ 272,598	$ 242,916	$ 209,381	$ 169,870	$ 126,350
Restricted	64,128	69,350	65,408	67,848	56,752
Unrestricted	79,900	58,811	58,114	62,195	18,689
Net position at year-end[2][3]	$ 416,626	$ 371,077	$ 332,903	$ 299,913	$ 201,791

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

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

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

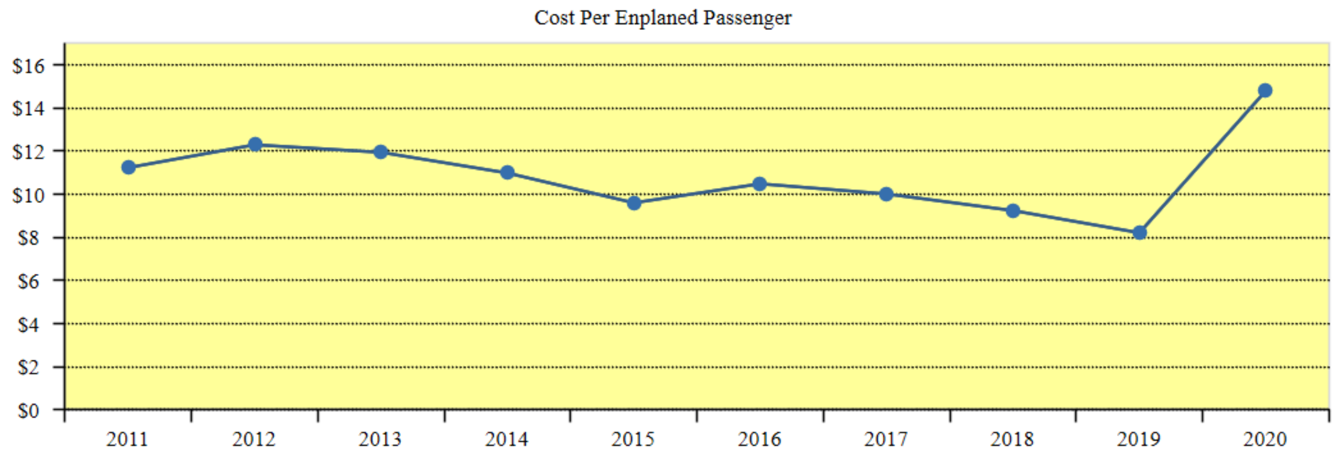
	2016	2017	2018[3]	2019	2020
Operating revenues:					
Airline rates and charges:					
Landing fees	$ 13,095	$ 18,370	$ 19,297	$ 18,984	$ 21,682
Terminal rental	40,800	39,778	43,476	42,815	62,690
Total airline rates and charges	53,895	58,148	62,773	61,799	84,372
Terminal buildings/concessions	17,576	20,207	22,375	23,717	20,623
Airfield	4,891	7,307	8,027	8,340	6,535
Parking and roadway	53,704	52,514	59,715	64,507	50,973
Fuel handling fees	3,226	3,080	3,078	2,930	2,289
General aviation/other	8,661	9,748	10,096	10,773	10,499
Customer facility charges[1]	-	1,931	2,518	2,762	-
Total operating revenues	141,953	152,935	168,582	174,828	175,291
Operating expenses:					
Terminal buildings/concessions	27,724	31,115	34,922	37,372	41,025
Airfield	12,767	16,776	20,116	20,062	21,912
Parking and roadway	16,684	16,046	16,283	15,837	16,761
Fuel handling costs	(565)	16	59	69	27
General aviation	1,963	1,383	2,438	2,383	1,717
General and administrative	19,334	23,057	25,118	25,042	24,159
Depreciation	51,864	46,449	47,486	49,026	55,383
Total operating expenses	129,771	134,842	146,422	149,791	160,984
Operating income (loss)	12,182	18,093	22,160	25,037	14,307
Nonoperating revenues (expenses):					
Passenger facility charges	20,603	23,097	27,048	29,735	20,456
Customer facility charges for debt service[1]	19,888	18,026	18,364	18,704	15,394
Participating airline net revenue sharing	-	-	-	(13,944)	(11,910)
Investment income	2,444	1,591	2,842	9,893	11,265
Interest expense	(71,245)	(67,440)	(61,305)	(60,381)	(59,107)
Bond issuance costs	-	(2,492)	50	-	-
Operating grants	497	1,169	809	720	486
Loss on capital assets disposal	-	-	-	(271)	-
Other, net	1,902	603	1,214	1,045	913
Total nonoperating revenues (expenses), net	(25,911)	(25,446)	(10,978)	(14,499)	(22,503)
Income (loss) before capital contributions	(13,729)	(7,353)	11,182	10,538	(8,196)
Capital contributions	5,760	10,120	9,287	18,747	3,076
Special item - rate stabilization fund and ten-year lookback distribution	-	-	-	(16,266)	-
Change in net position	$ (7,969)	$ 2,767	$ 20,469	$ 13,019	$ (5,120)
Net position at year-end					
Net investment in capital assets	$ 95,800	$ 82,801	$ 100,587	$ 126,419	$ 139,388
Restricted	61,308	64,907	62,014	61,897	44,795
Unrestricted	36,714	48,881	41,921	29,225	28,238
Net position at year-end[2][3]	$ 193,822	$ 196,589	$ 204,522	$ 217,541	$ 212,421

(3) As of July 1, 2017, the Airport restated the beginning net position in the amount of $12,537 due to the implementation of GASB Statement No. 75. The Airport did not restate beginning net position for fiscal years prior to FY 17-18 because amounts were not available.

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

Schedule B

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



	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Airline revenues:										
Terminal rental	$ 34,446	$ 39,864	$ 38,256	$ 38,130	$ 34,372	$ 40,800	$ 39,778	$ 43,477	$ 42,815	$ 62,690
Landing fees (passenger carriers)	12,582	10,838	12,298	11,451	11,361	12,528	17,697	18,690	18,453	21,012
Total	47,028	50,702	50,554	49,581	45,733	53,328	57,475	62,167	61,268	83,702
Enplaned passengers	4,189	4,125	4,235	4,517	4,765	5,088	5,740	6,725	7,462	5,660
Airline cost per enplaned passenger (not in 000's)	$ 11.23	$ 12.29	$ 11.94	$ 10.98	$ 9.60	$ 10.48	$ 10.01	$ 9.24	$ 8.21	$ 14.79

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

Schedule C

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

	2011[4]	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gross concession revenue[1]										
Public parking[2]	$ 22,081	$ 22,943	$ 24,814	$ 26,759	$ 27,845	$ 29,392	$ 28,635	$ 31,053	$ 32,330	$ 24,141
Rental cars	125,750	126,333	129,643	142,439	149,384	157,857	162,142	166,291	173,631	129,609
Food and beverage	21,141	22,280	24,216	27,350	30,078	32,870	39,060	45,024	50,588	35,529
Advertising	1,903	1,873	2,355	2,506	2,245	2,368	3,550	4,525	5,022	6,591
Gift shop & retail	11,290	11,983	12,668	13,475	14,130	15,742	17,636	19,739	21,243	16,526
In-flight kitchen[3]	9,823	8,920	10,680	13,114	15,904	22,893	40,790	39,559	29,203	17,578
Total gross concession revenue	$ 191,988	$ 194,332	$ 204,376	$ 225,643	$ 239,586	$ 261,122	$ 291,813	$ 306,191	$ 312,017	$ 229,974
Enplaned passengers	4,189	4,125	4,235	4,517	4,765	5,088	5,740	6,725	7,462	5,660
Gross concession revenue per enplaned passenger (not in 000's)	$ 45.83	$ 47.11	$ 48.26	$ 49.95	$ 50.28	$ 51.32	$ 50.84	$ 45.53	$ 41.81	$ 40.63

(1) Gross revenues of major concessionaires only.

(2) Public parking revenues is net of credit card fees and refunds.

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

(4) 2011 gross revenue for Rental cars has been revised to show the correct information.

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

Schedule D
(Continued)

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

	2011	2012	2013	2014	2015	Unit
Landing fees:	$ 2.47	$ 2.14	$ 2.38	$ 2.22	$ 2.09	per 1,000 lbs. MGLW[3]
Terminal rental rates:						
Group A						
Ticket counter and queuing, skycap/curbside check-in						
Preferential	241,041	319,205	296,954	293,680	235,177	per counter
Common	73	97	90	98	94	per hour
Airline ticket office, Club/VIP	157.18	184.19	186.55	192.73	178.08	per sq. ft.
Holdroom (gate)						
Preferential	742,245	872,527	886,424	915,350	775,820	per gate
Common	496	598	607	591	470	per turn
Group B						
Baggage claim[1]	125.74	147.35	149.24	154.19	142.47	per sq. ft.
Group C						
Baggage make-up[2]/Operations space	78.59	92.09	93.28	96.37	89.04	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: Norman Y. Mineta San José International Airport annual rates and charges analysis.

Schedule D
(Concluded)

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

	2016	2017	2018	2019	2020	Unit
Landing fees:	$ 2.13	$ 2.70	$ 2.45	$ 2.18	$ 2.87	per 1,000 lbs. MGLW[3]
Terminal rental rates:						
<u>Group A</u>						
Ticket counter and queuing, skycap/curbside check-in						
Preferential	287,230	273,042	255,345	233,439	251,675	per counter
Common	88	54	73	78	131	per hour
Airline ticket office, Club/VIP	195.75	186.08	206.25	218.88	316.71	per sq. ft.
Holdroom (gate)						
Preferential	883,722	763,701	632,610	720,993	963,503	per gate
Common	552	521	633	492	660	per turn
<u>Group B</u>						
Baggage claim[1]	156.60	148.86	165.00	175.11	253.37	per sq. ft.
<u>Group C</u>						
Baggage make-up[2]/Operations space	97.87	93.04	103.12	109.44	158.36	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: Norman Y. Mineta San José International Airport annual rates and charges analysis.

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

	2011	2012	2013	2014	2015[6]
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds	$ 1,023,304	$ 1,415,552	$ 1,398,332	$ 1,376,038	$ 1,349,265
Commercial paper notes	410,079	47,937	45,380	41,159	37,912
Total outstanding debt	1,433,383	1,463,489	1,443,712	1,417,197	1,387,177
Enplaned passengers	4,189	4,125	4,235	4,517	4,765
Total outstanding debt per enplaned passenger (not in 000's)	$ 342	$ 355	$ 341	$ 314	$ 291
Debt service					
Revenue bonds[2]	$ 53,890	$ 80,725	$ 86,325	$ 95,068	$ 96,083
Commercial paper notes [3] [4]	16,605	6,818	4,043	2,859	2,213
Total debt service	70,495	87,543	90,368	97,927	98,296
Less: Funds available for debt service					
Passenger facility charges	21,388	21,336	22,100	25,747	25,202
Customer facility charges[5] [6]	6,840	10,137	13,385	15,494	17,412
Unspent bond proceeds[5]	-	1,713	5,802	11,082	11,082
Series 2007 Bond Reserve Fund[7]	-	-	-	-	-
Net debt service	$ 42,267	$ 54,357	$ 49,081	$ 45,604	$ 44,600
Net debt service per enplaned passenger (not in 000's)	$ 10.09	$ 13.18	$ 11.59	$ 10.10	$ 9.36

[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. As permitted by the Letter of Credit and Reimbursement Agreements, the outstanding CP as of June 30, 2011 was adjusted to reflect the repayment of certain CP from the proceeds of the Airport Revenue Bond Series 2011A.

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

Schedule E
(Concluded)

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

	2016[6]	2017[6]	2018	2019	2020
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds	$ 1,325,579	$ 1,310,333	$ 1,261,909	$ 1,229,409	$ 1,194,784
Commercial paper notes	34,672	25,461	7,509	52,216	51,930
Total outstanding debt	1,360,251	1,335,794	1,269,418	1,281,625	1,246,714
Enplaned passengers	5,088	5,740	6,725	7,462	5,660
Total outstanding debt per enplaned passenger (not in 000's)	$ 267	$ 233	$ 189	$ 172	$ 220
Debt service					
Revenue bonds[2]	$ 95,452	$ 95,660	$ 103,766	$ 92,501	$ 93,258
Commercial paper notes [3] [4]	2,116	1,728	686	317	593
Total debt service	97,568	97,388	104,452	92,818	93,851
Less: Funds available for debt service					
Passenger facility charges	24,829	24,789	24,792	27,026	27,479
Customer facility charges[5] [6]	17,701	18,026	18,364	18,704	19,057
Unspent bond proceeds[5]	11,083	4,295	-	-	-
Series 2007 Bond Reserve Fund[7]	-	-	7,411	-	-
Net debt service	$ 43,955	$ 50,278	$ 53,885	$ 47,088	$ 47,315
Net debt service per enplaned passenger (not in 000's)	$ 8.64	$ 8.76	$ 8.01	$ 6.31	$ 8.36

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

[5]Fiscal years 2011 through 2012 were revised to reflect "Other Available Funds for Debt Service." Under the MTA, the Airport may for any period elect to designate Customer Facility Charges and Unspent Bond Proceeds as "Other Available Funds" eligible for payment of debt service.

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

[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.

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

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
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**
2011	$ 123,538	$ 76,850	$ 46,688	$ 52,447	$ 99,135	$ 53,890	$ 21,388	$ 32,502	**3.05**	$ 16,605	**2.02**
2012	129,573	67,875	61,698	58,917	120,615	80,725	21,336	59,389	**2.03**	6,818	**1.82**
2013	124,851	64,974	59,877	66,006	125,883	86,325	22,100	64,225	**1.96**	4,043	**1.84**
2014	127,717	66,319	61,398	75,157	136,555	95,068	25,747	69,321	**1.97**	2,859	**1.89**
2015	128,038	70,054(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	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**

(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 to the extent of the annual debt service on the Airport Revenue Bond Series 2011B. The Airport did not expend CFC revenues on the transportation costs in the fiscal year (FY) ended June 30, 2020.

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

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

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

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

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

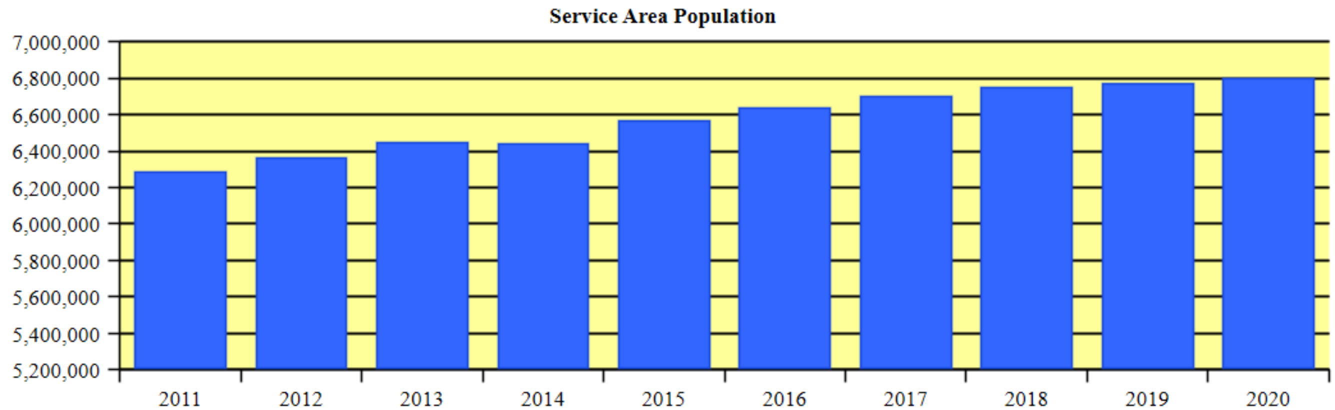
(7) FY 2015 operating expenses were revised to exclude expenses related to Governmental Accounting Standards Board (GASB) Statement No. 68.

(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 12 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 services not to exceed the amount of CFC eligible debt service and transportation costs.

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

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

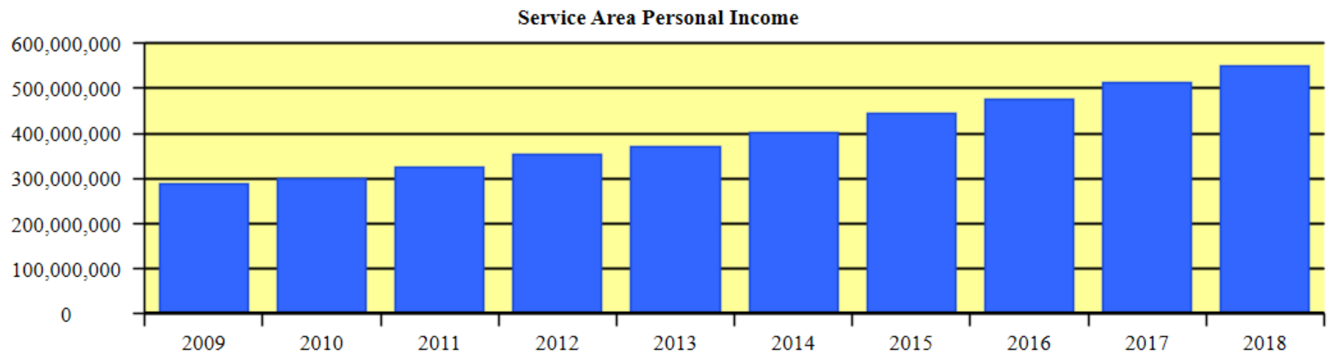


	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2011	1,530,206	419,586	56,137	727,793	1,813,702	265,348	260,039	693,013	519,350	6,285,174
2012	1,550,119	422,754	57,079	736,647	1,840,895	268,189	262,390	701,745	523,038	6,362,856
2013	1,573,254	425,756	57,517	745,193	1,868,558	271,595	264,922	710,731	526,042	6,443,568
2014	1,574,497	424,774	57,909	745,635	1,868,038	269,322	264,567	708,678	528,157	6,441,577
2015	1,610,765	432,637	56,445	759,155	1,903,974	273,594	269,280	723,761	534,902	6,564,513
2016	1,629,233	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)]	1,664,783	441,304	61,513	774,231	1,954,833	272,501	280,735	765,556	554,018	6,769,474
2020	1,670,834	441,143	62,353	773,244	1,961,969	271,233	283,521	773,632	557,709	6,795,638

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

Source: California Department of Finance, Demographic Research Unit

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



	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2009	$ 70,463,233	$ 16,732,911	$ 1,904,402	$ 46,631,310	$ 95,588,054	$ 12,112,253	$ 6,771,237	$ 20,747,584	$ 15,697,151	$ 286,648,135
2010	72,870,527	16,958,117	1,920,847	47,787,433	102,432,990	12,361,716	7,117,031	21,214,529	16,232,916	298,896,106
2011	78,550,471	17,668,188	2,037,248	51,931,876	113,461,610	13,284,573	7,797,651	22,369,055	17,095,084	324,195,756
2012	84,503,175	18,496,346	2,153,480	58,665,994	124,801,907	14,251,103	8,038,978	23,682,855	17,957,396	352,551,234
2013	85,173,987	19,184,636	2,279,346	64,281,690	133,654,835	13,456,565	8,635,380	24,470,917	18,399,577	369,536,933
2014	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[2]	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	127,746,433	24,477,179	3,312,046	97,264,611	209,019,944	19,021,010	10,583,691	33,866,043	24,257,921	549,548,878

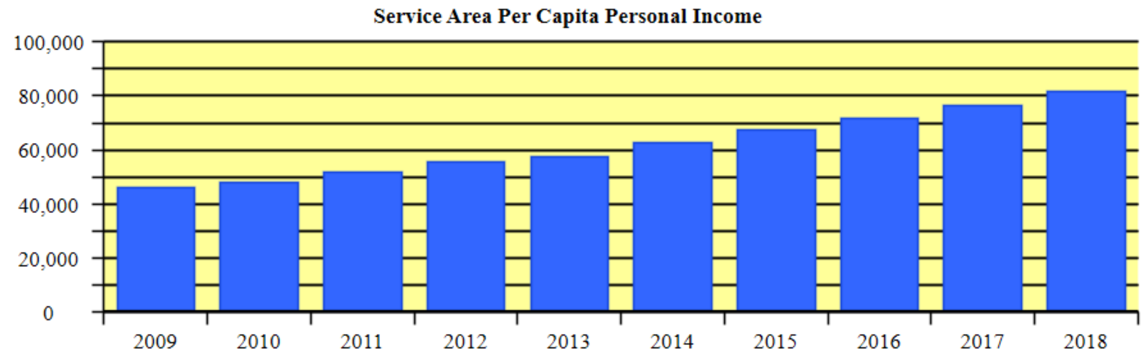
(1) Information for calendar years 2019 and 2020 is not available.

(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

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



	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Average PCPI[3]
2009	$ 47,021	$ 40,786	$ 34,984	$ 65,345	$ 54,153	$ 46,584	$ 26,838	$ 30,613	$ 30,686	$ 46,266
2010	48,144	40,732	34,558	66,362	57,336	46,925	27,706	30,857	31,500	47,951
2011	51,286	41,906	36,273	71,232	62,623	50,138	29,995	32,157	33,005	51,581
2012	54,379	43,411	37,867	79,420	67,974	53,473	30,726	33,777	34,437	55,408
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[2]	71,560	53,989	50,955	117,389	100,177	64,901	38,037	42,391	42,354	76,381
2018	76,644	56,193	53,822	126,392	107,877	69,355	38,519	44,995	44,120	81,442

(1) Information for calendar years 2019 and 2020 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

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

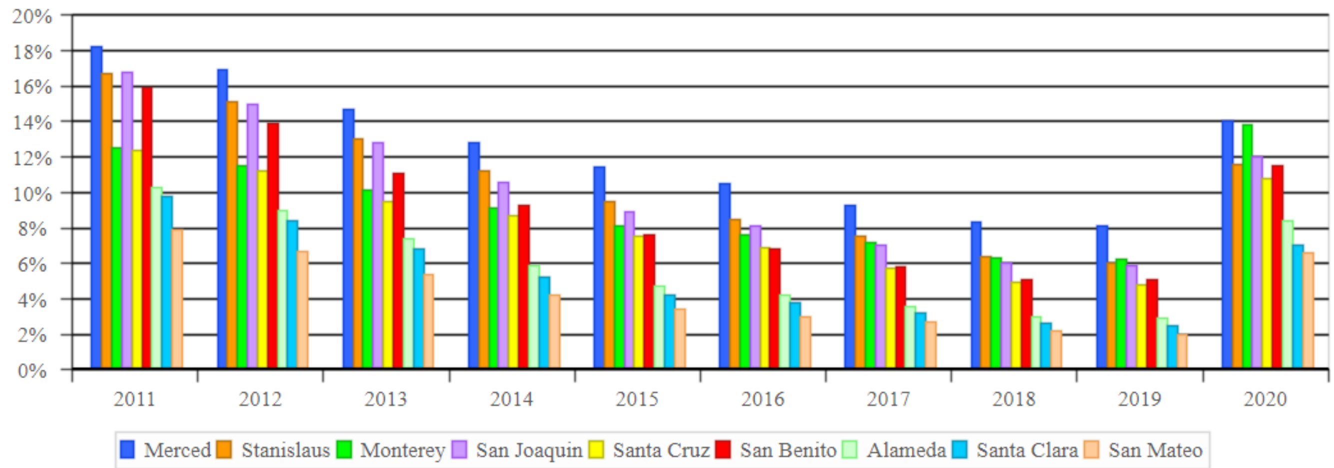
	2020			2011		
Company or Organization	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
County of Santa Clara	18,570	1	1.9%	15,420	1	1.8%
Cisco Systems	9,500	2	1.0%	11,600	2	1.3%
City of San José (1)	6,647	3	0.7%	5,250	4	0.6%
San José State University	3,600	4	0.4%	3,300	5	0.4%
eBay	3,400	5	0.4%	3,000	6	0.3%
Paypal, Inc.	3,300	6	0.3%	N/A (2)	N/A (2)	-
Adobe Systems Inc.	2,900	7	0.3%	2,000	10	0.2%
Kaiser Permanente	2,585	8	0.3%	1,920	11	0.2%
Target Stores	2,400	9	0.3%	N/A (2)	N/A (2)	-
Good Samaritan Health System	2,240	10	0.2%	1,850	12	0.2%
Western Digital	2,200	11	0.2%	N/A (2)	N/A (2)	-
Super Micro Computer	2,000	12	0.2%	N/A (2)	N/A (2)	-
Safeway	1,800	13	0.2%	N/A (2)	N/A (2)	-
Cadence Design Systems	1,750	14	0.2%	1,560	13	0.2%
Regional Medical Center	1,625	15	0.2%	N/A (2)	N/A (2)	-

(1) Full-time employees
(2) Companies or organizations not included in top 15 principal employers in 2011

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

Schedule K

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



	2011	2012	2013	2014	2015	2016	2017	2018	2019[(1)]	2020[(2)]
Merced	18.2 %	16.9 %	14.7 %	12.8 %	11.4 %	10.5 %	9.3 %	8.3 %	8.1 %	14.0 %
Monterey	12.5 %	11.5 %	10.1 %	9.1 %	8.1 %	7.6 %	7.2 %	6.3 %	6.2 %	13.8 %
Stanislaus	16.7 %	15.1 %	13.0 %	11.2 %	9.5 %	8.5 %	7.5 %	6.4 %	6.0 %	11.6 %
San Joaquin	16.8 %	15.0 %	12.8 %	10.6 %	8.9 %	8.1 %	7.0 %	6.0 %	5.9 %	12.0 %
San Benito	15.9 %	13.9 %	11.1 %	9.3 %	7.6 %	6.8 %	5.8 %	5.1 %	5.1 %	11.5 %
Santa Cruz	12.4 %	11.2 %	9.5 %	8.7 %	7.5 %	6.9 %	5.7 %	4.9 %	4.8 %	10.8 %
Alameda	10.3 %	9.0 %	7.4 %	5.9 %	4.7 %	4.2 %	3.6 %	3.0 %	2.9 %	8.4 %
Santa Clara	9.8 %	8.4 %	6.8 %	5.2 %	4.2 %	3.8 %	3.2 %	2.6 %	2.5 %	7.0 %
San Mateo	7.9 %	6.7 %	5.4 %	4.2 %	3.4 %	3.0 %	2.7 %	2.2 %	2.0 %	6.6 %

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

(2) Information for 2020 is the average of January through June 2020.

Source: California Employment Development Department, Labor Market Information Division

Schedule L

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

Functional Area	Budgeted Full-time-Equivalent[1] Employees as of Fiscal Year-End									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Administration	27	27	27	27	28	28	30	30	31	32
Air service development	1	1	1	1	1	1	1	1	1	1
Airport technology services	13	13	13	13	13	11	11	11	11	11
Airside operations	35	40	42	43	43	43	51	51	50	52
Customer service and outreach	5	6	7	7	6	8	10	10	11	13
Capital and airport development	18	14	15	15	15	18	19	19	20	21
Environmental	1	1	1	1	1	1	2	2	2	2
Facilities (building services, trades, and maintenance)	64	66	64	64	64	61	68	68	70	73
Landside operations and services	34	29	9	8	8	8	9	9	10	10
Property management	8	8	8	8	8	8	10	10	10	11
	206	205	187	187	187	187	211	211	216	226

(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, Norman Y. Mineta San José International Airport

Schedule M

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
AIRPORT INFORMATION
June 30, 2020

Location:	Four miles north of downtown San José, "Capital of Silicon Valley"			
Area:	1,000 acres			
Elevation:	62.2 ft.			
Airport code:	SJC			
Runways:	11/29	North/South	4599 x 100	ft.
	12R/30L	North/South	11,000 x 150	ft. ILS/VOR/GPS
	12L/30R	North/South	11,000 x 150	ft. GPS (VOR 30R only)
Terminal:	Airlines		279,948	sq. ft.
	Concessions and other rentables		82,855	sq. ft.
	Public/common		536,482	sq. ft.
	Vacant		25,522	sq. ft.
	Other		103,877	sq. ft.
	Total		1,028,684	sq. ft.
	Number of passenger gates - Terminal A and FIS		17	
	Number of passenger gates - Terminal B		20	
	Number of loading bridges		36	
	Number of concessionaires in terminal		60	
		31 food & beverage concessions		
		29 retail concessions		
	Number of rental car brands		11	
Apron:	Commercial airlines		1,330,140	sq. ft.
	Cargo airlines		596,482	sq. ft.
	Fixed based operator (FBO)		1,362,771	sq. ft.
	General Aviation West		308,218	sq. ft.
	Total		3,597,611	sq. ft.
Public parking spaces:				
	Terminal A Garage (Lot 2)		658	
	Terminal B Garage and Surface (Lots 3)		650	
	Lots 4 and 5		1,282	
	Economy lot (Lot 1)[(1)]		-	
	Total		2,590	
Cargo:	Air freight building		21,403	sq. ft.
International:	Customs / Federal Inspection Service Facility			
Tower:	Operational hours 0600 - 0000, after hours CTAF 124.0/TRACON 24/7			
FBOs:	Atlantic San José			
	ACM			
	AvBase			
	Signature Flight Support			
	Hewlett Packard			

(1) Parking lot is closed for construction.

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

Schedule N
(Continued)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
FISCAL YEARS 2011 THROUGH 2015
(Ranked by Fiscal Year 2020 Results)

	2011		2012		2013(1)		2014		2015	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	2,187,033	52.2 %	2,192,234	53.1 %	2,169,956	51.2 %	2,280,346	50.5 %	2,420,333	50.8 %
Alaska Airlines(2)	561,400	13.4 %	609,315	14.8 %	727,616	17.2 %	704,944	15.6 %	750,673	15.8 %
Delta Airlines(3)	216,757	5.2 %	218,447	5.3 %	228,824	5.4 %	332,544	7.4 %	463,746	9.7 %
American Airlines(4)	620,195	14.8 %	571,167	13.8 %	587,829	13.9 %	601,104	13.3 %	604,952	12.7 %
United Airlines(5)	357,283	8.5 %	298,808	7.2 %	253,837	6.0 %	231,287	5.1 %	186,656	3.9 %
JetBlue Airways	80,797	1.9 %	76,063	1.8 %	71,506	1.7 %	70,860	1.6 %	71,577	1.5 %
Volaris	48,325	1.2 %	49,709	1.2 %	49,700	1.2 %	51,056	1.1 %	51,185	1.1 %
Hawaiian Airlines	85,571	2.0 %	103,483	2.5 %	116,928	2.8 %	113,381	2.5 %	161,707	3.4 %
Frontier Airlines	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	-	-	-	-
Air Canada	-	-	-	-	-	-	-	-	-	-
All Nippon Airways	-	-	-	-	3,273	0.1 %	42,999	1.0 %	47,560	1.0 %
Hainan Airlines	-	-	-	-	-	-	-	-	1,849	-
Aeromexico	-	-	-	-	-	-	-	-	-	-
Lufthansa	-	-	-	-	-	-	-	-	-	-
Air China	-	-	-	-	-	-	-	-	-	-
All other airlines(6)	31,862	0.8 %	5,659	0.1 %	25,284	0.6 %	88,500	2.0 %	4,763	0.1 %
Total(7)	4,189,223	100.0 %	4,124,885	100.0 %	4,234,753	100.0 %	4,517,021	100.0 %	4,765,001	100.0 %

(1) 2013 enplanements for "All other airlines" has been revised to show corrected information

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

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

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

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

Schedule N
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
FISCAL YEARS 2016 THROUGH 2020
(Ranked by Fiscal Year 2020 Results)

	2016		2017		2018		2019		2020	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	2,507,648	49.3 %	2,607,667	45.4 %	3,050,314	45.4 %	3,569,213	47.8 %	2,893,513	51.1 %
Alaska Airlines[(2)]	795,136	15.6 %	988,852	17.2 %	1,183,145	17.6 %	1,416,446	19.0 %	1,004,249	17.7 %
Delta Airlines[(3)]	551,084	10.8 %	648,825	11.3 %	701,037	10.4 %	783,809	10.5 %	640,408	11.3 %
American Airlines[(4)]	642,626	12.6 %	634,827	11.1 %	628,683	9.3 %	606,477	8.1 %	443,899	7.8 %
United Airlines[(5)]	184,570	3.6 %	237,281	4.1 %	314,024	4.7 %	323,965	4.3 %	215,104	3.8 %
JetBlue Airways	73,950	1.5 %	151,587	2.6 %	222,987	3.3 %	155,313	2.1 %	92,699	1.6 %
Volaris	58,385	1.1 %	61,585	1.1 %	60,602	0.9 %	91,784	1.2 %	89,250	1.6 %
Hawaiian Airlines	164,088	3.2 %	153,379	2.7 %	169,044	2.5 %	143,314	1.9 %	88,139	1.6 %
Frontier Airlines	-	-	-	-	80,943	1.2 %	99,539	1.3 %	52,646	0.9 %
British Airways	9,872	0.2 %	54,145	0.9 %	54,092	0.8 %	59,099	0.8 %	37,503	0.7 %
Air Canada	6,882	0.1 %	46,701	0.8 %	57,145	0.8 %	56,389	0.8 %	37,232	0.7 %
All Nippon Airways	49,717	1.0 %	49,160	0.9 %	49,735	0.7 %	48,901	0.7 %	31,735	0.6 %
Hainan Airlines	34,939	0.7 %	44,123	0.8 %	38,995	0.6 %	42,025	0.6 %	23,111	0.4 %
Aeromexico	-	-	-	-	51,326	0.8 %	34,761	0.5 %	5,670	0.1 %
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[(6)]	8,808	0.2 %	5,636	0.1 %	7,169	0.1 %	8,899	0.1 %	4,909	0.1 %
Total[(7)]	5,087,705	100.0 %	5,739,769	100.0 %	6,725,127	100.0 %	7,462,126	100.0 %	5,660,067	100.0 %

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

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

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

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

Schedule O

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

Airline[1]	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	693,168	680,586	806,403	790,691	825,699	864,768	1,127,836	1,359,717	1,682,496	1,334,216
All Nippon Airways	-	-	9,880	138,114	138,700	140,925	138,790	141,175	139,285	100,995
American Airlines	692,995	643,199	664,570	669,391	653,971	726,312	730,283	735,296	688,165	528,987
British Airways	-	-	-	-	-	24,650	152,150	138,460	146,625	98,175
Delta Airlines	230,537	233,473	252,297	386,609	537,959	677,209	829,238	849,208	894,266	810,877
Frontier Airlines	672	-	672	499	269	-	-	80,893	94,850	53,660
Hainan Airlines	-	-	-	-	4,180	80,559	97,695	82,815	85,785	56,534
Hawaiian Airlines	110,895	133,520	161,560	154,290	230,520	230,052	206,901	229,459	184,495	95,472
JetBlue Airways	91,292	82,903	79,348	77,215	75,508	82,039	199,784	302,960	216,553	135,081
Lufthansa	-	-	-	-	-	-	99,364	62,646	35,556	-
Mexicana Airlines	10,890	-	-	-	-	-	-	-	-	-
Southwest Airlines	2,877,878	2,917,030	2,838,160	2,819,208	2,884,182	2,976,117	3,161,461	3,635,596	4,223,415	3,944,466
United Airlines	413,524	355,121	293,930	269,572	206,682	214,585	268,074	353,304	347,168	259,896
Volaris	54,663	59,451	52,014	51,472	55,653	59,565	61,549	61,549	96,214	98,045
All other airlines	44,488	20,108	54,361	179,532	15,137	29,020	19,857	27,580	29,505	17,826
Subtotal	5,221,002	5,125,391	5,213,194	5,536,593	5,628,460	6,113,904	7,202,172	8,244,933	8,984,703	7,591,258
Cargo Carriers										
Air Transport Int'l.	71,055	12,015	250	-	-	-	-	-	-	-
FedEx	164,642	163,213	158,845	152,417	150,160	164,527	149,908	146,996	147,188	143,939
United Parcel Service	83,136	93,250	88,940	82,584	86,546	101,377	98,944	100,450	97,171	89,692
All other cargo airlines	352	270	33	-	-	440	168	161	82	-
Subtotal	319,185	268,748	248,067	235,002	236,706	266,344	249,020	247,607	244,440	233,630
Total	5,540,187	5,394,139	5,461,261	5,771,595	5,865,167	6,380,248	7,451,193	8,492,540	9,229,143	7,824,888

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

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

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

Airline[1]	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
AeroMexico	-	-	-	-	-	-	-	722	526	64
Air Canada	-	-	-	-	-	214	1,538	1,920	1,952	1,396
Air China	-	-	-	-	-	-	256	306	48	-
Alaska Airlines	13,370	12,948	15,172	13,960	13,936	14,314	20,330	25,400	30,784	23,948
All Nippon Airways	-	-	52	726	730	732	730	730	730	528
American Airlines	13,448	12,452	12,672	12,374	12,172	12,356	12,042	12,256	11,452	8,614
British Airways	-	-	-	-	-	116	716	652	690	462
Delta Airlines	4,656	4,784	4,810	8,596	12,702	14,300	15,958	16,496	17,338	14,872
Frontier Airlines	10	-	10	8	4	-	-	1,132	1,294	682
Hainan Airlines	-	-	-	-	22	424	504	420	420	268
Hawaiian Airlines	732	882	1,036	1,014	1,462	1,462	1,324	1,466	1,454	1,078
JetBlue Airways	1,284	1,166	1,116	1,086	1,062	1,146	2,740	4,126	2,924	1,856
Lufthansa	-	-	-	-	-	-	476	296	168	-
Mexicana Airlines	160	-	-	-	-	-	-	-	-	-
Southwest Airlines	46,584	47,002	45,486	44,942	45,654	46,918	48,538	55,466	64,484	59,594
United Airlines	7,432	6,072	5,600	5,052	3,714	3,444	4,042	5,624	5,434	4,052
Volaris	812	886	770	752	774	820	846	846	1,328	1,352
All other airlines	778	286	784	2,546	226	394	296	384	428	252
Subtotal	89,266	86,478	87,508	91,056	92,458	96,640	110,336	128,242	141,454	119,018
Cargo Carriers										
Air Transport Int'l.	538	88	2	-	-	-	-	-	-	-
FedEx	926	928	918	918	920	936	928	918	916	922
United Parcel Service	566	652	610	550	580	670	664	676	644	572
All other cargo airlines	16	10	6	-	-	8	4	2	2	-
Subtotal	2,046	1,678	1,536	1,468	1,500	1,614	1,596	1,596	1,562	1,494
Total	91,312	88,156	89,044	92,524	93,958	98,254	111,932	129,838	143,016	120,512

[1] See notes on Schedule N.

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

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

CARRIER	NONSTOP SERVICE
SCHEDULED DOMESTIC AIRLINE SERVICE	
Alaska Airlines	Austin (AUS)
	Boise (BOI)
	Los Angeles (LAX)
	Portland (PDX)
	San Diego (SAN)
	Seattle (SEA)
American Airlines	Dallas/Ft. Worth (DFW)
	Phoenix (PHX)
Delta Air Lines	Los Angeles (LAX)
	Salt Lake City (SLC)
	Seattle (SEA)
Southwest Airlines	Baltimore/Washington (BWI)
	Boise (BOI)
	Burbank (BUR)
	Chicago/Midway (MDW)
	Dallas Love Field (DAL)
	Denver (DEN)
	Las Vegas (LAS)
	Long Beach (LGB)
	Los Angeles (LAX)
	Nashville (BNA)
	Ontario (ONT)
	Orange County (SNA)
	Phoenix (PHX)
	Portland (PDX)
	San Diego (SAN)
	Seattle (SEA)
	St. Louis (STL)
United Airlines	Denver (DEN)
SCHEDULED FOREIGN AIRLINE SERVICE	
Hainan Airlines(1)	Shenzhen (SZX)
Volaris	Guadalajara (GDL)
ALL-CARGO AIRLINES	
Federal Express Corporation	
United Parcel Service	

(1) Hainan Airlines flew as Cargo only as of June 30, 2020.

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Passengers (1,000's):										
Enplanements	4,189	4,125	4,235	4,517	4,765	5,088	5,740	6,725	7,462	5,660
Deplanements	4,200	4,131	4,254	4,546	4,790	5,125	5,775	6,765	7,488	5,669
Total passengers	8,389	8,256	8,489	9,063	9,555	10,213	11,515	13,490	14,950	11,329
Mail/freight/cargo (1,000 lbs):										
Mail	2,264	1,160	1,431	1,135	1,546	1,786	1,856	4,132	3,497	760
Freight/express	5,060	5,303	6,172	16,156	18,257	22,344	42,126	43,228	42,402	27,287
Cargo	87,329	77,303	78,766	86,239	84,203	92,294	78,013	74,868	68,887	69,556
Total mail/freight/cargo	94,653	83,766	86,369	103,530	104,006	116,424	121,995	122,228	114,786	97,603

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

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

Fiscal Year	Air Carrier Operations[2]	Cargo Operations	Total Commercial Operations	Percent Commercial Operations	General Aviation Operations[3]	Military Operations	Total Operations
2011	89,266	2,046	91,312	74.8 %	30,503	276	122,091
2012	86,478	1,678	88,156	73.4 %	31,664	285	120,105
2013	87,508	1,536	89,044	73.8 %	31,321	210	120,575
2014	91,056	1,468	92,524	75.6 %	29,619	208	122,351
2015	92,458	1,500	93,958	73.7 %	33,246	213	127,417
2016	96,640	1,614	98,254	74.7 %	33,048	259	131,561
2017	110,336	1,596	111,932	76.3 %	34,551	239	146,722
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

Annual compound growth rate

FY 2011 through FY 2020	2.9 %	(3.1)%	2.8 %		4.6 %	(6.0)%	3.3 %

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

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

Bond Disclosure

Two major construction projects are in full swing at SJC. Construction began on the Economy Lot Parking Garage, which will increase the capacity from 1,673 spaces in the existing surface lot to 2,573 spaces. Additional modifications will be added to accommodate the transfer of passengers to the busing system, including elevators, stairways, and conduit for electrical vehicle chargers. Design of the new Aircraft Rescue and Fire Fighting (ARFF) Facility is in progress. This project relocates the facility to the west side of the airfield, improving airfield safety with direct access to the primary landing runway. The Airport has received nearly $17 million from the FAA to fund the ARFF Facility project.

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Bond Disclosure Report

June 30, 2020

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

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 - 82 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, 2020, 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 110 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 107 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 111 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, page 105 of the Statistical Section of this report.

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

  Refer to Schedule N, pages 101 - 102 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 23 of this report.

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

  Refer to Schedule F, page 93 of the Statistical Section of this report.

REPORTING OF SIGNIFICANT EVENTS

Airport Revenue Bonds ratings

The underlying ratings of the outstanding Airport Revenue Bonds were "A", "A2" and "A" by S&P Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings, Inc., respectively, all with a negative outlook due to the COVID-19 pandemic. On October 1, 2020, S&P downgraded the Airport Revenue Bonds to "A-" from "A" with a negative outlook. On October 22, 2020, Moody's completed its periodic review, which maintained the Airport Revenue Bonds "A2" rating. Moody's reported that the "A2" rating reflects the Airport's robust traffic performance in recent years, which along with well-controlled operating expenses has supported improvement in leverage and cost per enplanement, among other factors.

Table 1

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

Fiscal Year	Air Carrier Domestic Enplanements[1]	Air Carrier International Enplanements	Total Enplanements	Total Percent Change
2011	4,111,260	77,963	4,189,223	2.0 %
2012	4,041,624	83,261	4,124,885	(1.5)%
2013	4,124,464	110,289	4,234,753	2.7 %
2014	4,353,383	163,638	4,517,021	6.7 %
2015	4,592,047	172,954	4,765,001	5.5 %
2016	4,847,098	240,607	5,087,705	6.8 %
2017	5,334,312	405,457	5,739,769	12.8 %
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)%
Annual compound growth rate FY 2011 through FY 2020	2.7 %	14.5 %	3.1 %	

[1] Includes commuter enplanements previously reported separately.

Source: Norman Y Mineta San José International Airport activity reports

Table 2

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

Fiscal Year	Air Carrier(1)	Cargo(2)	Total(3)
2011	5,221,002	319,185	5,540,187
2012	5,125,391	268,748	5,394,139
2013	5,213,194	248,067	5,461,261
2014(4)	5,536,593	235,002	5,771,595
2015(4)	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
Annual compound growth rate			
FY 2011 through FY 2020	3.8 %	(3.1)%	3.5 %

(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.

(4) 2013 and 2014 amounts have been revised to show corrected information.

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