Annual Comprehensive Financial Report

Norman Y. Mineta San José International Airport

San José, California

A Department of the City of San José

Fiscal Years Ended June 30, 2022 and 2021

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

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

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SILICON VALLEY'S AIRPORT

Norman Y. Mineta San José International Airport
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Annual Comprehensive Financial Report
Fiscal Years Ended June 30, 2022 and 2021

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

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

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

Prepared by:

Airport Department
Finance & Administration Division, Accounting Section

Mary Soo
Principal Accountant

Elsa Jacobo
Supervising Accountant

Kristy Tricoli
Supervising Accountant

Jennifer You
Senior Accountant

Thomas Goodwin
Senior Accountant

Csilla Kuehn
Senior Accountant

Tammy Duong
Senior Accountant

Stephanie Silva
Accountant II

Geraldine Romero
Accountant I

Janet Kuang
Accountant I

Peter Romero
Accounting Technician

Cecilia Nguyen
Senior Account Clerk

Aieko Espejo
Senior Account Clerk

Special Assistance

Bonnie Cromartie, Finance & Administration Division

Laura Luu, Finance & Administration Division

Lanie Prestosa, Finance & Administration Division

Jon Calegari, City Attorney's Office

Karin Murabito, City Attorney's Office

Rosa Tsongtaatarii, City Attorney's Office

Ryan Sheelen, Planning & Development Division

Introductory

Former Secretary of Transportation and Commerce **Norman Y. Mineta** passed away on May 3, 2022, at the age of 90. In June 2022, a series of tributes and a formal memorial service were held in San José.

Mineta was the first Asian-American Mayor of San José (and of any major U.S. city) from 1971 to 1975. He served as the only Democratic member of President George W. Bush's Cabinet as Secretary of Transportation from 2001 to 2006, overseeing the aviation sector during and after the attacks on September 11, 2001. Mineta also served in President Bill Clinton's Administration as Secretary of Commerce in 2000, and in Congress, representing San José for over two decades from 1975 to 1995. During this time, he founded and chaired the Congressional Asian Pacific American Caucus.

In honor of the former Mayor and long-term Congressman's illustrious career and accomplishments, San José City Council approved changing the Airport's name to "Norman Y. Mineta San José International Airport" in 2001.

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

Table of Contents

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

Table of Contents

Geographic Locator Map

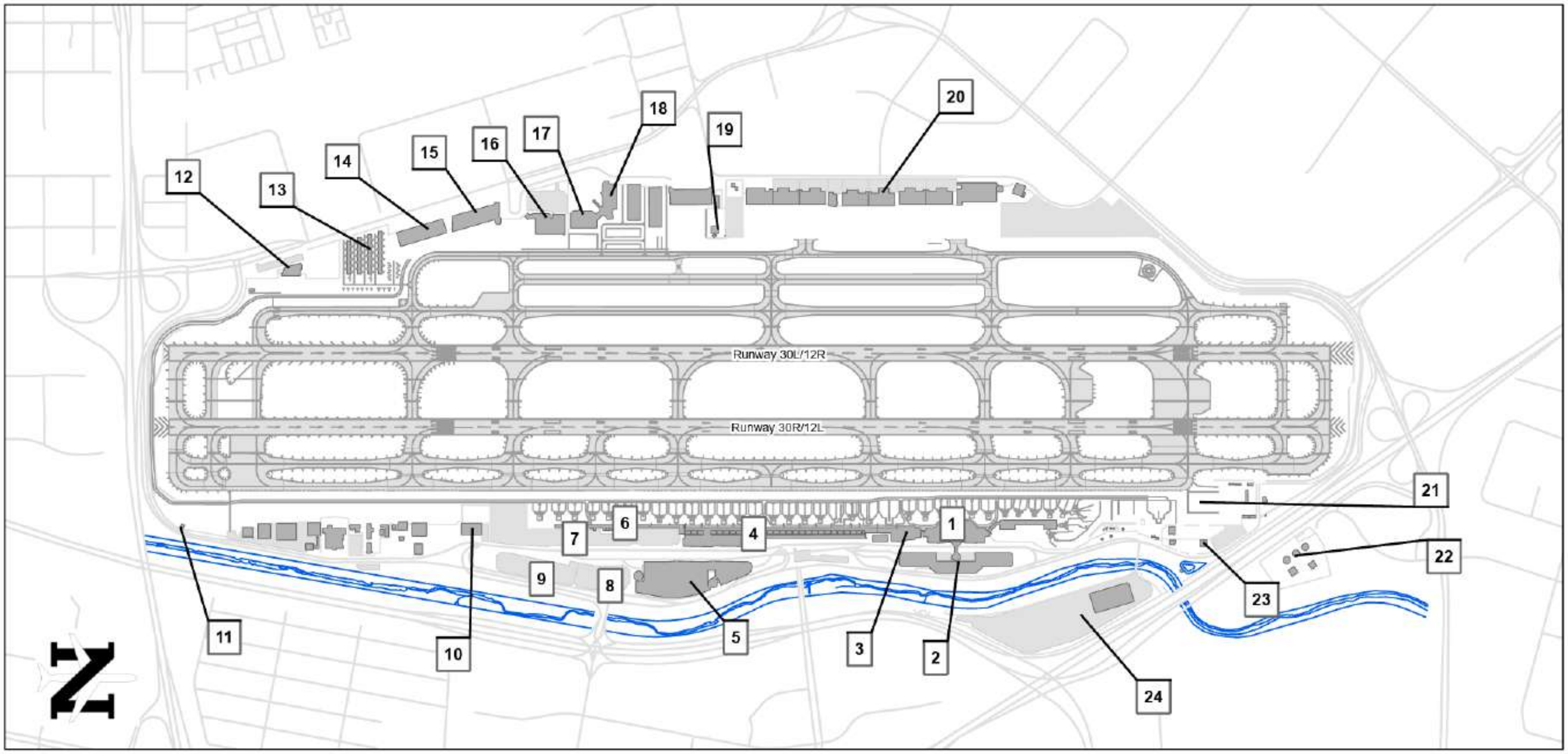
Norman Y. Mineta San José International Airport

San José, California
A Department of the
City of San José
Fiscal Years Ended
June 30, 2022 and 2021

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

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

LOCATOR MAP

JULY 2022

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 15, 2022

HONORABLE MAYOR AND CITY COUNCIL

The Annual Comprehensive Financial Report (ACFR) 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, 2022 and 2021, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the Airport's management. We believe the data, as presented, is accurate in all material aspects and presented in a manner designed to fairly set forth the financial position, changes in financial position, and cash flows of the Airport, and that all disclosures necessary to enable the reader to gain the maximum understanding of the Airport's financial affairs have been included.

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

The annual audit of Airport funds was completed by the independent firm of Macias Gini & O'Connell LLP, Certified Public Accountants for the fiscal year ended June 30, 2022 and fiscal year ended June 30, 2021. 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.

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

[2] The City 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. On January 11, 2022, the Council approved the Charter Review Commission's recommendation to maintain a council-manager form of government and accepted the recommendation for a ballot measure for the June 2022 statewide primary election, which passed, aligning the mayoral election with the presidential election. The candidate elected to be mayor in 2022 will serve a two-year term.

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

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

The Airport serves Santa Clara County, which is also the San José Primary Metropolitan Statistical Area and is commonly referred to as Silicon Valley, as well as adjacent counties of Monterey, San Benito, and Santa Cruz and portions of two adjacent counties, Alameda and San Mateo (collectively, the Air Service Area). The Air Service Area is part of the larger San Francisco/San José/Oakland Area. The nearby counties of Merced, Stanislaus, and San Joaquin comprise a secondary service area. Three of the six Air Service Area counties belong to the Association of Bay Area Governments (ABAG) regional planning agency and rank within the top five most populated counties of the ABAG Region, with Santa Clara and Alameda 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. Recovery from the dramatic impact of the worldwide COVID-19 pandemic is underway with fiscal year (FY) 22 passenger levels of 9.8 million, 132.2% above FY 21 (4.2 million), but trailing peak levels in FY 19 (14.9 million) by 34.4%. Airport management closely monitors its operating budget cost and continues to look for ways to increase non-airline revenues. Capital projects to implement the Airport's Master Plan are prioritized to keep pace with the passenger growth trend. Financial ratings were revised by S&P Global Ratings to "A" from "A-" with a stable outlook and affirmed by Fitch Ratings, Inc. No change has been made or affirmed by Moody's Investors Service since March 2021.

The Airport has an objective of maintaining a competitive cost per enplaned passenger (CPE). The FY 21 and FY 22 adjusted CPE reflects actual net terminal revenues and the Airlines portion of the net revenue sharing. The adjusted CPE was $36.06 in FY 21 and $13.20 in FY 22. The FY 23 adjusted CPE is based on the forecasted net terminal revenues and the Airlines' portion of the net revenue sharing, which is estimated to be $14.87 based on a number of assumptions, which may or may not materialize.

From FY 13 through February of 2020, the Airport had experienced an increase in passenger activity, resulting in a total of approximately 15.8 million passengers traveling through the Airport and passenger traffic growth of 9.1% on a rolling twelve-month basis as of February 2020. However, international enplanements declined 10.7% on a rolling twelve-month basis through February 2020. From FY 13 through FY 19 the compound annual growth rate was 9.9%. As of June 30, 2022, carriers at the Airport served 40 nonstop markets with 181 peak daily departures compared to 36 nonstop markets with 129 peak daily departures as of June 30, 2021. Since the impact of the COVID-19 pandemic in March of 2020, passenger traffic at the Airport declined and the FY 21 passengers decreased by 62.7% from the prior year. As noted above, FY 22 passenger traffic grew 132.2% over FY 21, however, the passenger levels are still below the pre-COVID levels. 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 San Jose Chamber of Commerce 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. In the current air service support program, 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. See Note 11 for any updates to the air service support program that occurred subsequent to June 30, 2022. 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 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. Through June 30, 2022, both Alaska Airlines and Volaris restarted service to multiple destinations in Mexico and utilized the temporary fee waivers, and British Airways resumed its intercontinental flights to London and qualified for fee waivers. However, Air Canada did not restore service to Vancouver prior to the expiration date. On February 2, 2021, the Airport received City Council approval to reduce the minimum weekly flight threshold that is a condition to receive fee waivers and marketing support retroactive from January 1, 2021 through the termination or expiration of the City's Proclamation of the COVID-19 Local Emergency. This is a temporary reduction from the current level of three weekly flights to one weekly flight and is intended to address the impact of COVID-19 on the air travel industry. The weekly flights required to maintain eligibility for fee waivers and marketing support under the City's Airport Service support program will resume upon expiration or termination of the City's Proclamation of COVID-19 Local Emergency.

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 the City. For additional information about the Airline Lease Agreement, see the Airline Rates and Charges section of the MD&A as well as Note 6, Airport Leases, to the financial statements.

<u>Population and Income</u>

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 976,482 as of January 1, 2022, reflecting a decline of 1.5% 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 decreased 0.7% from 2021 to 2022, with the population decreasing to 1,894,783 as of January 1, 2022. Population in the six counties comprising the primary service area for the Airport declined 0.6% from 2021, slightly more than the state decline of 0.3%. In total, the population of the primary service area decreased by 31,519 from the prior year and accounts for 13% of the state's population.[3]

[3] *California Department of Finance*

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

According to U.S. Bureau of Economic Analysis' estimates updated as of November 16, 2021, for 2020 Santa Clara County had a PCPI of $123,661 and was 176% of the state average of $70,192, 208% of the national average of $59,510, 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

	Personal Income			Per Capita Personal Income			
County	(in Thousand Dollars)		% Change	(Dollars)		% Change	
Name	2019	2020	2019-2020	2019	2020	2019-2020	2020 Rank
Santa Clara	$220,402,406	$235,835,442	7.0%	$114,649	$123,661	7.9%	4
Alameda	131,535,494	144,751,041	10.0%	78,839	87,078	10.5%	6
San Mateo	101,056,496	107,559,149	6.4%	132,133	141,841	7.3%	3
Monterey	24,505,664	26,504,847	8.2%	56,545	61,510	8.8%	21
Santa Cruz	18,825,262	20,502,635	8.9%	68,990	75,957	10.1%	9
San Benito	3,316,389	3,894,963	17.4%	52,806	60,807	15.2%	22
California	$2,544,234,978	$2,763,311,977	8.6%	$64,513	$70,192	8.8%	
United States	$18,402,004,000	$19,607,447,000	6.6%	$56,047	$59,510	6.2%	

Per capita income increased by 7.9% from 2019 in Santa Clara County compared to an increase of 8.8% and 6.2% for California and the nation, respectively.[4]

Employment

Employment levels in Santa Clara County have increased by 17,700 from 948,300 in 2020 to 966,000 in 2021. As of June 2022, employment levels are reported just over one million. The county, state, and national unemployment rates are recovering from the COVID-19 pandemic. With 23,200 unemployed, Santa Clara County's unemployment rate of 2.2% as of June 2022 has decreased about 3.2 points, compared to June 2021[5] and is lower than the 4.2% and 3.6% unemployment rates for California[5] and the U.S., respectively.[6]

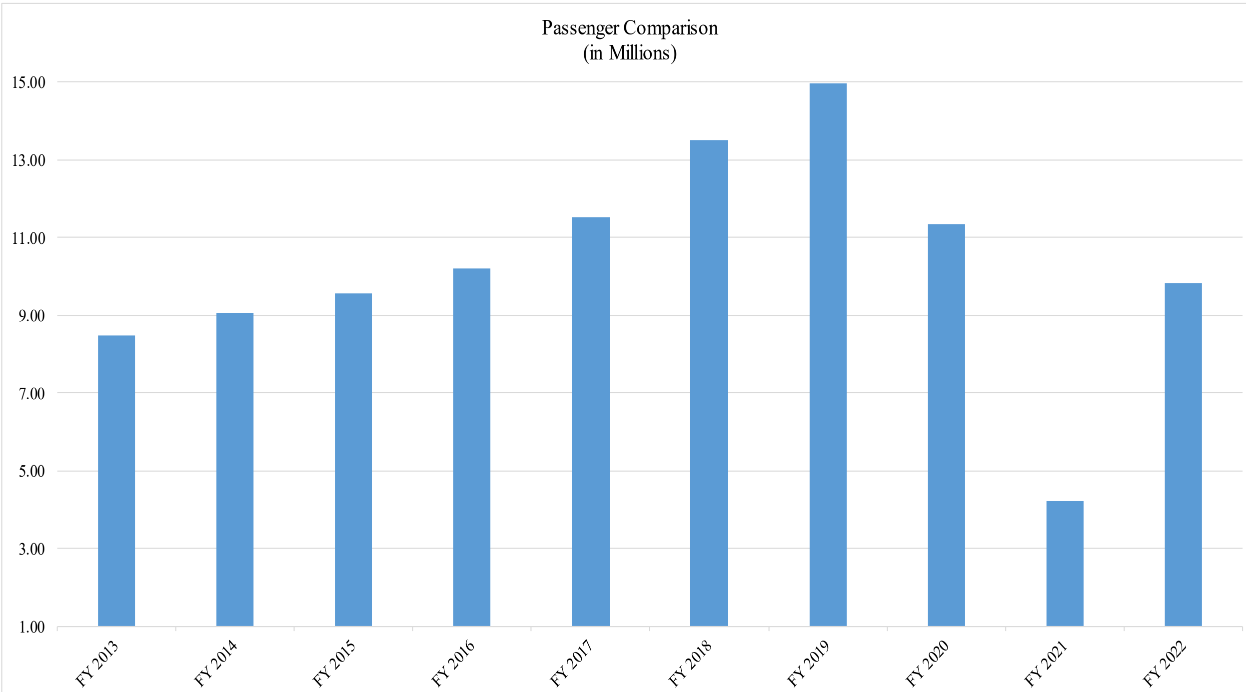
Norman Y. Mineta San José International Airport: Passenger and Air Traffic

The Airport is classified as a medium-hub airport by the FAA and ranked as the 46th busiest airport in the nation in terms of total passengers according to Airports Council International-North America statistics, as of calendar year 2021. As of June 30, 2022, nine carriers provided scheduled passenger service to 40 destinations, including seven mainline carriers and two international carriers. In addition, two all-cargo carriers provided scheduled cargo service at the Airport.

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

For FY 22, the Airport enplaned and deplaned 9.8 million passengers, which represents an increase of 132.2% from the previous fiscal year.

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



For FY 22, the Airport experienced an overall increase of 35.4% in traffic operations due to increases in the following categories: passenger carrier (an increase of 35,376 or 57.7%), military (an increase of 105 or 106.1%), and general aviation itinerant (an increase of 5,452 or 13.1%). The overall increase was partially offset by decreases in cargo carrier (a decrease of 74 or 5.5%) and local general aviation operations (a decrease of 1,286 or 17.4%).

Airport Master Plan

In 1997, after extensive planning and environmental studies, the San José City Council approved a comprehensive update to the previous 1980 Master Plan. In turn, the FAA in 1999 conditionally approved a new Airport Layout Plan (ALP) displaying the proposed Master Plan projects and unconditionally approved all the near-term projects. Both the Master Plan and the ALP, which identify facility improvements needed to accommodate forecast demand for commercial passenger service, air cargo, and 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 16 additional airline gates plus a new parking garage. Eight of those 16 future gates will replace existing interim gates bolted on to the south end of Terminal B in 2018 and 2019 to accommodate increases in airline flights and passenger volume. Two of the 16 gates will be relocated from Terminals A and B for operational efficiency. Pursuant to the terms of the current signatory Airline Lease Agreement and subject only to prior consultation with the signatory airlines, the City retains sole discretion to proceed to construct the New Terminal Project upon its determination that an increase in terminal capacity to be achieved by the New Terminal Project is needed. After completing its consultation with the signatory airlines, and having given due consideration to the information provided by the signatory airlines, the City may proceed with the New Terminal Project if the City determines, in its sole discretion, that the New Terminal Project continues to be needed and can be financed on reasonable terms.

There are no Master Plan construction projects underway at the time of this report.

MAJOR INITIATIVES

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

Highlights of the Airport's activities and accomplishments, include the following:

- Air Service Development

  Passenger levels grew 132.2% in FY 22, with the return of numerous nonstop domestic and international destinations, bringing the passenger count for the fiscal year to close to ten million.

  International:

  International enplanements increased 73.8% in FY 22. The Airport has two international carriers as of June 30, 2022. See additional flights announced in Note 11, Subsequent Events.

Domestic:

FY 22 domestic enplaned passengers increased 135.0%. See additional flights announced in Note 11, Subsequent Events.

In November 2021, Alaska Airlines started daily nonstop service to Palm Springs International Airport (PSP).

In June 2022, Southwest Airlines started daily nonstop service to Eugene Airport (EUG) in Oregon. Southwest is the only carrier offering service to Eugene.

- Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Funding

  In May 2020, the Airport was awarded $65.6 million in federal 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 FY 20 Airport Improvement Program (AIP) grants to 100%, eliminating the requirement for the Airport to provide a percentage of funds. The Airport received reimbursements totaling $53.5 million in FY 21 and $12.1 million in FY 22. The federal grant is administered by the FAA.

- Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA Act) Funding

  In March 2021, the Airport was awarded $13.4 million in CRRSA Act funds. 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. An additional $1.6 million in CRRSA Act funds were awarded to provide relief from rent and minimum annual guarantees (MAG) to on-airport car rental and in-terminal airport concessions. The Airport received reimbursement for the full $1.6 million in concession relief in FY 21 and the full $13.4 million CRRSA Act funds for operating expenses in FY 22. The federal grants are administered by the FAA.

- American Rescue Plan Act (ARP Act) Funding

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

- Airport Accessibility Upgrades Funding

  In July 2022, the FAA announced that the Airport will be awarded $10.0 million in Airport Terminal Program funding under the Bipartisan Infrastructure Law for Airport Accessibility Upgrades. The project will make significant accessibility improvements to the Airport terminal buildings to expand access to those with disabilities and maintain compliance with the federal Americans with Disabilities Act, state, and local requirements. The federal grant is administered by the FAA.

- New Taxiway V Funding

  In September 2022, the Airport was awarded $10.8 million in federal funding for the New Taxiway V Phase 1A project, which is part of the larger Airfield Configuration Updates project. The federal grant is administered by the FAA.

- New Economy Parking Garage

  In July 2021, the Airport opened a new "long-term" parking garage, which offers hundreds of new parking spaces and provides more on-site parking options for Bay Area travelers. The new Economy Parking Garage offers another great example of what the Airport has been doing throughout the pandemic to prepare for the return of passenger traffic.

- Online Parking Reservations

  In November 2021, the Airport launched a new online parking reservation system. This upgrade to the parking program includes touchless entry and exit, license plate recognition, and a discounted price when booking reservations online. In the future, the online parking reservation system will allow us to price fluidly based on demand, and passengers can guarantee they have parking when prebooking.

- Zoom Zone Educational Play Space

  A new educational play space called Zoom Zone, which was designed around the belief that many children have never flown on an airplane and are fascinated by what they see in the sky, is now open in Terminal B. Zoom Zone was created with sponsorship funding from Zoom Video Communications, Inc. and more than $1.2 million in pro bono and discounted services.

- Airport Efficiency Excellence Award

  In August 2022, the Airport was awarded the 2022 Airport Efficiency Excellence Award by Air Transport Research Society, one of the most reputable aviation research societies. The award was for being the most efficient airport in the 5-15 million passenger category in North America, based on 2020 financial year data.

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 since FY 13 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 in March 2020 caused significant disruptions to domestic and international air travel. By the end of FY 20, passengers were 11.3 million (-24.2%), FY 21 passengers were 4.2 million (-62.7%), and FY 22 passengers were 9.8 million, nearly 5.6 million more than FY 21 (+132.2%). While questions remain about the pace, timing, and consistency of passenger traffic recovery, for the first time since February 2020 Airport passenger levels exceeded one million during May and June, 2022. Commercial airlines continue to modify their flight schedules on a rolling basis in response to changes in passenger demand, internal staffing readiness, and other industry influences. The FY 23 projection for total passengers is 12.0 million, a 22.3% increase over FY 22 passengers and 19.7% below the peak of FY 19 at 14.9 million passengers.

The Airport continues 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. Efforts include starting to explore and develop non-aviation revenue opportunities such as a freight facility, hotel, and the retail program at the Airport. Current focus is on reconnecting with SJC passengers to rebuild and enhance the customer experience, collaborative partnerships with tenants to foster more stable long-term revenue streams, strategic use of the federal ARP Act funding, leveraging technology to increase efficiencies, and keeping the airline CPE at a competitive level. City Council direction to Airport staff is to use its best efforts to maintain a CPE that is competitive with other airports in the region.

The FY 23 Adopted Budget adds eight full-time positions to the Airport team. The added positions primarily restored positions eliminated in the FY 21 budget (five full time employees in the Finance, Facilities, and Planning and Development Divisions). A new Air Conditioning Supervisor provides support for corrective and preventative maintenance of the existing HVAC systems, a Director's Office Division Manager improves the reporting structure and supervision of three programs and staff previously reporting to the Assistant Director, and adding a Public Information Representative to contribute to the Marketing team's initiatives is critical to connecting with SJC passengers.

There are expenditure increases for cost of living adjustments to existing agreements, water and electric utility cost adjustments, and increases for new programs such as switching electricity service to San José Clean Energy's TotalGreen product which supplies 100% renewable energy and contributes to San José's goal to be carbon neutral by 2030 and contractual services funding to maintain existing bioretention swales at the Airport. There is also one-time funding to pilot an Autonomous Wheelchair Program for a year. Funding provides for the lease of six autonomous wheelchairs that supplement services provided by airlines. There is evidence of recovery and restoration of the air travel industry and the Airport's focus is on reconnecting with passengers and attracting more passengers based on the reliability and ease of using the Airport, providing strong customer service and other desired amenities.

Conservative budget and fiscal policies have led to a surplus for FY 22. After completion of the year-end closing and annual audit, the FY 22 actual net remaining revenues were $50.5 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 $27.4 million for FY 22.

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 23-27 Adopted Capital Improvement Program (CIP) contains projects reflecting all of the Airport's strategic priorities. The Airport focus is on groundwork and preliminary projects that position the Airport well for future large scale projects. It is important that the Airport continue to support all of the airlines by maintaining reasonable costs, improving safety and security, leveraging technology, maintaining infrastructure, and providing a favorable environment for recovery.

The FY 23-27 Adopted CIP budget funding of $414.4 million is primarily for projects and debt service, of which $152.2 million is allocated to FY 23. Over the five-year CIP, funding allocated to pay debt service on outstanding bonds totals $97.4 million. A total of $72.1 million is allocated to general non-construction activities and public art projects, leaving $244.9 million for capital construction over the next five years.

Program highlights of the Airport's FY 23-27 Adopted CIP are as follows:

- $70.5 million for Airfield Configuration Updates (formerly known as Runway Incursion Mitigation and 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. This project is partially funded in the term of the current CIP, but continues beyond the five-year CIP.

- $52.9 million for the Terminal B Ramp Rehabilitation provides for the reconstruction of the apron south of the existing terminal. This project anticipates the potential development of the terminal and extends the apron to accommodate additional gates and/or ground boarding to maximize functionality and efficiency of the terminal. This apron is used to park aircraft for fueling, servicing, loading and unloading both passengers and cargo. The existing pavement is reaching the end of its lifespan and new pavement needs to be constructed to support existing and new aircraft operations. This project has received FAA grant funding for 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.

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

- $21.0 million for Parking Accessibility Upgrades which funds parking and roadway accessibility improvements and modernization for various locations including path of travel, parking lots, and the Terminal A Ground Transportation Island. Upgrades will increase operational efficiency and improve accessibility. Funding for this project is within the term of the current CIP.

- $45.1 million for the Facilities Division Relocation. The Facilities Division is currently housed in several trailers on the east side of the Airport. This project relocates the division to the west side of the Airport, north of the recently completed Aircraft Rescue and Fire Fighting (ARFF) Facility. The project anticipates construction of a new building to house all administration and field personnel along with storage of materials and equipment required by the division. The building is also expected to be expandable and adaptable to meet future needs. Relocation of the Facilities Division is a necessary step to enable future terminal expansion. Funding for this project is within the term of the current CIP.

FINANCIAL INFORMATION

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

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

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

As part of the City's Single Audit procedures, tests are made to determine compliance with the internal control system over federal awards in place, and whether the Airport has complied with all applicable laws and regulations. The City's Single Audit for the fiscal year ended June 30, 2022 is still in progress.

The Airport was authorized to impose PFC effective September 1, 1992. Legislation authorizing the collection of PFC revenues prescribes reporting and control requirements and restricts the use of PFC revenue to the acquisition of specified assets or payment of PFC eligible debt service. As part of the compliance audit of the PFC program, tests are made to determine compliance with the PFC internal control system in place and whether the Airport has complied with all applicable laws and regulations. The PFC program audit for the fiscal year ended June 30, 2022 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 ACFR for the fiscal year ended June 30, 2021. This was the twenty-fifth consecutive year that the Airport has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the Airport must publish an easily readable and efficiently organized ACFR. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgments

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

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

Respectfully submitted,

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

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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Norman Y. Mineta San Jose International Airport
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

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
David Cohen …………………………………………	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
Matt Mahan ……………………………………………	Council Member, District 10

AIRPORT COMMISSION:

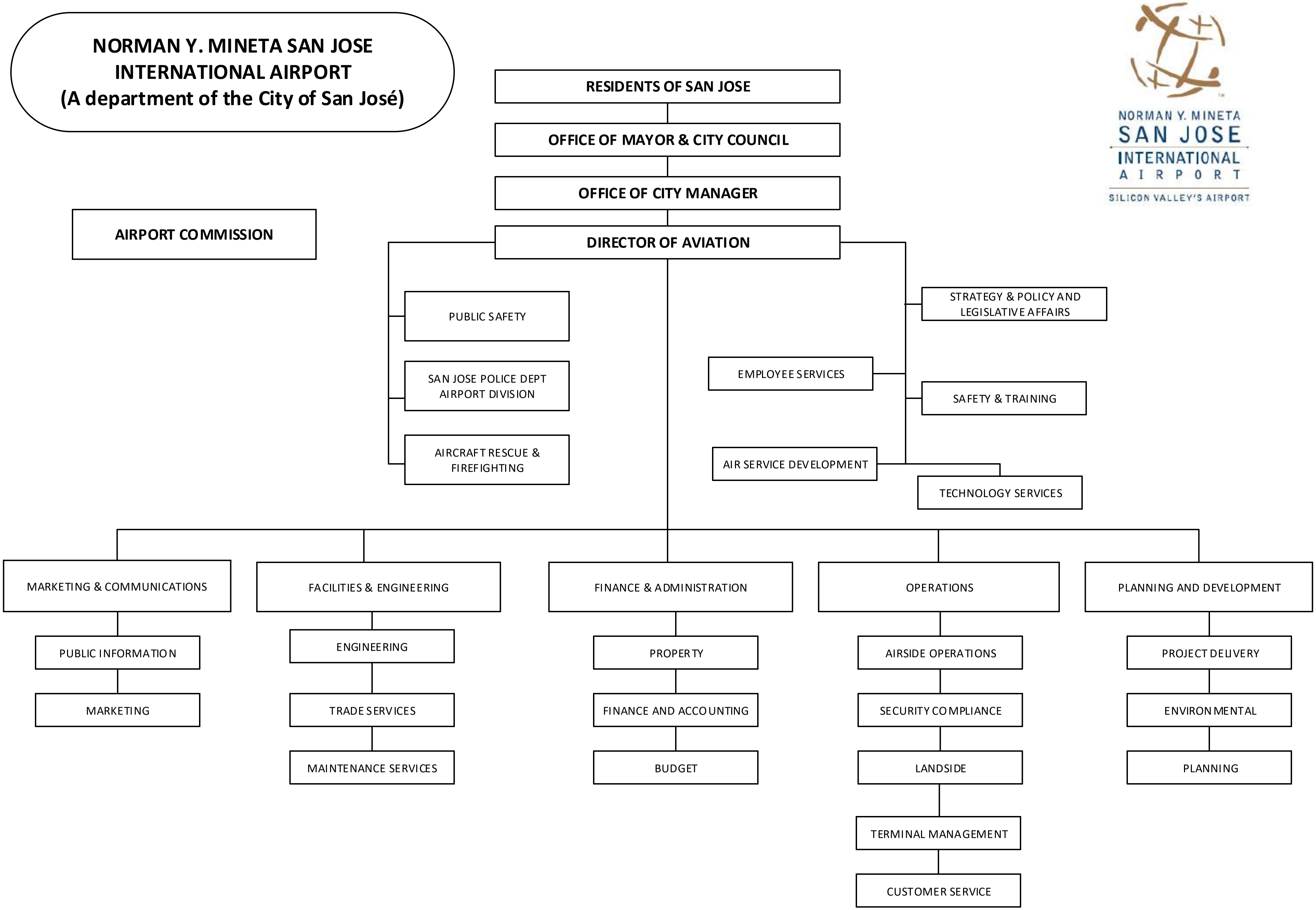
Dan Connolly …………………………………………	Chair
Lisa Marie Smith ……………………………………	Member
Surjit Bains ……………………………………………	Member
Catherine Hendrix ……………………………………	Member
Robert Hencken ………………………………………	Member
Joe Head ………………………………………………	Member
Prateek Gupta …………………………………………	Member
Nick Patel ……………………………………………	Member

CITY OFFICIAL:

Jennifer A. Maguire …………………………………	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
Rosalyn F. Bond, A.A.E. ……………………………	Deputy Director, Airport Operations
Kim Hawk, CPA (inactive) …………………………	Deputy Director, Finance & Administration
Gene Frazier, MPA, C.M. ……………………………	Deputy Director, Facilities & Engineering
Ashwin Naidu, A.C.E. (interim) ……………………	Deputy Director, Planning & Development
Scott Wintner …………………………………………	Deputy Director, Marketing & Communications
Lieutenant Jason Pierce ……………………………	San José Police Dept. – Airport Division



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

Financial

FY 22 passenger traffic increased 132.2% over FY 21, with more than **one million total passengers** traveling through SJC in both May and June 2022, for the first time since the start of the COVID-19 pandemic.

New and returning service in FY 22 contributed to the increase in traffic, including Southwest Airlines' service to Eugene, Oregon and Alaska Airlines' service to Palm Springs, California. British Airways resumed flights to London's Heathrow Airport in June 2022.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

MGO Certified Public Accountants

Independent Auditor's Report

City Council
City of San José, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Norman Y. Mineta San José International Airport (Airport), a department of the City of San José, California (City), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Airport, as of June 30, 2022 and 2021, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matters

As discussed in Note 1 to the financial statements, the financial statements of the Airport are intended to present the financial position, the changes in financial position, and, where applicable, cash flows of only that portion of the business-type activities and major enterprise 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, 2022 and 2021, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, effective as of July 1, 2020, the Airport adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

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

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of 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 is the responsibility of management and, 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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2022 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 15, 2022

This section of the Norman Y. Mineta San José International Airport (Airport) Annual Comprehensive Financial Report (ACFR) presents a narrative overview and analysis of the financial activities of the Airport for the fiscal years ended June 30, 2022 and 2021. The Airport is a department of the City of San José (City).

AIRPORT ACTIVITIES HIGHLIGHTS

The Airport continues to recover from the impacts of the COVID-19 pandemic, and for the first time since February 2020, Airport passenger levels exceeded one million per month during May and June 2022. A total of approximately 9.8 million passengers traveled through the Airport in fiscal year (FY) 22 compared to approximately 4.2 million in FY 21, resulting in passenger traffic growth of 132.2%, however, the passenger levels are still below the pre-pandemic levels. The Airport experienced a decrease in passenger traffic of 62.7% in FY 21 and 24.2% in FY 20.

International passengers increased 70.0% in FY 22. Alaska Airlines offered non-stop service to Guadalajara, Los Cabos, and Puerto Vallarta throughout the year. Volaris continued its service to Guadalajara, León, Mexico City, Morelia, and Zacatecas. British Airways resumed daily, non-stop service to London on June 13, 2022 following a two-year suspension due to the COVID-19 pandemic.

As of June 30, 2022, Airport carriers served 40 nonstop markets. Daily departures ranged from 92 minimum to 181 peak departures in FY 22, compared to 36 nonstop markets with 129 peak daily departures in FY 21, and 21 nonstop markets with 234 peak daily departures in FY 20.

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

	2022	2021	2020
Flight operations	151,233	111,660	168,384
	35.4%	*(33.7)%*	*(12.3)%*
Landed weight by passenger (1,000 lbs)	6,071,623	3,715,202	7,591,258
	63.4%	*(51.1)%*	*(15.5)%*
Landed weight by cargo carriers (1,000 lbs)	197,662	210,406	233,630
	(6.1)%	*(9.9)%*	*(4.4)%*
Total enplaned and deplaned passengers	9,813,775	4,226,239	11,328,759
	132.2%	*(62.7)%*	*(24.2)%*
Enplaned passengers	4,911,206	2,125,823	5,660,067
	131.0%	*(62.4)%*	*(24.1)%*
Deplaned passengers	4,902,569	2,100,416	5,668,692
	133.4%	*(62.9)%*	*(24.3)%*
Domestic passengers	9,335,508	3,944,919	10,714,124
	136.6%	*(63.2)%*	*(23.6)%*
International passengers	478,267	281,320	614,635
	70.0%	*(54.2)%*	*(34.2)%*
Cargo tonnage (in tons)	35,676	40,359	48,801
	(11.6)%	*(17.3)%*	*(15.0)%*
Parking (vehicles) exits	695,136	375,846	771,225
	85.0%	*(51.3)%*	*(31.9)%*

FINANCIAL HIGHLIGHTS

The Airport posted an increase in net position for the 2022 fiscal year.

- Operating revenues increased by 35.5% from $131.1 million in FY 21 to $177.7 million in FY 22.
- Operating expenses before depreciation increased by 5.0% from $94.9 million in FY 21 to $99.6 million in FY 22.
- Operating income before depreciation increased by 115.5% from $36.2 million in FY 21 to $78.1 million in FY 22.
- Depreciation and amortization increased by 3.8% from $53.2 million in FY 21 to $55.3 million in FY 22.
- The above resulted in an operating loss before nonoperating revenues and expenses of $17.0 million in FY 21 and an operating income before nonoperating revenues and expenses of $22.8 million in FY 22.
- Nonoperating revenues, net of nonoperating expenses, decreased 157.1% from $17.9 million net nonoperating revenues in FY 21 to $10.2 million net nonoperating expenses in FY 22.
- Capital contributions earned in the form of grants from the federal government decreased by 51.0% from $12.0 million in FY 21 to $5.9 million in FY 22.
- Change in net position from current year activities showed an increase of 43.9%, or $5.7 million, in FY 22. The increase in operating revenues and Passenger Facility Charges (PFC) and Customer Facility Charges (CFC) revenue resulting from the increase in passenger activity, the decrease in interest expense and capital contributions, were partially offset by the increase in net revenue sharing with participating airlines and operating expenses, and the decrease in grant revenues.

In addition, the Airport posted an increase in net position for the 2021 fiscal year. The FY 21 financials have been restated due to the implementation of GASB Statement No. 87, *Leases*.

- Operating revenues decreased by 25.2% from $175.3 million in FY 20 to $131.1 million in FY 21.
- Operating expenses before depreciation decreased by 10.1% from $105.6 million in FY 20 to $94.9 million in FY 21.
- Operating income before depreciation decreased by 48.0% from $69.7 million in FY 20 to $36.2 million in FY 21.
- Depreciation decreased by 3.9% from $55.4 million in FY 20 to $53.2 million in FY 21.
- The above resulted in an operating income before nonoperating revenues and expenses of $14.3 million in FY 20 and an operating loss before nonoperating revenues and expenses of $17.0 million in FY 21.
- Nonoperating revenues, net of nonoperating expenses, increased 179.4% from $22.5 million net operating expenses in FY 20 to $17.9 million net operating revenues in FY 21.
- Capital contributions earned in the form of grants from the federal government increased by 290.9% from $3.1 million in FY 20 to $12.0 million in FY 21 mainly due to grants for the Aircraft Rescue and Fire Fighting (ARFF) Facility.

- Change in net position from current year activities showed an increase of $12.9 million in FY 21 compared to a decrease of $5.1 million in FY 20. The one-time use of Coronavirus Aid, Relief, and Economic Security (CARES) and Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act grants funding, the decrease in net revenue sharing with participating airlines, the increase in capital contributions, and the decrease in operating expenses were sufficient to offset the decrease in operating revenues and investment income, and the decrease in PFC and CFC revenues, all resulting from the COVID-19 pandemic.

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, 2022, 2021, and 2020:

	2022	2021*	2020
Operating revenues	$ 177,741	$ 131,148	$ 175,291
Operating expenses before depreciation	(99,645)	(94,916)	(105,601)
Operating income before depreciation	78,096	36,232	69,690
Depreciation and amortization	(55,260)	(53,234)	(55,383)
Operating income (loss)	**22,836**	**(17,002)**	**14,307**
Nonoperating revenues and expenses, net	(10,189)	17,859	(22,503)
Income (loss) before capital contributions	12,647	857	(8,196)
Capital contributions	5,894	12,023	3,076
Change in net position	**18,541**	**12,880**	**(5,120)**
Net position - beginning	**225,301**	**212,421**	**217,541**
Net position - ending	**$ 243,842**	**$ 225,301**	**$ 212,421**

*FY 21 balances have been restated due to the implementation of GASB Statement No. 87, *Leases.*

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 $243.8 million, $225.3 million, and $212.4 million at June 30, 2022, 2021, and 2020, respectively, a $18.5 million increase from June 30, 2021 to June 30, 2022 and a $12.9 million increase from June 30, 2020 to June 30, 2021.

A condensed summary of the Airport's net position (in thousands) at June 30, 2022, 2021, and 2020 is as follows:

	2022	2021*	2020
Assets:			
Unrestricted assets	$ 206,728	$ 176,094	$ 171,287
Restricted assets	134,114	113,184	155,979
Net capital assets	1,235,855	1,274,376	1,289,890
Other assets	10,223	12,167	3,239
Total assets	**1,586,920**	**1,575,821**	**1,620,395**
Deferred outflows of resources:			
Pension	15,768	17,288	18,824
OPEB	2,595	2,918	2,306
Loss on refundings of debt	11,034	11,516	7,639
Total deferred outflows of resources	**29,397**	**31,722**	**28,769**
Liabilities:			
Current liabilities – unrestricted	78,521	70,868	82,642
Current liabilities - restricted	23,511	22,267	57,392
Noncurrent liabilities	1,233,647	1,273,324	1,293,578
Total liabilities	**1,335,679**	**1,366,459**	**1,433,612**
Deferred inflows of resources:			
Pension	22,955	1,919	996
OPEB	3,664	1,652	2,134
Lease	10,177	12,212	-
Total deferred inflows of resources	**36,796**	**15,783**	**3,130**
Net position:			
Net investment in capital assets	158,168	171,354	139,388
Restricted	48,905	27,538	44,795
Unrestricted	36,769	26,409	28,238
Net position	**$ 243,842**	**$ 225,301**	**$ 212,421**

*FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases.*

2022 versus 2021

Deferred inflows of resources increased 133.1%, or $21.0 million. Deferred inflows of resources related to pension drove that increase with a change of 1,096.2%, or $21.0 million, from $1.9 million at June 30, 2021 to $23.0 million at June 30, 2022, which reflects the increase in the net difference between projected and actual earnings on pension plan investments and was offset by the decrease in the differences between expected and actual experience and changes of assumptions. Deferred inflows of resources related to other postemployment benefits (OPEB) increased by $2.0 million primarily due to an increase in the difference between projected and actual earning on investments, an increase in the difference between expected and actual experience, and a decrease in changes of assumptions. 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. Deferred inflows of resources related to a lease decreased by $2.0 million due to annual amortization. Additional details about the lease can be found in Note 6.

Total liabilities declined 2.3%, or $30.8 million. Noncurrent liabilities decreased 3.1%, or $39.7 million, due to a decline in the net pension liability, bond payable balance, and net OPEB liability. Unrestricted current liabilities increased 10.8%, or $7.7 million, due to an increase in accounts payable from unrestricted assets, partially offset by a decrease in commercial paper (CP) notes payable.

Total assets increased 0.7%, or $11.1 million. Current, unrestricted assets increased 17.4%, or $30.6 million, due to an increase in cash and investments held in City Treasury and an increase in accounts and grants receivable. Restricted assets increased 18.5%, or $20.9 million, due to an increase in cash and investments held in City Treasury. Other assets decreased $1.9 million due to the annual amortization of the lease receivable.

The largest portion of the Airport's net position, 64.9% and 76.1% at June 30, 2022 and 2021, 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>2021 versus 2020</u>

Total liabilities declined 4.7%, or $67.2 million. Restricted current liabilities decreased $35.1 million due to the issuance of the Airport Revenue Refunding Bonds Series 2021A, 2021B, and 2021C (the 2021 ARBs) in the amount of $428.1 million. The 2021 ARBs refunded all of the Airport Revenue Bonds Series 2011A-1, 2011A-2, 2011B, and a portion of the Airport Revenue Refunding Bonds (ARBs) Series 2014A, 2017A, and 2017B, in the aggregate principal amount of $473.6 million, which reduced the bond principal due in FY 22 and accrued interest payable. Additional information about the Airport's revenue bonds can be found in Note 5 to the financial statements. Unrestricted current liabilities declined 14.2%, or $11.8 million, due to a reduction in accounts payable from unrestricted accounts, partially offset by an increase in unearned revenues. Noncurrent liabilities decreased 1.6%, or $20.3 million, due to decreases in the bond payable balance and net OPEB liability.

Restricted assets declined 27.4%, or $42.8 million, from $156.0 million at June 30, 2020 to $113.2 million at June 30, 2021, due to a decrease in cash and investments held in City Treasury following the decline in revenues resulting from the COVID-19 pandemic, and a reduction in cash and investments held by fiscal agents due to a decrease in the bond reserve requirements resulting from the bond refunding completed in April 2021.

Loss on refunding of debt increased 50.7%, or $3.9 million, from $7.6 million as June 30, 2020 to $11.5 million at June 30, 2021, due to the issuance of the 2021 ARBs.

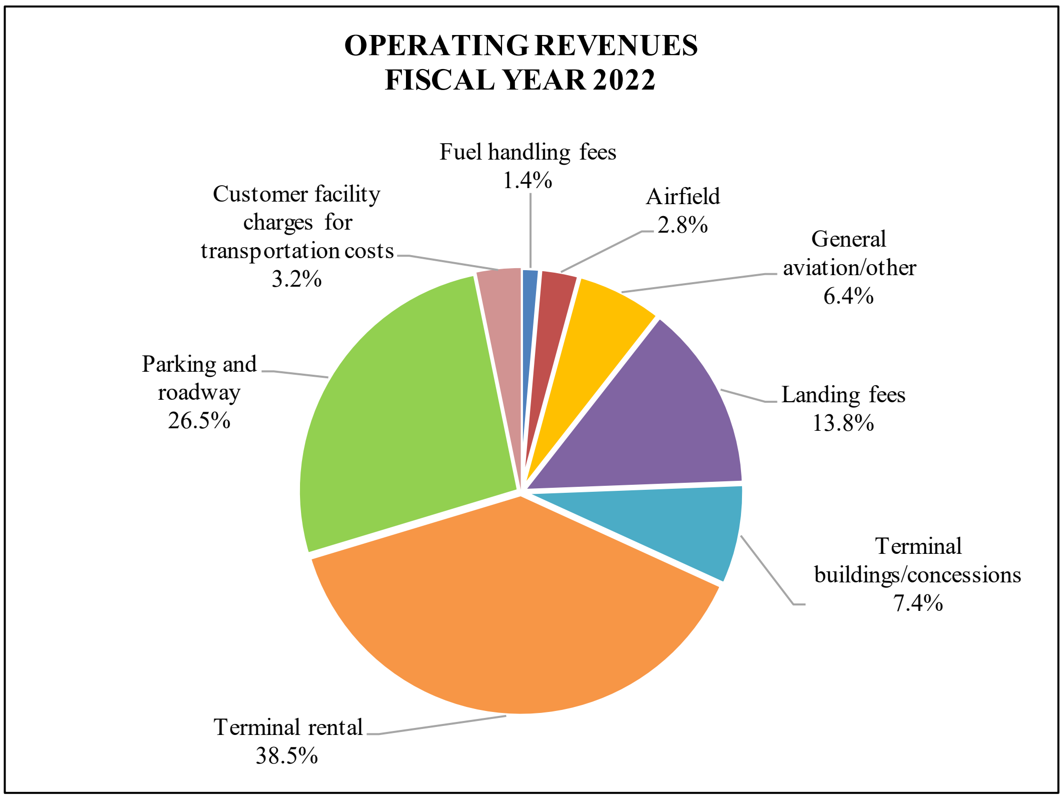
Deferred outflows of resources related to pension decreased 8.2%, or $1.5 million, from $18.8 million at June 30, 2020 to $17.3 million at June 30, 2021, which reflects the decreases in the changes of assumptions, contributions made subsequent to the measurement date, differences between expected and actual experience, and net difference between projected and actual earnings on pension plan investments. Deferred outflows of resources related to OPEB increased 26.5%, or $0.6 million, from $2.3 million at June 30, 2020 to $2.9 million at June 30, 2021, which reflects the increase in net difference between projected and actual earnings on OPEB plan investments, and the increase in contributions made subsequent to the measurement date, partially offset by decrease in the changes in assumptions. Detailed information about the FCERS can be found in Note 7 to the financial statements.

The largest portion of the Airport's net position, 76.1% and 65.6% at June 30, 2021 and 2020, 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, 2022:



As illustrated in the above chart, airline terminal rental revenue, represents 38.5% of the total operating revenues.

The next largest category is parking and roadway revenue, which represents 26.5% of the total operating revenues. Parking and roadway revenues include public parking, utility and concession fees from rental cars, employee parking, Transportation Network Companies (TNCs), taxicab and other ground transportation fees, and facility and ground rents from rental car companies for use of the Consolidated Rental Car Facility (ConRAC) located at the Airport. Facility rent for the ConRAC will vary each year as it is calculated under the terms of the rental car agreement: an amount equal to the sum of annual debt service and coverage amounts and reserve fund requirements, less estimated CFC revenues, is allocated to each rental car company based upon that company's percentage occupancy of the ConRAC. In addition, each rental car company's share of operating costs for the transportation system is charged to each of the rental car companies. In the event that CFC revenues exceed the sum of annual debt service plus coverage amounts and reserve fund requirements, each rental car company's share of any such CFC revenues will be deducted from its share of operating costs for the transportation system. The Airport 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 Airport and the rental car companies have agreed that the Airport 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 22, the City recognized $5.7 million of CFC revenues, or 3.2%, as operating revenues. In FY 21, the Airport did not recognize any CFC revenues to cover transportation costs.

Landing fees from passenger and cargo carriers represent 13.8% of the total operating revenues.

Revenues from terminal buildings/concessions, which came in at 7.4% of total operating revenues, include food and beverage, news and gift shops, and advertising. Fees for the use of the Federal Inspection Service facility and rental of space, other than airline space, are also included in this category.

General aviation/other revenues are 6.4% of total operating revenues and are comprised of rents for aircraft hangars, aircraft parking spaces, building and land rentals, fingerprinting fees, and fees for tenant plan reviews, which are calculated on a cost recovery basis.

The remaining categories, airfield and fuel handling fees represent 2.8% and 1.4%, 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, and propane, 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, 2022, 2021, and 2020 is as follows:

	2022	2021*	2020
Operating revenues:			
Landing fees	$ 24,545	$ 16,933	$ 21,682
Terminal rental	68,490	62,005	62,690
Terminal buildings/concessions	13,164	11,106	20,623
Airfield	5,060	3,454	6,535
Parking and roadway	47,023	25,244	50,973
Fuel handling fees	2,453	1,722	2,289
General aviation/other	11,317	10,684	10,499
Customer facility charges for transportation costs	5,689	-	-
Total operating revenues	**177,741**	**131,148**	**175,291**
Nonoperating revenues:			
Passenger facility charges	$ 19,674	$ 9,377	20,456
Customer facility charges for debt service	7,967	6,539	15,394
Investment income (loss)	(4,681)	1,236	11,266
Lease interest income	274	288	-
Operating grants	718	619	486
CARES Act airport grants	12,095	53,538	-
CRRSA Act airport grants	13,422	1,647	-
ARP Act concession funding	6,586	-	-
Other, net	464	1,841	913
Total nonoperating revenues	**56,519**	**75,085**	**48,515**
Capital contributions	5,894	12,023	3,076
Total revenues	**$ 240,154**	**$ 218,256**	**$ 226,882**

*FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases.*

2022 versus 2021

Total operating revenues increased 35.5% from $131.1 million in FY 21 to $177.7 million in FY 22.

Landing fees increased 45.0%, or $7.6 million, due to an increase in air activity. Although the landing fee rate decreased from $4.30 (and adjusted to $4.95 in February 2021) to $4.00 per thousand pounds, the decrease was offset by the 59.7% increase in landed weights year-over-year.

Terminal rental revenues increased 10.5%, or $6.5 million, due to an increase in common use gates and ticket counters as well as an increase from baggage claim and operations space revenues, partially offset by a decrease in preferential use revenues resulting from a lower ticket counter annual rate in conjunction with a lower number of preferential use gates.

Terminal buildings/concessions posted an increase of 18.5%, or $2.1 million, due to the increase in passenger activity. The revenue increase was partially offset by a $5.8 million credit issued to eligible in terminal concessions using funds awarded to the Airport under the American Rescue Plan Act (ARP Act).

Airfield revenues increased by 46.5%, or $1.6 million, mainly due to the increase in passenger and air activity.

Parking and roadway revenues increased by 86.3%, or $21.8 million, due to an increase in public parking revenues (including reservations), rental car concessions, and ground transportation revenues (including TNCs trip fee revenues), resulting from the increase in passenger activity.

CFC revenues are the charges to customers of rental car companies at the Airport in accordance with California Government Code Sections 50474.1-50474.3 to help pay for capital costs and related debt service associated with the ConRAC and certain operating expenses related to the transportation of rental car customers between the terminals and the ConRAC. Total CFC revenues increased 108.8%, or $7.1 million, from the FY 21 level, reflective of the Airport's increased passenger traffic and of the April 2021 increase to the CFC rate from $7.50 to $9.00 per day, up to a maximum of five days per rental car contract.

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 increased by 109.8%, or $10.3 million, reflective of the increase in passenger activity.

Investment income decreased by $5.9 million from a net investment income of $1.2 million in FY 21 to a $4.7 million investment loss in FY 22 resulting from unrealized losses due to market conditions.

In FY 20, the Airport was awarded $65.6 million of funding from the federal CARES Act to assist with the economic crisis created by the COVID-19 pandemic. The Airport requested reimbursement of $12.1 million for costs in FY 22 and $53.5 million in FY 21.

In March 2021, the Airport was awarded $13.4 million in CRRSA Act funds and an additional $1.6 million to provide relief from rent and Minimum Annual Guarantee (MAG) to on-airport car rental, on-airport parking, and in-terminal airport concessions. The Airport requested reimbursement of $13.4 million for costs in FY 22. The $1.6 million relief was provided to on-airport car rental companies and in-terminal airport concessions in FY 21.

In March 2021, the Airport was awarded $48.9 million in ARP Act funds. The funds are available to the Airport on a reimbursable basis for up to four years and will be used to pay for operating expenses. An additional $6.6 million in ARP Act funds were awarded to provide relief from rent and MAGs to in-terminal airport concessions. The Airport received reimbursement for the full $6.6 million relief in concession relief in FY 22.

Capital contributions earned during FY 22 pertained to grant reimbursements from the FAA, mainly for the ARFF, which decreased 51.0%, or $6.1 million, from $12.0 million in FY 21 to $5.9 million in FY 22.

2021 versus 2020

Total operating revenues decreased by 25.2% from $175.3 million in FY 20 to $131.1 million in FY 21.

Landing fees decreased 21.9%, or $4.7 million, due to a decrease in air activity. Although the landing fee rate increased from $2.87 to $4.30 per thousand pounds for the first seven months of the year and adjusted to $4.95 per thousand pounds in February 2021, the increase was not sufficient to offset the large landed weights decrease year-over-year from 7.8 billion pounds to 3.9 billion pounds due to the decrease in passenger activity resulting from the COVID-19 pandemic.

Terminal rental revenues decreased 1.1%, or $0.7 million, due to a decrease in common use gates and ticket counters, partially offset by an increase in the preferential ticket counter annual rate. Common use revenues are generated primarily by international carriers. The budgeted rate for preferential ticket counters increased from $251,675 per counter in FY 20 to an average rate of $301,614 per counter in FY 21.

Terminal buildings/concessions posted a decrease of 46.1%, or $9.5 million, primarily due to the decrease in passenger activity and the MAG waiver to non-airline tenants, including food and beverage concessionaires and retail concessionaires. Instead of paying the monthly MAG, the concessionaires paid an activity-based percentage rent.

Airfield revenues decreased by 47.2%, or $3.1 million, mainly due to the decrease in passenger activity and MAG waiver to non-airline tenants, including an in-flight kitchen tenant. Instead of paying the monthly MAG, the in-flight kitchen company paid an activity-based percentage rent.

Parking and roadway revenues were down by 50.5%, or $25.7 million, mainly due to a decrease in public parking revenues, rental car concessions, and ground transportation revenues, including TNCs trip fee revenues, resulting from the decrease in passenger activity and the MAG waiver to rental car companies. Instead of paying the monthly MAG, the rental car concessionaires paid an activity-based percentage rent.

Fuel handling fees fell by 24.7%, or $0.6 million. The main contributors to the decrease were a decrease in air activity and elimination of compressed natural gas sales after June 2020.

PFC revenues are the charges to eligible passengers enplaning at the Airport. The Airport may use these fees to fund certain FAA approved projects and associated debt service. PFC revenues declined by 54.2%, or $11.1 million, reflective of the decline in passenger activity.

CFC revenues are the charges to customers of rental car companies at the Airport in accordance with California Government Code Sections 50474.1-50474.3 to help pay for capital costs and related debt service associated with the ConRAC and certain operating expenses related to the transportation of rental car customers between the terminals and the ConRAC. Total CFC revenues declined 57.5%, or $8.9 million, from the FY 20 level, reflective of the Airport's 62.7% passenger traffic decline due to the COVID-19 pandemic. The decline in CFC revenues was partially offset by an increase to the CFC rate, effective April 1, 2021, from $7.50 to $9.00 per day, up to a maximum of five days per rental car contract.

Investment income in FY 21 decreased by 89.0%, or $10.0 million, to $1.2 million, mainly due to lower investment returns, and lower average cash and investment balances.

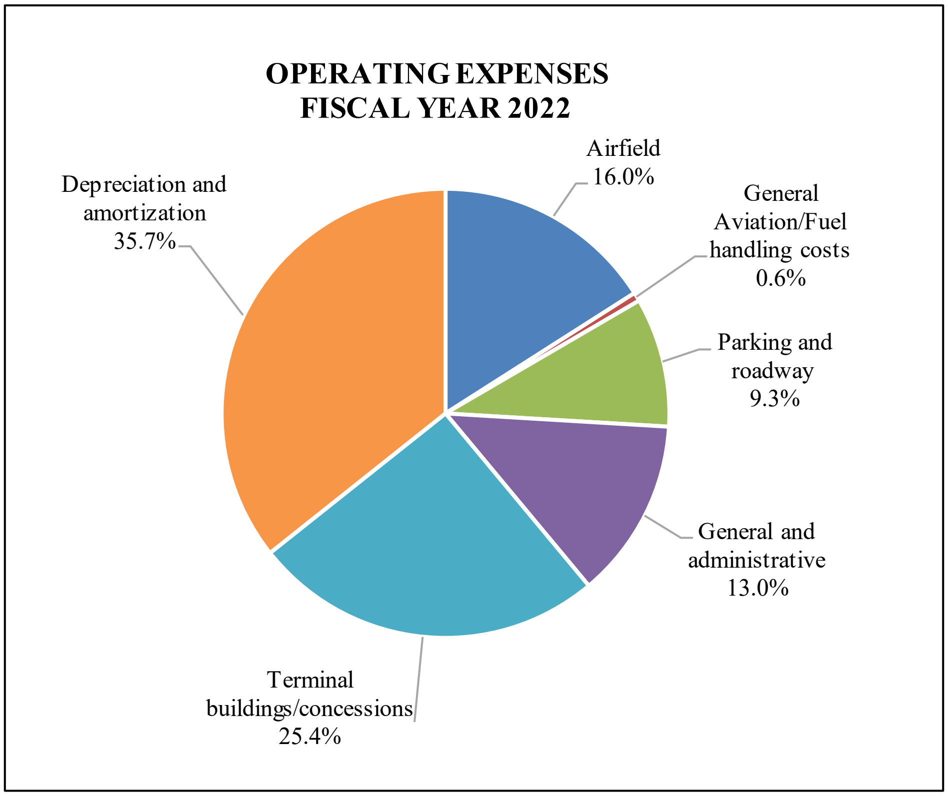
In May 2020, the Airport was awarded $65.6 million in federal CARES Act funds. The Airport received reimbursements totaling $53.5 million in FY 21.

In March 2021, the Airport was awarded $13.4 million in CRRSA Act funds. An additional $1.6 million in CRRSA Act funds were awarded to provide relief from rent and MAG to on-airport car rental, on-airport parking, and in-terminal airport concession. The Airport received reimbursements totaling $1.6 million in FY 21.

Capital contributions earned during FY 21 pertained to grant reimbursements from the FAA, mainly for the ARFF Facility, which increased 290.9%, or $8.9 million, from $3.1 million in FY 20 to $12.0 million in FY 21.

EXPENSES

The following chart reflects the major cost centers as a percentage of operating expenses for the fiscal year ended June 30, 2022:



A summary of expenses (in thousands) for the fiscal years ended June 30, 2022, 2021, and 2020 is as follows:

	2022	2021*	2020
Operating expenses:			
Terminal buildings/concessions	$ 39,331	$ 38,346	$ 41,025
Airfield	24,777	22,096	21,912
Parking and roadway	14,431	12,217	16,761
Fuel handling costs	71	63	27
General aviation	913	962	1,717
General and administrative	20,122	21,231	24,159
Depreciation and amortization	55,260	53,235	55,383
Total operating expenses	**154,905**	**148,150**	**160,984**
Nonoperating expenses:			
Participating airline net revenue sharing	27,396	1,325	11,910
Interest expense	39,312	53,649	59,108
Bond issuance costs	-	2,239	-
Loss on capital assets disposal	-	13	-
Total nonoperating expenses	**66,708**	**57,226**	**71,018**
Total expenses	**$ 221,613**	**$ 205,376**	**$ 232,002**

*FY 2021 balances have been restated due to the implementation of GASB Statement No. 87, *Leases.*

2022 versus 2021

Operating expenses in FY 22 increased 4.6%, or $6.7 million, from $148.2 million in FY 21 to $154.9 million in FY 22, due to increases in non-personnel costs, expenses related to noncapitalized projects, depreciation expense, and OPEB expense, partially offset by a decrease in pension expense.

Depreciation expense increased $2.0 million from $53.2 million in FY 21 to $55.2 million in FY 22 due to normal annual depreciation.

Nonoperating expenses in FY 22 increased by $9.5 million due to an increase in the airline net revenue sharing, which was partially offset by a decrease in interest expense and the expense of bond issuance costs resulting from the bond refunding completed in April 2021.

2021 versus 2020

Operating expenses in FY 21 decreased 8.0%, or $12.8 million, from $161.0 million in FY 20 to $148.2 million in FY 21, due to decreases in non-personnel costs, pension expense, OPEB expense, and depreciation expense, partially offset by an increase in expenses related to noncapitalized projects and increase in public safety expenses.

Depreciation expense decreased $2.2 million from $55.4 million in FY 20 to $53.2 million in FY 21 due to a correction to the useful live of vehicles.

Nonoperating expenses in FY 21 decreased by $13.8 million due to a decrease in the airline net revenue sharing and interest expense, partially offset by an increase in bond issuance costs resulting from the bond refunding completed in April 2021.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

The Airport expended $26.2 million on both capitalized and noncapitalizable capital activities in FY 22 and $41.8 million in FY 21. Major capital projects in FY 22 included the ARFF Facility and the Airport Accessibility Upgrades. During the year there was also activity related to the New Taxiway V , the Parking Revenue System Upgrade, the Airfield Electrical Rehabilitation, and the Terminal A Baggage Claim Carousels project.

As of June 30, 2022, the Airport was obligated for purchase commitments relating to capital projects of approximately $17.5 million primarily for the Airfield electrical circuit rehabilitation, the parking system upgrade, the parking accessibility upgrades, and the terminal paging system. Additional information about capital assets can be found in Note 3 to the financial statements.

OUTSTANDING DEBT

Subordinated CP Notes

The Subordinated CP Notes debt is a form of variable rate debt with a maturity between 1 to 270 days. As of June 30, 2022 and 2021, the total amount of Subordinated CP Notes outstanding totaled $34.1 million and $51.9 million, respectively. There were no new Subordinated CP Notes issued by the Airport in the fiscal year ended June 30, 2022. The Airport paid principal of $17.8 million during the fiscal year ended June 30, 2022. There were no new CP issuances or principal payments in FY 21.

As of June 30, 2022, 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, 2022 and 2021, the Airport had total outstanding revenue bonds of $1,047.0 million and $1,048.9 million, respectively. During the fiscal years ended June 30, 2022 and 2021, the Airport paid principal of $1.9 million and $506.8 million, respectively. In April 2021, the City issued $428.1 million of the 2021 ARBs to refund the Airport Revenue Bonds Series 2011A-1, 2011A-2, and 2011B bonds and a portion of the ARBs Series 2014A, 2017A, and 2017B.

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

Credit Ratings

As of June 30, 2022, the underlying ratings of the outstanding Airport Revenue Bonds were "A", "A2" and "A" by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, Inc., respectively. All had a stable outlook as of June 30, 2022.

AIRLINE RATES AND CHARGES

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

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

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

The budgeted rates and charges for the signatory (passenger and cargo) airlines for fiscal years 2022 and 2021 were as follows:

	2022	2021
Landing fee (per 1,000 lbs MGLW)	$ 4.00	$ 4.30
Terminal average rental rate (per square foot)	208.98	240.82
Adjusted Airline CPE	13.20	36.06

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

Terminal rental rates and airline landing fees for FY 23 have been developed as part of the annual budget process. The rates and charges for signatory airlines for FY 23, which became effective July 1, 2022, are as follows:

Landing fee (per 1,000 lbs MGLW)	$ 3.78
Terminal average rental rate (per square foot)	227.55
Adjusted Airline CPE (budgeted)	14.87

The FY 23 adjusted Airline CPE reflects the forecasted Airlines portion of the net revenue sharing in accordance with the Airline Lease Agreement.

After completion of the year-end closing and annual audit, the FY 22 actual net remaining revenues were $50.5 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 $27.4 million for FY 22.

OUTLOOK

Prior to the COVID-19 pandemic the Airport was on pace to set another consecutive annual record for passengers. The worldwide outbreak of the COVID-19 pandemic caused significant disruptions to air travel. In FY 22, 9.8 million passengers traveled through the Airport compared to 4.2 million passengers in FY 21. The Airport is estimating 12.0 million passengers for FY 23. That is a 22.3% increase from FY 22 levels, and 19.7% below the peak of FY 19 at 14.9 million. There is evidence of recovery and restoration of the air travel industry and the Airport's focus is on reconnecting with passengers and attracting more passengers based on the reliability and ease of using the Airport, providing strong customer service and other desired amenities.

FORWARD-LOOKING STATEMENTS

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

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

REQUEST FOR INFORMATION

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

Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the 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, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Unrestricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	$ 175,169,845	$ 157,414,353
Receivables:		
Accounts, net of allowance for uncollectible accounts of $652,635 in 2022 and $719,770 in 2021	19,294,494	11,450,152
Accrued interest	587,266	560,082
Grants	9,378,138	4,619,775
Lease receivable, current portion (Note 6)	1,923,653	1,827,093
Concession loan receivable	129,074	-
Prepaid expenses, advances, and deposits	245,484	223,054
Total unrestricted assets	206,727,954	176,094,509
Restricted assets:		
Equity in pooled cash and investments held in City Treasury (Note 2)	45,899,532	25,734,032
Cash and investments held by the fiscal agents (Note 2)	84,344,076	84,459,514
Receivables:		
Accounts, net of allowance for uncollectible accounts of $367 in 2022 and $745 in 2021	3,697,718	2,897,386
Accrued interest	145,146	61,769
Prepaid expenses, advances, and deposits	8,130	11,385
Current portion of prepaid bond insurance	19,872	19,970
Total restricted assets	134,114,474	113,184,056
Total current assets	340,842,428	289,278,565
Noncurrent assets:		
Capital assets (Note 3):		
Nondepreciable	121,986,330	113,312,473
Depreciable assets, net of accumulated depreciation and amortization	1,113,868,745	1,161,063,382
Total capital assets	1,235,855,075	1,274,375,855
Lease receivable, noncurrent (Note 6)	8,734,505	10,658,158
Advances and deposits	1,179,392	1,179,927
Prepaid bond insurance, less current portion	309,038	328,798
Total noncurrent assets	1,246,078,010	1,286,542,738
Total assets	1,586,920,438	1,575,821,303
Deferred Outflows of Resources		
Deferred outflows of resources:		
Pension (Note 7)	15,767,965	17,287,485
OPEB (Note 7)	2,594,662	2,918,047
Loss on refunding of debt	11,034,227	11,515,987
Total deferred outflows of resources	$ 29,396,854	$ 31,721,519

See accompanying notes to the financial statements.
The FY 21 balances have been restated due to the implementation of GASB Statement No. 87.

Exhibit I
(Concluded)

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Net Position
June 30, 2022 and 2021

	2022	2021
Liabilities		
Current liabilities:		
Payable from unrestricted assets:		
Accounts payable	$ 32,967,533	$ 6,614,117
Accrued salaries, wages, and payroll taxes	1,808,305	1,650,643
Accrued vacation, sick leave, and compensatory time, current (Note 5)	1,752,000	1,846,999
Advances and deposits payable	1,930,908	1,746,090
Unearned revenues	5,219,445	6,335,516
Estimated liability for self-insurance, current (Notes 5 and 9)	633,500	633,500
Accrued interest payable	2,991	10,671
Current portion of lease liability (Note 6)	94,186	100,466
Commercial paper notes payable (Note 4)	34,112,000	51,930,000
Total payable from unrestricted assets	78,520,868	70,868,002
Payable from restricted assets:		
Accounts payable	133,363	112,728
Unearned revenues	23,781	28,201
Accrued interest payable	15,003,801	14,039,501
Current portion of bonds payable, net of unamortized discount/premium (Note 5)	8,349,807	8,086,082
Total payable from restricted assets	23,510,752	22,266,512
Total current liabilities	102,031,620	93,134,514
Noncurrent liabilities:		
Bonds payable, less current portion and net of unamortized discount/premium (Note 5)	1,130,509,385	1,138,786,123
Estimated liability for self-insurance, noncurrent (Notes 5 and 9)	1,655,383	1,841,267
Accrued vacation, sick leave, and compensatory time, noncurrent (Note 5)	358,786	589,704
Lease liability, noncurrent (Note 6)	-	94,186
Net pension liability (Note 7)	86,042,375	113,362,614
Net OPEB liability (Note 7)	15,081,641	18,650,020
Total noncurrent liabilities	1,233,647,570	1,273,323,914
Total liabilities	1,335,679,190	1,366,458,428
Deferred Inflows of Resources		
Deferred inflows of resources:		
Pension (Note 7)	22,955,476	1,919,009
OPEB (Note 7)	3,663,997	1,652,126
Lease (Note 6)	10,176,553	12,211,864
Total deferred inflows of resources	36,796,026	15,782,999
Net position		
Net investment in capital assets	158,167,999	171,354,498
Restricted:		
Per Airline Lease Agreement for Airline revenue sharing	13,126,580	431,339
Per Master Trust Agreement for rolling debt service coverage	11,921,370	16,976,536
California Government Code Sections for Customer Facility Charges (Note 1(k))	8,278,187	1,557,921
Future debt service (Note 1(j))	15,578,863	8,572,329
Unrestricted	36,769,077	26,408,772
Total net position	$ 243,842,076	$ 225,301,395

See accompanying notes to the financial statements.
The FY 21 balances have been restated due to the implementation of GASB Statement No. 87.

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, 2022 and 2021

	2022	2021
Operating revenues:		
Airline rates and charges:		
Landing fees	$ 24,544,813	$ 16,932,835
Terminal rental	68,489,936	62,005,014
Total airline rates and charges	93,034,749	78,937,849
Terminal buildings/concessions	13,164,400	11,105,743
Airfield	5,059,452	3,453,548
Parking and roadway	47,023,412	25,244,049
Fuel handling fees	2,452,926	1,722,485
General aviation/other	11,316,776	10,683,863
Customer facility charges for transportation costs	5,689,029	-
Total operating revenues	177,740,744	131,147,537
Operating expenses:		
Terminal buildings/concessions	39,331,465	38,346,289
Airfield	24,777,426	22,095,802
Parking and roadway	14,431,154	12,217,054
Fuel handling costs	70,517	63,422
General aviation	912,702	962,139
General and administrative	20,122,015	21,230,961
Depreciation and amortization	55,259,855	53,234,468
Total operating expenses	154,905,134	148,150,135
Operating income (loss)	22,835,610	(17,002,598)
Nonoperating revenues (expenses):		
Passenger facility charges	19,673,798	9,377,532
Customer facility charges for debt service	7,966,665	6,538,690
Participating airline net revenue sharing (Note 1(i))	(27,395,809)	(1,324,554)
Investment income (loss)	(4,680,938)	1,235,940
Lease interest income	274,157	288,077
Interest expense	(39,312,098)	(53,649,337)
Bond issuance costs	-	(2,239,414)
Operating grants	717,530	619,491
Loss on capital assets disposal	-	(12,465)
CARES Act airport grants (Note 10)	12,095,072	53,538,164
CRRSA Act airport grants (Note 10)	13,421,940	1,646,602
ARP Act concession funding (Note 6 and 10)	6,586,408	-
Other, net	463,900	1,840,625
Total nonoperating revenues (expenses), net	(10,189,375)	17,859,351
Income before capital contributions	12,646,235	856,753
Capital contributions	5,894,446	12,023,275
Change in net position	18,540,681	12,880,028
Net position - beginning	225,301,395	212,421,367
Net position - ending	$ 243,842,076	$ 225,301,395

See accompanying notes to the financial statements.
The FY 21 balances have been restated due to the implementation of GASB Statement No. 87.

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, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Receipts from customers and users	$ 169,194,485	$ 133,113,231
Payments to suppliers	(43,503,073)	(34,791,497)
Payments to employees	(36,437,573)	(35,879,949)
Payments for City services	(24,471,695)	(24,123,734)
Payments to airlines	(1,324,554)	(11,909,916)
Claims paid	(178,836)	(156,507)
Other receipts	487,264	1,921,968
Net cash provided by operating activities	63,766,018	28,173,596
Cash flows from noncapital financing activities:		
Nonoperating grants	27,149,511	53,538,164
Operating grants	693,430	859,323
Loans	(129,074)	-
Net cash provided by noncapital financing activities	27,713,867	54,397,487
Cash flows from capital and related financing activities:		
Purchases of capital assets	(18,090,412)	(39,397,990)
Principal payments on bonds payable	(1,900,000)	(33,205,000)
Interest paid	(43,990,232)	(60,819,869)
Capital grants	6,114,091	10,371,410
Passenger facility charges received	19,228,165	7,311,694
Customer facility charges received	7,607,546	6,977,811
Leases	(308,684)	(78,735)
Interest received on leases	274,157	288,077
Bond proceeds (excluding amount placed in escrow)	-	28,666,228
Payment for redemption of bonds (with prior bond reserves)	-	(44,380,908)
Bond issuance costs paid	-	(2,239,414)
Prepaid bond insurance	-	(283,950)
Principal payments on commercial paper	(17,818,000)	-
Advances and deposits received	535	210,648
Net cash used in capital and related financing activities	(48,882,834)	(126,579,998)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	22,754,849	150,240,544
Puchases of investments	(17,292,693)	(145,662,936)
Investment income received	(4,333,937)	2,337,354
Net cash provided by investing activities	1,128,219	6,914,962
Net change in cash and cash equivalents	43,725,270	(37,093,953)
Cash and cash equivalents - beginning	251,988,796	289,082,749
Cash and cash equivalents - ending	$ 295,714,066	$ 251,988,796

See accompanying notes to the financial statements.
The FY 21 balances have been restated due to the implementation of GASB Statement No. 87.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
Statements of Cash Flows
Fiscal Years Ended June 30, 2022 and 2021

	2022	2021
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 22,835,610	$ (17,002,598)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation and amortization	55,259,855	53,234,468
Participating airline net revenue sharing	(27,395,809)	(1,324,554)
Other revenues	487,264	1,921,968
Decrease (increase) in:		
Accounts receivable	(7,844,342)	1,354,173
Prepaid expenses, advances, and deposits	(19,175)	(26,055)
Increase (decrease) in:		
Accounts payable and accrued liabilities	27,557,127	(14,092,465)
Advances and deposits payable	184,818	(151,791)
Unearned revenues	(1,116,071)	4,044,631
Estimated liability for self-insurance	(185,884)	(205,586)
Net pension liability, deferred outflows/inflows of resources related to pension	(4,764,251)	3,206,539
Net OPEB liability, deferred outflows/inflows of resources related to OPEB	(1,233,124)	(2,785,134)
Net cash provided by operating activities	$ 63,766,018	$ 28,173,596
Noncash noncapital financing activities:		
Decrease (increase) in operating grants receivable	$ (24,100)	$ 71,400
Increase in nonoperating grants receivable	(4,953,909)	(1,646,602)
Noncash capital and related financing activities:		
Decrease in accounts payable related to acquisition of capital assets	$ (1,351,334)	$ (1,665,360)
Decrease (increase) in capital grants receivables	219,645	(1,483,433)
Decrease in fair value of investments held by the fiscal agents	457,560	394,661
Loss on capital assets disposal	-	(12,465)
Amortization of bond discount/premium/prepaid bond insurance	6,093,647	4,087,370
Amortization of deferred outflows of resources related to bond refunding	(482,251)	(460,113)
Bond refunding proceeds placed in escrow	-	434,548,063
Bond defeased from escrow	-	(434,548,063)
Reconciliation of cash and cash equivalents to the statements of net position		
Equity in pooled cash and investments held in City Treasury		
Unrestricted	$ 175,169,845	$ 157,414,353
Restricted	45,899,532	25,734,032
Investments held by the fiscal agents classified as cash equivalents	74,644,689	68,840,411
Total cash and cash equivalents	$ 295,714,066	$ 251,988,796

See accompanying notes to the financial statements.
The FY 21 balances have been restated due to the implementation of GASB Statement No. 87.

(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, 2022 and 2021, 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. Leased assets are amortized over the lease term.

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

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

	Years
Buildings and improvements	5 - 40
Equipment	4 - 20

(f) Capitalization of Interest

Effective for the Airport's fiscal year ended June 30, 2022, interest costs related to the acquisition of buildings and improvements acquired with debt which are incurred before the end of a construction period are recognized as an expense in the period in which the cost is incurred. Prior to this current fiscal year, the amount of interest to be capitalized was 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 was to be prorated to completed projects based on the completion date of each project. The Airport did not capitalize interest during fiscal years ended June 30, 2022 and 2021.

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

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

(h) Operating Grants and Capital Contributions

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

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

(i) Airline Rates and 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. The Passenger Carrier portion of the terminal is cost-recovery; therefore the true-up is an adjustment so that the actual terminal rentals paid by the Passenger Carriers match the operating costs incurred by the City in that cost center. As a result, the City records the terminal true-up as operating revenues. The revenue sharing provision relates to the Airport cost centers and provides for a split of any net remaining revenues between the City and the Signatory Passenger Carriers based on the terms provided for in the Airline Lease Agreement. Since the sharing of net revenues is not a cost of providing airport services, the City records the revenue sharing amount as nonoperating expenses.

(j) Passenger Facility Charges

Passenger Facility Charges (PFC) revenues are recorded as nonoperating revenue in the year they are collected by the air carriers from the sale of air travel tickets and remitted to the Airport in accordance with Airport regulations. At June 30, 2022 and 2021, accumulated PFC funds amounted to $15,578,863 and $8,572,329, 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 $12,419,827 and $14,338,705 from accumulated PFC funds had been designated as Available PFC Revenues for payment of eligible bond debt service in fiscal years ended June 30, 2022 and 2021, 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. As of April 1, 2021, the rate charged per rental car day was increased from $7.50 to $9.00 up to a maximum of five days per rental. CFC revenues are recorded as nonoperating revenues to the extent of the annual debt service on the Airport Revenue Bonds Series 2011B (Series 2011B Bonds), which were fully refunded by Airport Revenue Refunding Bonds Series 2021C (Series 2021C Bonds) in April 2021 as described in Long-Term Obligations, Note 5, to the financial statements. Excess Facility Rent payments if available, (as defined in the On-Airport Rental Car Operations Agreement) may be deposited in a Rent Stabilization Fund, up to $1.0 million, and would be available to reduce Facility Rent in future years. The Rent Stabilization Fund was fully expended in FY

20. Transportation costs due from the rental car companies in FY 22 were 100% covered by CFC revenues. The Airport did not expend CFC revenues on the transportation costs in the fiscal year ended June 30, 2021. 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 Bond, which was fully refunded by the Series 2021C Bonds, during such period. CFC revenues of $7,999,558 and $11,141,860 had been designated as Other Available Funds for payment of eligible bond debt service in fiscal years ended June 30, 2022 and June 30, 2021, respectively. At June 30, 2022 and 2021, accumulated CFC funds amounted to $8,278,187 and $1,557,921, respectively, and are reported as restricted for California Government Code Sections 50474.1-50474.3 for Customer Facility Charges in the restricted net position category of the Airport's statements of net position.

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

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

(m) Pensions

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

- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2022 and 2021, the Airport's statements of net position reports restricted net position of $48,905,000 and $27,538,125, respectively, of which $23,857,050 and $10,130,250, 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, 2022, the Airport implemented the following accounting standards:

- In June 2017, the GASB issued Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, with certain exceptions for leases subject to external laws, regulations, or legal rulings, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 is effective for the Airport's fiscal year ended June 30, 2022, and was implemented effective July 1, 2020. The FY 20 balances were restated due to the implementation of Statement No. 87 and there was a material financial impact for the Airport. Please refer to Notes 3 and 6.

- In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund, and fiduciary fund. GASB Statement No. 89 is effective for the Airport's fiscal year ended June 30, 2022. Application of Statement No. 89 did not have any financial impact for the Airport.

- 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 No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, as amended, and Statement 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 ended June 30, 2022. Application of Statement No. 92 did not have any financial impact for the Airport.

- In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement addresses referenced rates and other accounting and financial reporting implications that result from the replacement of an interbank offered rate as the London Interbank Offered Rate (LIBOR) ceased to exist at the end of 2021. GASB Statement No. 93 is effective for the Airport's fiscal year ended June 30, 2022. Application of Statement No. 93 did not have any financial impact for the Airport.

- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of the LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. Application of these requirements did not have any impact for the Airport.

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

- In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 91 is effective for the Airport's fiscal year ending June 30, 2023.

- In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* This statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. 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.* This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which a government has a noncancelable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option). Under this statement, a government generally should recognize a right-to use subscription asset—an intangible asset—and a corresponding subscription liability. GASB Statement No. 96 is effective for the Airport's fiscal year ending June 30, 2023.

- In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of the LIBOR, accounting for Supplemental Nutrition Assistance Program (SNAP) distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance. These requirements had no impact for the Airport's fiscal years ended June 30, 2021 and June 30, 2022. The requirements related to leases, PPPs and Availability Payment Arrangements, and Subscription-Based Information Technology Arrangements (SBITA)s are effective for the Airport's fiscal year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for the Airport's fiscal year ending June 30, 2024.

- In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62.* This statement enhances accounting and reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or events that constitute those changes. GASB Statement No. 100 is effective for the Airport's fiscal year ending June 30, 2024.

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

(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 15, 2022. 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, 2022 and 2021, the Airport's share of the City's cash and investment pool totaled $221,069,377 and $183,148,385, 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, 2022 Annual Comprehensive Financial Report (ACFR). A copy of that report may be obtained by visiting the City's website at www.sanjoseca.gov or by contacting the City's Finance Department, 200 East Santa Clara Street, 13th Floor, San José, CA, 95113.

As of June 30, 2022 and 2021, restricted cash and investments held by the fiscal agents, comprised of the U.S. Bank National Association (US Bank) and Fiscal Agent, totaled $84,334,076 and $84,459,514, 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, 2022, the Airport's investments in LAIF held by the Fiscal Agent was $50,825,036. The weighted average maturity of LAIF at June 30, 2022 was 311 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2022 was approximately $35.8 billion. PMIA is not registered with the Securities and Exchange Commission, but is required to invest according to the California Government Code. The total amount recorded by all public agencies in PMIA at June 30, 2022 was approximately $234.5 billion and, of that amount, 86.92% was invested in U.S. Treasuries and agencies, 7.61% in depository securities, 4.91% in commercial paper, 0.35% in loans, 0.21% in corporate bonds, and 0.002% in mortgages. The percentages may not total 100% due to rounding.

As of June 30, 2021, the Airport's investments in LAIF held by the Fiscal Agent was $50,683,527. The weighted average maturity of LAIF at June 30, 2021 was 291 days. The total amount recorded by all public agencies in the LAIF pool at June 30, 2021 was approximately $37.1 billion. The total amount recorded by all public agencies in PMIA at June 30, 2021 was approximately $193.3 billion and of that amount, 83.38% was invested in U.S. Treasuries and agencies, 10.45% in depository securities, 5.74% in commercial paper, 0.38% in loans, 0.06% in corporate bonds, and 0.01% in mortgages. The percentages may not total 100% due to rounding.

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

In practice, the City purchases a combination of shorter-term and longer-term investments and times the cash flows to meet liquidity needs for operations. The average maturity of the City's pooled cash and investments at June 30, 2022, and June 30, 2021, was approximately 533 days and 565 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, 2022 and 2021. The credit ratings listed are for Moody's

Investors Service (Moody's) and S&P Global Ratings (S&P), respectively.

As of June 30, 2022

Type of Investments:	Credit Rating	Maturities: Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Carrying Value
Cash and investments held by the fiscal agents						
Federated Treasury Obligations Fund	**Aaa-mf/AAAm**	$ 2,704,668	$ -	$ -	$ -	$ 2,704,668
Federal Farm Credit Bank[1]	**Aaa/AA+**	5,440,816	-	-	4,424,945	9,865,761
Federal Home Loan Mortgage[1]	**Aaa/AA+**	-	-	-	5,274,442	5,274,442
United States Treasury Bill[1]	**N/A**	15,020,440	-	-	-	15,020,440
California Local Agency Investment Fund [1]	**Not rated**	-	-	50,825,036	-	50,825,036
Money Market Mutal Fund	**Aaa-mf/AAAm**	316,786	-	-	-	316,786
Total investments held by the fiscal agents		$ 23,482,710	$ -	$ 50,825,036	$ 9,699,387	84,007,133
Cash						336,942
Total cash and investments held by the fiscal agents						$ 84,344,076

As of June 30, 2021

Type of Investments:	Credit Rating	Maturities: Under 30 Days	31-180 Days	181-365 Days	1-5 Years	Carrying Value
Cash and investments held by the fiscal agents						
Federated Treasury Obligations Fund	**Aaa-mf/AAAm**	$ 2,793,091	$ -	$ -	$ -	$ 2,793,091
Federal Farm Credit Bank[1]	**Aaa/AA+**	-	-	-	10,184,408	10,184,408
Federal Home Loan Mortgage[1]	**Aaa/AA+**	-	-	-	5,434,695	5,434,695
California Local Agency Investment Fund[1]	**Not rated**	-	-	50,683,527	-	50,683,527
Money Market Mutal Fund	**Aaa-mf/AAAm**	120,814	-	-	-	120,814
Total investments held by the fiscal agents		$ 2,913,905	$ -	$ 50,683,527	$ 15,619,103	69,216,535
Cash						15,242,979
Total cash and investments held by the fiscal agents						$ 84,459,514

[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, 2022 and June 30, 2021:

Investment by Fair Value Level	Carrying Value at June 30, 2022	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Obsevable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held by the fiscal agents:				
Investments by fair value level				
Federated Treasury Obligations Fund	$ 2,704,668	$ -	$ 2,704,668	$ -
Federal Farm Credit Bank	9,865,761	-	9,865,761	-
Federal Home Loan Mortgage	5,274,442	-	5,274,442	-
United States Treasury Bill	15,020,440	15,020,440	-	-
Total investments by fair value level	32,865,311	15,020,440	17,844,871	-
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	50,825,036	-	-	-
Money Market Mutual Fund	316,786	-	-	-
Total investments	51,141,822	-	-	-
Total investments held by the fiscal agents	$ 84,007,133	$ 15,020,440	$ 17,844,871	$ -

Investment by Fair Value Level	Carrying Value at June 30, 2021	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Obsevable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments held by the fiscal agents:				
Investments by fair value level				
Federated Treasury Obligations Fund	$ 2,793,091	$ -	$ 2,793,091	$ -
Federal Farm Credit Bank	10,184,408	-	10,184,408	-
Federal Home Loan Mortgage	5,434,695	-	5,434,695	-
Total investments by fair value level	18,412,194	-	18,412,194	-
Investments not subject to the fair value hierarchy:				
California Local Agency Investment Fund	50,683,527	-	-	-
Money Market Mutual Fund	120,814	-	-	-
Total investments	50,804,341	-	-	-
Total investments held by the fiscal agents	$ 69,216,535	$ -	$ 18,412,194	$ -

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

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

(3) Capital Assets

Capital asset activities for the fiscal years ended June 30, 2022 and June 30, 2021, were as follows:

	Balance at July 1, 2021 (restated)	Additions	Retirements	Transfers	Balance at June 30, 2022
Capital assets not depreciated:					
Land	$ 75,781,265	$ -	$ -	$ -	$ 75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	24,649,661	15,403,686	-	(6,729,829)	33,323,518
Total capital assets, not depreciated	113,312,473	15,403,686	-	(6,729,829)	121,986,330
Capital assets, depreciated:					
Buildings	1,252,097,089	210,051	-	(387,666)	1,251,919,474
Other improvements	651,852,579	10,919	-	862,804	652,726,302
Equipment	72,561,505	1,114,419	(6,455,637)	6,254,691	73,474,978
Total capital assets, depreciated	1,976,511,173	1,335,389	(6,455,637)	6,729,829	1,978,120,754
Less accumulated depreciation:					
Buildings	421,715,132	32,075,192	-	-	453,790,324
Other improvements	346,437,933	19,034,957	-	-	365,472,890
Equipment	47,487,507	4,049,125	(6,455,637)	-	45,080,995
Total accumulated depreciation	815,640,572	55,159,274	(6,455,637)	-	864,344,209
Subtotal capital assets, depreciated, net	1,160,870,601	(53,823,885)	-	6,729,829	1,113,776,545
Capital assets, amortized:					
Intangible asset - right-to-use leased asset	293,363	-	-	-	293,363
Total capital assets, ammortized	293,363	-	-	-	293,363
Less accumulated amortization:					
Intangible asset - right-to-use leased asset	100,582	100,581	-	-	201,163
Total accumulated amortization	100,582	100,581	-	-	201,163
Subtotal capital assets, amortized, net	192,781	(100,581)	-	-	92,200
Total capital assets, depreciated and amortized, net	1,161,063,382	(53,924,466)	-	6,729,829	1,113,868,745
Total capital assets, net	$ 1,274,375,855	$ (38,520,780)	$ -	$ -	$ 1,235,855,075

	Balance at July 1, 2020 (restated)[1]	Additions	Retirements	Transfers	Balance at June 30, 2021 (restated)
Capital assets not depreciated:					
Land	$ 75,781,265	$ -	$ -	$ -	$ 75,781,265
Intangible assets	12,881,547	-	-	-	12,881,547
Construction in progress	37,756,210	36,886,480	-	(49,993,029)	24,649,661
Total capital assets, not depreciated	126,419,022	36,886,480	-	(49,993,029)	113,312,473
Capital assets, depreciated:					
Buildings	1,209,084,960	-	-	43,012,129	1,252,097,089
Other improvements	644,871,679	-	-	6,980,900	651,852,579
Equipment	74,715,947	552,784	(2,707,226)	-	72,561,505
Total capital assets, depreciated	1,928,672,586	552,784	(2,707,226)	49,993,029	1,976,511,173
Less accumulated depreciation:					
Buildings	390,591,064	31,124,068	-	-	421,715,132
Other improvements	327,391,506	19,046,427	-	-	346,437,933
Equipment	47,218,877	2,963,391	(2,694,761)	-	47,487,507
Total accumulated depreciation	765,201,447	53,133,886	(2,694,761)	-	815,640,572
Subtotal capital assets, depreciated, net	1,163,471,139	(52,581,102)	(12,465)	49,993,029	1,160,870,601
Capital assets, amortized:					
Intangible asset - right-to-use leased asset	293,363			-	293,363
Total capital assets, ammortized	293,363	-	-	-	293,363
Less accumulated amortization:					
Intangible asset - right-to-use leased asset	-	100,582	-	-	100,582
Total accumulated amortization	-	100,582	-	-	100,582
Subtotal capital assets, amortized, net	293,363	(100,582)	-	-	192,781
Total capital assets, depreciated and amortized, net	1,163,764,502	(52,681,684)	(12,465)	49,993,029	1,161,063,382
Total capital assets, net	$ 1,289,890,161	$ (15,694,622)	$ (12,465)	$ -	$ 1,274,375,855

[1] As of July 1, 2021, the Airport restated the capital assets due to the implementation of Government Accounting Standards Board (GASB) Statement No. 87.

The Airport's depreciation and amortization expense on capital assets was $55,259,855 and $53,234,468 for fiscal years ended June 30, 2022 and June 30, 2021, 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.

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

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

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 bank note payable to BofA in the amount of approximately $81.7 million under which the City promises to pay principal of and interest on the unpaid principal amount of all Unreimbursed Drawings (as defined in the BofA Reimbursement Agreement) and Term Loans (as defined in the BofA Reimbursement Agreement) evidenced by the note on the dates and at the rates provided for in the BofA Reimbursement Agreement (Bank Note). The ratings of the outstanding Airport Subordinated CP Notes, are "A-1", "P-1", and "F1+" by S&P, Moody's, and Fitch Ratings, Inc. (Fitch), respectively, based on the credit support provided by BofA pursuant to its LOC. Additional information about the Airport's credit ratings can be found in Reporting of Significant Events section of the Bond Disclosure Report.

The terms of the BofA LOC are specified in the BofA Reimbursement Agreement. In general, BofA agrees to advance funds to the issuing and paying agent for the Subordinated CP Notes to pay the principal of and interest on maturing Subordinated CP Notes in an amount not to exceed the stated amount of the LOC. In the event that the Commercial Paper (CP) dealer is unable to find investors to purchase Subordinated CP

Notes to repay the advance from BofA, the City is obligated to pay interest to BofA based on a formula specified in the BofA Reimbursement Agreement and repay principal in accordance with the schedule and the terms also specified in the BofA Reimbursement Agreement. All amounts payable by the City to BofA under the BofA Reimbursement Agreement are secured by a lien on the Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues, which lien is subordinate to the lien securing the Airport Revenue Bonds.

Events of default under the BofA Reimbursement Agreement generally include, among others: (i) an event of default under the MTA or the issuing and paying agent agreement for the Subordinated CP Notes; (ii) non-payment of any debt secured by General Airport Revenues (as defined in the Reimbursement Agreement) on a parity with, or senior to, the Subordinated CP Notes; (iii) a breach of 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) a final judgment of $10 million or more against the City payable from General Airport Revenues; (viii) the City contesting validity of obligations related to payment of the Subordinated CP Notes or a determination by a court of competent jurisdiction that certain obligations of the City related to payment of the Subordinated CP Notes are not valid or binding; (ix) Surplus Revenues are not subject to a security interest in favor of the Bank, the Bank Note or certain other payment obligations under the BofA Reimbursement Agreement; (x) ratings events including a suspension or withdrawal of the long-term, unenhanced debt rating assigned to the Airport Revenue Bonds (other than where the City requested such withdrawal and the Airport Revenue Bonds shall continue to be rated by any two of Moody's, Fitch, or S&P), or downgrades by any of Moody’s, Fitch, or S&P of its ratings on the Airport Revenue Bonds below “Baa2”, “BBB”, and “BBB”, respectively, for a period of 120 calendar days; and (xi) any legislation is enacted, repealed, reenacted, amended or otherwise modified which has, in the sole judgment of 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 BofA LOC, the City entered into a fee letter with BofA to specify the facility fee rate and other charges payable by the Airport with respect to the respective BofA LOC. The facility fee rate under such fee letter was established based on the underlying credit rating of the Airport Revenue Bonds and is applied to the stated amount of the BofA LOC. The facility fee rate is subject to increase in the event that the underlying credit rating of the Airport Revenue Bonds is withdrawn, suspended, or downgraded or upon an event of default under the BofA Reimbursement Agreement. The facility fee rates in effect under BofA LOC were 0.40% and 0.35% as of June 30, 2022 and 2021, respectively.

The change in Subordinated CP Notes payable during FY 22 and FY 21 were as shown in the table below. The principal amount available under the BofA LOC as of June 30, 2022 is $40.9 million.

	2022	2021
Beginning balance	$ 51,930,000	$ 51,930,000
Additional issuance	-	-
Paid	(17,818,000)	-
Ending balance	$ 34,112,000	$ 51,930,000

Balances of Subordinated CP Notes payable as of June 30, 2022 and 2021 were as follows:

As of June 30, 2022	
Series B Subordinated CP Notes that mature on October 27, 2022 were issued with an interest rate of 1.60%	$ 34,112,000
As of June 30, 2021	
Series B Subordinated CP Notes that mature on August 10, 2021 were issued with an interest rate of 0.35%	$ 51,930,000

The Airport's financial results allowed it to pay down $18 million of Subordinated CP Notes interest and principal in FY 22 to mitigate the increase in interest rates.

(5) Long-Term Obligations

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

The net revenues available to pay Debt Service (as defined in the MTA) for the fiscal year ended June 30, 2022 totaled $148,620,052, which is composed of $116,393,670 of Net General Airport Revenues (as defined in the MTA) and $32,226,382 of Other Available Funds (as defined in the MTA). Other Available Funds include surplus carryover of $7,250,289, rolling debt service coverage of $16,976,535, and CFC Revenues of $7,999,558. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to $33,285,477, which is net of $12,419,827 of bond Debt Ser1vice paid from the accumulated PFC funds.

The Airport reported net revenues available to pay Debt Service for the fiscal year ended June 30, 2021 of $142,812,469, which was composed of $101,712,791 of Net General Airport Revenues and $41,099,678 of Other Available Funds. Other Available Funds include surplus carryover of $13,225,972, rolling debt service coverage of $16,731,846, and CFC Revenues of $11,141,860. The bond Debt Service paid from the General Airport Revenues and Other Available Funds amounted to $78,379,679, which is net of $14,338,705 of bond Debt Service paid from the accumulated PFC funds.

The City has covenanted in the MTA that net revenues available to pay Debt Service for each fiscal year plus certain Other Available Funds held or made available under the MTA will be at least 125% of annual Debt Service for such fiscal year. Under the MTA, annual Debt Service means for any specified period, the sum of (a) the interest falling due on any then outstanding current interest bonds, assuming that all principal installments are paid when due, but excluding any interest funded from the proceeds of any series of bonds and applied toward payment of interest on such bonds, and (b) the principal installments payable on any then outstanding bonds, less Available PFC Revenues (as defined in the MTA). Under the MTA, annual Debt Service excludes Available PFC Revenues for such fiscal year. Total principal and interest remaining on the bonds is $1,713,985,237, with the final payment due on March 1, 2047.

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

On April 7, 2021, the City issued $428,080,000 of Airport Revenue Refunding Bonds (the 2021 ARBs) to refund certain outstanding City of San José Airport Revenue Bonds and ARBs, to make a deposit into a reserve account, and to pay the costs of issuing the 2021 ARBs.

The 2021 ARBs were issued under the MTA, as supplemented by a Twelfth Supplemental Trust Agreement, dated as of April 1, 2021, between the City and The Bank of New York Mellon Trust Company, N.A., as trustee, in three series of bonds: (i) $85,860,000 of the City of San José ARBs Series 2021A (AMT) (Series 2021A Bonds) with a premium of $21,546,141; (ii) $48,200,000 of the City of San José ARBs Series 2021B (Non-AMT) (Series 2021B Bonds) with a premium of $13,588,150; and (iii) $294,020,000 of the City of San José ARBs, Series 2021C Bonds (Taxable).

The Series 2021A Bonds refunded all of the outstanding City of San José Airport Revenue Bonds, Series 2011A-1 Bonds; the Series 2021B Bonds refunded all of the outstanding City of San José Airport Revenue Bonds, Series 2011A-2 Bonds; and the Series 2021C Bonds refunded all of the outstanding Series 2011B Bonds, and a portion of the outstanding City of San José ARBs Series 2014A (AMT) (the 2014A Bonds), City of San José ARBs Series 2017A (AMT) (the 2017A Bonds) and Series 2017B (Non-AMT) (the 2017B Bonds). The City applied a portion of the proceeds of the 2021C Bonds to defease the outstanding March 1, 2022 and March 1, 2023 maturities of each of the 2014A Bonds, 2017A Bonds, and 2017B Bonds. The refunding provided debt service savings to the City of approximately $48.3 million in FY 22 and approximately $34.4 million in FY 23, with total net present value savings of approximately $148.7 million or approximately 31.4% of the refunded bonds.

The scheduled payment of principal of and interest on certain maturities of the 2021 ARBs when due are guaranteed under municipal bond insurance policies that were issued concurrently with the delivery of the 2021 ARBs by Build America Mutual Assurance Company, including the 2034 maturity of the 2021A Bonds, the 2034 maturity of the 2021B Bonds and the 2038 maturity bearing interest at a rate of 3.04% per annum, the 2039 maturity bearing interest at a rate of 3.14% per annum, and the 2040 maturity bearing interest at a rate of 3.17% per annum of the 2021C Bonds (collectively, the Insured 2021 ARBs).

Balances of Bonds payable as of June 30, 2022 and 2021 were as follows:

	2022	2021
2021C Series Airport Revenue Refunding Bonds of $294,020,000 with interest rates of 0.2% to 3.3%; payable in annual installments ranging from $2,225,000 to $28,990,000 with the final installment due in March 2041	$ 292,120,000	$ 294,020,000
2021B Series Airport Revenue Refunding Bonds of $48,200,000 with interest rates of 4.0% to 5.0%; payable in annual installments ranging from $270,000 to $10,225,000 with the final installment due in March 2034	48,200,000	48,200,000
2021A Series Airport Revenue Refunding Bonds of $85,860,000 with interest rates of 4.0% to 5.0%; payable in annual installments ranging from $1,275,000 to $15,010,000 with the final installment due in March 2034	85,860,000	85,860,000
2017B Series Airport Revenue Refunding Bonds of $150,675,000 with interest rates of 4.0% to 5.0% were partially refunded in April 2021; payable in annual installments ranging from $1,275,000 to $11,180,000 with the final installment due in March 2047	128,960,000	128,960,000
2017A Series Airport Revenue Refunding Bonds of $473,595,000 with interest rates of 4.0% to 5.0% were partially refunded in April 2021; payable in annual installments ranging from $4,005,000 to $35,145,000 with the final installment due in March 2047	405,350,000	405,350,000
2014C Series Airport Revenue Bonds of $40,285,000 with interest rates of 3.6% to 5.0%; payable in five annual installments ranging from $7,295,000 to $8,860,000 with the first installment in March 2027 and the final installment due in March 2031	40,285,000	40,285,000
2014B Series Airport Revenue Bonds of $28,010,000 with interest rates of 3.1% to 5.0%; payable in three annual installments of $7,975,000, $9,665,000, and $10,370,000 in March 2026, March 2027, and March 2028, respectively	28,010,000	28,010,000
2014A Series Airport Revenue Refunding Bonds of $57,350,000 with interest rates of 3.2% to 5.0% were partially refunded in April 2021; payable in three annual installments of $8,925,000, $9,175,000, and $140,000 in March 2024, March 2025 and March 2026, respectively	18,240,000	18,240,000
Total Bonds payable	$ 1,047,025,000	$ 1,048,925,000

Bonds outstanding and related activities for the fiscal years ended June 30, 2022 and 2021, were as follows:

Revenue Bonds	Balance at July 1, 2021	Additions	Retirements	Balance at June 30, 2022	Amounts Due Within One Year
2021C Series	$ 294,020,000	$ -	$ 1,900,000	$ 292,120,000	$ 2,225,000
2021B Series	48,200,000	-	-	48,200,000	-
2021A Series	85,860,000	-	-	85,860,000	-
2017B Series	128,960,000	-	-	128,960,000	-
2017A Series	405,350,000	-	-	405,350,000	-
2014C Series	40,285,000	-	-	40,285,000	-
2014B Series	28,010,000	-	-	28,010,000	-
2014A Series	18,240,000	-	-	18,240,000	-
Total long-term debt	1,048,925,000	-	1,900,000	1,047,025,000	2,225,000
Add unamortized:					
Premium	97,947,205	-	6,113,013	91,834,192	6,124,807
Total long-term debt, net	$ 1,146,872,205	$ -	$ 8,013,013	$ 1,138,859,192	$ 8,349,807

Revenue Bonds	Balance at July 1, 2020	Additions	Retirements	Balance at June 30, 2021	Amounts Due Within One Year
2021C Series	$ -	$ 294,020,000	$ -	$ 294,020,000	$ 1,900,000
2021B Series	-	48,200,000	-	48,200,000	-
2021A Series	-	85,860,000	-	85,860,000	-
2017B Series	138,705,000	-	9,745,000	128,960,000	-
2017A Series	435,995,000	-	30,645,000	405,350,000	-
2014C Series	40,285,000	-	-	40,285,000	-
2014B Series	28,010,000	-	-	28,010,000	-
2014A Series	42,135,000	-	23,895,000	18,240,000	-
2011B Series	255,760,000	-	255,760,000	-	-
2011A-2 Series	68,225,000	-	68,225,000	-	-
2011A-1 Series	118,575,000	-	118,575,000	-	-
Total long-term debt	1,127,690,000	428,080,000	506,845,000	1,048,925,000	1,900,000
Add unamortized:					
Premium	71,910,945	35,134,291	9,098,031	97,947,205	6,186,082
Less unamortized:					
Discount	4,817,312	-	4,817,312	-	-
Total long-term debt, net	$ 1,194,783,633	$ 463,214,291	$ 511,125,719	$ 1,146,872,205	$ 8,086,082

Scheduled maturities of outstanding Bonds are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2023	$ 2,225,000	$ 45,257,368
2024	24,155,000	45,249,781
2025	27,225,000	44,184,236
2026	29,965,000	43,022,203
2027	32,355,000	41,799,407
2028-2032	184,625,000	187,141,382
2033-2037	258,740,000	141,838,155
2038-2042	277,140,000	85,851,955
2043-2047	210,595,000	32,615,750
	$ 1,047,025,000	$ 666,960,237

A number of limitations and restrictions are imposed upon the Airport by covenants relating to certain outstanding Bonds. As of June 30, 2022 and 2021, 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, 2022 and 2021 were as follows:

	Balance at July 1, 2021	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2022	Amounts Due Within One Year
Self-insurance	$ 2,474,767	$ -	$ (185,884)	$ 2,288,883	$ 633,500
Accrued vacation, sick leave and compensatory time	2,436,704	1,689,419	(2,015,337)	2,110,786	1,752,000
Total	$ 4,911,471	$ 1,689,419	$ (2,201,221)	$ 4,399,669	$ 2,385,500

	Balance at July 1, 2020	Adjustments/ Additions	Adjustments/ Retirements	Balance at June 30, 2021	Amounts Due Within One Year
Self-insurance	$ 2,680,353	$ (49,079)	$ (156,507)	$ 2,474,767	$ 633,500
Accrued vacation, sick leave and compensatory time	2,556,722	1,655,881	(1,775,900)	2,436,703	1,846,999
Total	$ 5,237,075	$ 1,606,802	$ (1,932,407)	$ 4,911,470	$ 2,480,499

(6) Airport Leases

(a) Leases as a Lessor

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

Regulated Leases

In accordance with GASB Statement No. 87, the Airport does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the U.S. Department of Transportation and the Federal Aviation Administration regulated aviation leases between airports, air carriers and other aeronautical users. Regulated leases include the Airline Lease Agreement and related airline leases, as well as contracts with Fixed Based Operators (FBOs), Specialized Aviation Service Operators (SASO), and a jet fuel farm.

Airline Leases

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

The key provisions in the Airline Lease Agreement include compensatory rate making for the terminal cost center and residual rate making for the airfield cost center. The terminal rate per square feet is calculated based on expenses allocable to the terminal for each fiscal year divided by the total amount of rentable terminal space. Should there be any remaining net revenues generated at the Airport and all requirements of the MTA and any Subordinated Financing Agreements have been satisfied, including the minimum rate covenant requirement, the Passenger Carriers' share of the remaining net terminal revenues shall be distributed as a refund once a final accounting of the Airport's operations for the last fiscal year has been completed. After the final accounting is completed, an invoice will be sent to the Passenger Carriers if the actual expenses in the terminal were higher than the revenues. The landing fee rate is calculated by dividing the expenses allocable to the airfield, offset by airfield revenues, other than landing fees, by the projected aggregated maximum gross landed weight for all aircraft at the Airport during the fiscal year. The aggregate credit or debit, if any, resulting from the final accounting after each fiscal year shall be applied to the airfield revenue requirement for the following fiscal year.

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

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

Any passenger or air cargo carrier that does not meet the minimum requirements to be a Signatory Airline is given the opportunity to become a "Non-Signatory Airline" by executing a non-signatory agreement in a form similar to that of the Airline Lease Agreement. Non-Signatory Airlines are charged a premium of 25% over the rates and charges applicable to Signatory Airlines, do not participate in revenue sharing and do not participate in the review by a "Majority of Interest" of capital projects proposed for the Airport. Non-signatory agreements may be terminated by either party on a 30-day notice. For the fiscal year ended June 30, 2022, no airlines were under the Non-Signatory Airline agreement. For the fiscal year ended June 30, 2021, one of thirteen airlines was under the Non-Signatory Airline agreement.

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

For the fiscal years ended June 30, 2022 and 2021, the Airport's net remaining revenues as defined in its lease agreements were $50.5 million and $8.6 million, respectively. For the fiscal years ended June 30, 2022 and 2021, the Airport's revenue as defined in its lease agreements exceeded its expenditures and reserve requirements by $36.2 million and $7.7 million, respectively. The net remaining revenues for the fiscal years ended June 30, 2022 and 2021 were divided by allocating the first $4.0 million to the Airport and then splitting the balance 40%/60% between the Airport and the Signatory Passenger Carriers, respectively, in accordance with the revenue sharing provisions of the Airline Lease Agreement.

The rights, services and privileges, including the lease of preferentially-assigned gates, an airline has in connection with the use of the airport and its facilities is addressed in the Airline Lease Agreement. As of July 1, 2020, 29 of the Airport's 36 gates were leased under exclusive use agreements to 5 airlines. The remaining 7 gates were available to other airlines for rent on a per use basis. Effective February 1, 2021, the number of preferential gates decreased to 21, increasing the per-use basis gates to 15. Effective February 1, 2022, the number of preferential gates increased to 25, decreasing the per-use basis gates to 11. As of July 1, 2020, 26 of the Airport's 53 ticket counters were leased under exclusive use agreements to 6 airlines. The remaining 27 ticket counters were available to other airlines for rent on a per-use basis. The number of preferential counters remained at 26 through June 30, 2022.

By definition, the Airline Lease Agreement is considered a regulated lease and does not recognize a receivable and corresponding deferred inflow of resources. The Airport has entered into a Signatory Airline Lease Agreement with 10 passenger airlines. For the fiscal years ended June 30, 2022 and 2021, the Airport recognized terminal lease revenue of $68,489,936 and $62,005,014. Due to the variable nature of the above revenues from year-to-year, expected future minimum payments are indeterminable.

FBO Leases

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

Atlantic Aviation, the operating business entity for San Jose Jet Center and ACM Property Services, LLC, has multiple agreements with the City. On June 25, 1985, the City entered into a ground lease of 653,400 square feet for 42 years and six month-term, which was extended to June 30, 2035, with the fifth amendment on June 17, 1994. With the sixth amendment, the City entered into an additional ground lease of 313,095 square feet on April 29, 2003, which resulted in a total of 966,495 square feet ground lease. On November 26, 2012, the City entered into another ground lease of 45,238 square feet and subsequently added an additional 12,482 square feet. Through various amendments, the lease term has been extended and is set to expire on June 30, 2025. Rental revenues from the ground lease with Atlantic were $3,254,553 and $3,092,411 for the fiscal years ended June 30, 2022, and 2021, respectively.

On December 12, 2013, the City entered into a ground lease and operating agreement with Signature, which constructed a full-service, fixed-based facility on approximately 29 acres of the Airport's west side (Original Master Leasehold Parcel). The term of the agreement is 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. Rental revenues from the ground lease with Signature were $3,745,675 and $3,618,726 for the fiscal years ended June 30, 2022, and 2021, respectively.

SASO

The City entered into a thirty-year ground lease contract with Avbase on March 20, 2001 for 213,537 square feet. Rental revenues from the ground lease with Avbase were $538,644 and $505,122 for the fiscal years ended June 30, 2022, and 2021, respectively.

Hangars

On May 29, 1986, the City entered into a forty-two year and six-month ground lease contract with Hewlett Packard Enterprise Company for 308,775.6 square feet for corporate aviation operations, including servicing and monitoring aircraft owned, leased, operated, and controlled by the tenant. Rental revenues from the ground lease with Hewlett Packard Enterprise Company were $894,868 and $876,750 for the fiscal years ended June 30, 2022, and 2021, respectively.

Jet Fuel Farm

On May 2, 2006, City entered into a ground lease contract with SJC Fuel Company LLC for 242,194 square feet space for storage and fuel dispensing area. The contract expires on July 20, 2038, the thirtieth anniversary of the commencement date. On June 30, 2008, the first amendment to the ground lease agreement was executed under which the lessee agreed to expand the fuel storage area and relocate the fuel dispensing area resulting in the lease of an additional 34,316 square feet. As a result of the fuel dispensing area relocation, the City has provided monthly rental credits for actual additional construction cost incurred by the lessee. The monthly credit of $2,609 was issued in FY 22 and FY 21. This credit is expected to end on July 1, 2038. Net rental revenues from the ground lease with SJC Fuel were $549,444 and $544,169 for the fiscal years ended June 30, 2022, and 2021, respectively.

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

As of June 30, 2022:		
2023	$	9,103,880
2024		9,549,590
2025		10,017,046
2026		10,255,927
2027		10,757,846
2028-2032		57,421,194
2033-2037		58,031,013
2038-2042		44,065,977
2043-2047		54,333,381
2048-2052		68,946,210
2053-2057		87,489,124
2058-2062		111,019,109
2063-2067		38,334,678
	$	569,324,975

Leases with Variable Payments

The table below shows the amount of inflows of resources recognized in this reporting period for variable payments per various concession categories for the fiscal years ended June 30, 2022 and June 30, 2021.

Concession Categories	Inflows of Resources year ended June 30, 2022		Inflows of Resources year ended June 30, 2021	
Misc. Concessions	$	92,424	$	27,631
Inflight Kitchen		865,438		300,569
Retail		3,211,620		1,536,199
Food & Beverage		4,535,714		989,109
Rental Car		14,627,224		7,612,346
	$	23,332,421	$	10,465,854

The City entered into an On-Airport Rental Car Operation Agreement and Lease with multiple rental car companies on February 19, 2008, which have the largest inflow of variable payments, as shown in the table above. Part of the agreement is for the ground rent of the rental car facility. Each company's share of the ground rent is based on its proportionate share of square feet of the ConRAC. The agreement expired on June 30, 2020 and the rental car companies are operating in hold-over as negotiations to extend the agreement continue.

The leases with major concessionaires are generally based on the greater of percentage of their sales or a minimum annual guarantee (MAG). The City provided temporary financial relief to some concessionaires in FY 21 by suspending the MAG and charging only the applicable percentage fee of gross sales. Miscellaneous concessionaires do not have a MAG, and concession fees are based on their sales; therefore, the inflow of resources is variable. Additionally, the major concessionaire contracts include a MAG abatement clause in which, if passenger counts fall below a certain level, then their MAG is reduced by the same percentage, therefore, making the inflow of resources variable.

The Airport distributed $1.6 million of its Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) funds during FY 21 as economic relief to on-airport car rental and in-terminal airport concessions. An additional $6.6 million was distributed to eligible in-terminal concessions in FY 22 from the American Rescue Plan Act (ARP Act) fund.

Other Lease

In accordance with GASB No. 87, the Airport recognizes a lease receivable and a deferred inflow of resources for leases the Airport categorizes as in-scope of GASB No. 87. Effective July 31, 2007, the Airport entered into an advertising concession agreement with Clear Channel Outdoor. The agreement has been amended and restated various times since its inception. The latest amendment on April 3, 2019, extended the term through June 30, 2027, and the MAG was revised to $2.0 million effective July 1, 2019 with an annual increase of 2.5% at each July 1 thereafter. The Airport is reporting lessor lease receivable of $14,247,174 for the beginning of the fiscal year ended June 30, 2021. For each of the fiscal years ended June 30, 2022 and 2021, the Airport reported lease revenue of $2,035,311 and interest revenue of $274,157 and $288,077, respectively. The amounts of inflows of resources recognized in this reporting period for variable payments were $2,103,076 and $1,363,503 for the fiscal years ended June 30, 2022 and June 30, 2021, respectively. The future expected lease receivable and revenue balances for this in-scope GASB No. 87 lease are summarized as follows:

Fiscal Year Ending June 30:	Beginning Lease Receivable	Interest Revenue	Receivable Reduction	Annual Lease Revenue	Ending Lease Receivable
2023	$ 10,658,158	$ 230,129	$ 1,923,653	$ 2,035,311	$ 8,734,505
2024	8,734,505	183,789	2,023,837	2,035,311	6,710,669
2025	6,710,669	135,052	2,127,764	2,035,311	4,582,905
2026	4,582,905	83,828	2,235,558	2,035,311	2,347,346

On June 30, 2021, ending lease receivable is $1,827,093 and $10,658,158 for current and noncurrent assets, respectively. On June 30, 2022, ending lease receivable is $1,923,653 and $8,734,505 for current and noncurrent assets, respectively.

Ground rent revenues from rental car companies for the fiscal years ended June 30, 2022 and 2021, were $782,351 and $758,425, respectively.

(b) Leases as a Lessee

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

On September 16, 2009, the Airport entered into a restated operating lease and maintenance agreement for a total of 24 compressed natural gas (CNG) powered buses. On May 23, 2012, a first amendment was entered into to terminate the lease on 14 of the 24 buses. On May 19, 2017, the restated agreement was amended a second time to extend the term through May 31, 2019, with a one-year option to extend. On May 15, 2020, the third amendment to the restated agreement was executed, extending the term for up to three additional one-year option terms. As amended and restated, the second option reduced the number of CNG buses from ten to six as of August 1, 2020 and four as of November 1, 2020. The third option was exercised on April 29, 2021, extending the term through May 31, 2022. The fourth option was exercised on March 30, 2022, extending the term through May 31, 2023. Rental expenses were $103,968 for both fiscal years ended June 30, 2022 and 2021. In accordance with GASB No. 87, the Airport recognizes a lease liability and a lease asset for leases the Airport categorizes as in-scope of GASB No. 87. For this lease, the Airport reported a lease liability and lease asset of $293,363 at the beginning of the fiscal year ended June 30, 2021. Accumulated amortization for the fiscal years ended June 30, 2022 and 2021, is $201,163 and $100,582, respectively. The lease liability as of June 30, 2021 and June 30, 2022 is $194,652 and $94,186, respectively. The lease asset value, net of accumulated amortization, as of June 30, 2021 and June 30, 2022 is $192,781 and $92,200, respectively.

(c) Security Deposit

Pursuant to the terms of individual agreements entered into with the City, every Non-Signatory Airline, operator, tenant or any other entity or person, 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 forms 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, 2022 and 2021 totaled $20,026,221 and $20,182,099, respectively.

(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. The Airport does not contribute directly to the PFDRP and, instead, only covers pension costs of Airport related police and fire personnel through the City's interdepartmental charges. All full-time and certain part-time employees of the Airport participate in the FCERS.

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

(b) Benefits Provided

FCERS benefits are based on average final compensation, years of service, and cost of living increases as specified by the City's Municipal Code. The contribution and benefit provisions and all other requirements are established by the City Charter and the City's Municipal Code. Information regarding disability and death benefits can be found in the annual reports of the Retirement Plans and on the Office of Retirement Services website.

The payroll for Airport employees covered by the FCERS for the fiscal years ended June 30, 2022 and 2021 was $18,056,856 and $17,857,080, respectively. The Airport's total payroll for the fiscal years ended June 30, 2022 and 2021 was $22,062,440 and $22,232,245, respectively.

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, 2017	Tier 1[1]	Medical/Dental[2] [4] [5]
Tier 1 Classic	- Classic" membership with CalPERS/reciprocal agency hired by the City of San Jose on or after June 18, 2017. - "Classic" membership with CalPERS/reciprocal agency hired on or after September 30, 2012, but before September 27, 2013 - "Classic" membership with CalPERS/reciprocal agency hired on or after September 27, 2013	Tier 1[6]	Medical/Dental[3] [4] Not eligible[3] [4]
Tier 2 (or Tier 2A)	- Hired/rehired/reinstated on or after September 30, 2012 but before September 27, 2013	Tier 2	Medical/Dental[2] [4]
Tier 2B	- Hired/rehired/reinstated after September 27, 2013 and have not met City's eligibility for retiree healthcare	Tier 2	Not eligible[3] [4]

[1] Employees in these Tiers are responsible for 50% of the amortization costs for having any prior years of service in Tier 2 changed to Tier 1.
[2] Employees in these Tiers were provided a one-time irrevocable election to remain in the Postemployment Healthcare Plan or opt-in to the defined contribution Voluntary Employee Benefit Association (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 2B and Tier 2C 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 Contribution in System	5 years	5 years Federated City Service Years of Service (Year of Service = 2,080 hours worked in the applicable 12 month period)
Service Retirement:		
Age/years of Service	55 with 5 years service 30 years service at any age	62 years with 5 years Federated City Service. May retire on or after 55 years with 5 years Federated City Service. A reduction factor of 5% per year for each year between age 55 and the Tier 2 member's age at retirement before 62, prorated to the closest month.
Deferred Vested	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) Tier 1: Final Compensation is the highest average monthly earnable pensionable salary during 12 consecutive months, capped at 108% of the second highest 12 consecutive months. If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months. Tier 1 Classic: If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months. If separation takes place prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months.	2.0% x Years of Federated City Service x Final Compensation (70% max) "Final Compensation" is the average monthly (or biweekly) base pay for the highest 3 consecutive Years of Federated City Service. Excludes premium pay or any other forms of additional compensation
Disability Retirement (Service Connected)		
Minimum Service	None	None
Allowance	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation)	2.0% x Years of Federated City Service x Final Compensation (Minimum of 40% and maximum of 70% of Final Compensation)

	Tier 1[1]	Tier 1 Classic[2]	Tier 2A[3]	Tier 2B[4]
Disability Retirement (Non-Service Connected)				
Minimum Service	5 years		5 years	
Allowance	Tier 1: 20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service. (Maximum 75% of Final Compensation)		2.0% x Years of Federated City Service x Final Compensation	
	For those entering the System 8/31/98 or before, the calculation is as follows: 40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation. (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55.		(Minimum of 20% and maximum of 70% of Final Compensation)	
	Tier 1 Classic: 40% of Final Compensation plus 2.5% years of service in excess of 16 years x Final Compensation (Maximum 75% of Final Compensation) If under 55 years old, subtract 0.5% for every year under age 55.			
	For those who entered the System on 9/01/98 or later, the calculation is as follows: 20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service. (Maximum 75% of Final Compensation)			
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: Service at retirement of 1-10 years: 1.25% per year Service at retirement of 1-10 years and hired before June 16, 2017: 1.5% Service at retirement of 11-20 years: 1.5% per year Service at retirement of 21-25 years: 1.75% per year Service at retirement of 26 years and above: 2.0% per year 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.

(c) Contributions

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

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. The contribution requirements are established by City Charter Articles XV and XV-A, and Title 3 of the San José Municipal Code.

FCERS contribution rates for the Airport and the participating employees for the periods July 1, 2020 through June 30, 2021 and July 1, 2021 through June 30, 2022 were established in accordance with actuarially determined requirements computed through actuarial valuations performed as of June 30, 2019, June 30, 2020, and June 30, 2021 respectively, for the Defined Benefit Pension Plan. 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.

Defined Benefit Pension Plan	Airport's Contribution[(1)]		Employees' Contribution[(2)]	
Pay Period	Tier 1	Tier 2	Tier 1	Tier 2
July 1, 2020 - June 30, 2021	19.82%	7.92%	7.22%	7.92%
July 1, 2021 - June 25, 2022	20.25%	8.17%	7.39%	8.17%
June 26, 2022 - June 30, 2022	20.32%	8.13%	7.41%	8.13%

[(1)] For Tier 1 members, the actual contribution rates paid by the City for fiscal year ended June 30, 2022 and June 30, 2021 differed due to the City funding the ADC amount based on the greater of the dollar amount reported in the actuarial valuation or the dollar amount determined by applying the percentage of payroll reported in the valuation to the actual payroll, if actual payroll exceeds the actuarial payroll, for the fiscal year.

[(2)] Under Measure F, certain FCERS Tier 2 members who had previous Tier 1 service or prior service with a reciprocal employer were reclassified to Tier 1. Ordinance No. 30183, which became effective January 4, 2019, amended the Municipal Code to reflect these changes. Effective March 24, 2019, reclassified Tier 1 members paid an additional 3.00% in contributions. Classic Tier 1 members paid an additional 1.46% effective August 12, 2018.

The Airport's contributions paid during the fiscal year ended June 30, 2022 were $11,469,947.

The Airport's contributions paid during the fiscal year ended June 30, 2021 were $10,595,810.

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

As of June 30, 2022, the Airport reported $86,042,375 of net pension liability (NPL) for its proportionate share of the City's NPL. The Airport's portion of the NPL was based on the Airport's share of its contributions to the FCERS relative to the total City's contributions to FCERS. The NPL of the FCERS was measured as of June 30, 2021, 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, 2020 and rolled forward to June 30, 2021 using standard update procedures. The Airport's percentage of the City's NPL for the FCERS NPL was 5.2% as of June 30, 2021, the measurement date.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* states that when a significant change in the net pension liability has occurred between the measurement date (i.e. June 30, 2021) and the Airport's reporting date (i.e. June 30, 2022), a disclosure of that significant change should be made. Accordingly, the following significant changes to the net pension liability have occurred after the Airport's measurement date of June 30, 2021.

As of the measurement date June 30, 2022, the FCERS plan's fiduciary net position changed approximately $176.3 million from $2.9 billion to $2.7 billion due to decreases in fair value of the plan's investments. Overall, the decrease in the fiduciary net position and the increase in total pension liability of $162.6 million from interest and service costs, resulted in an increase in net pension liability from $1.6 billion to $2.0 billion, a change of approximately $338.9 million. The Airport will reflect the proportionate share of the City's net pension liability as of the measurement date, June 30, 2022, in FY 23.

For the fiscal year ended June 30, 2022, the Airport recognized pension expense of $6,705,696 for FCERS. As of June 30, 2022, 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	$ 11,469,947	$ -
Differences between expected and actual experience	1,917,195	966,307
Changes in assumptions	2,380,823	84,581
Net difference between projected and actual earnings on pension plan investments	-	21,904,588
Total	$ 15,767,965	$ 22,955,476

As of June 30, 2022, $11,469,947 was reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2021 measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023.

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
2023	$ (3,469,736)
2024	(4,285,865)
2025	(4,562,723)
2026	(6,339,134)
	$ (18,657,458)

As of June 30, 2021, the Airport reported $113,362,614 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, 2020, and the TPL for the FCERS used to calculate the NPL was determined by actuarial valuation for FCERS as of June 30, 2019 and rolled forward to June 30, 2020 using standard update procedures. The Airport's percentage of the City's NPL of the FCERS NPL was 5.4% as of June 30, 2020, the measurement date.

For the fiscal year ended June 30, 2021, the Airport recognized pension expense of $13,802,528 for the FCERS. As of June 30, 2021, 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	$ 10,595,810	$ -
Differences between expected and actual experience	255,993	1,561,367
Changes in assumptions	1,595,133	357,642
Net difference between projected and actual earnings on pension plan investments	4,840,549	-
Total	$ 17,287,485	$ 1,919,009

As of June 30, 2021, $10,595,810 was reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2020 measurement date and was recognized as a reduction of the NPL in the fiscal year ended June 30, 2022.

(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, 2022 and June 30, 2021 are from the FCERS actuarial valuation reports with valuation dates of June 30, 2020 and June 30, 2019, respectively. The valuation reports were rolled forward to June 30, 2021 and June 30, 2020, respectively, using standard update procedures:

	Method/Assumption (June 30, 2022)	Method/Assumption (June 30, 2021)
Measurement date	June 30, 2021	June 30, 2020
Valuation date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry Age	Entry Age
Inflation rate	2.25%	2.50%
Discount rate	6.625% per annum	6.75% per annum
Mortality		
(a) Service:	Healthy annuitants: 0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010). Healthy non-annuitant: 0.992 for males and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010).	Healthy annuitants: 0.995 for males and 0.960 for females, times the 2010 Public General Mortality Table (PubG-2010). Healthy non-annuitant: 0.992 for males and 1.084 for females, times the 2010 Public General Mortality Table (PubG-2010).
(b) Disability:	Disabled annuitants: 1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disabled Mortality table. Mortality is projected from 2010 on a generational basis using the MP-2020 scale.	Disabled annuitants: 1.051 for males and 0.991 for females, times the CalPERS 2009 Ordinary Disabled Mortality table. Mortality is projected from 2010 on a generational basis using the MP-2019 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 3.00% plus a merit / longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service.	The base wage inflation assumption of 3.00% plus a merit / longevity increase based on years of service ranging from 3.75% at hire to 0.10% for members with 15 or more years of service.
Merit Increase	For the amortization schedule, payroll is assumed to grow 3.00% 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, 2021 and June 30, 2020 measurement dates, using a long-term expected rate of return on investments of 6.625% and 6.750% with a valuation date of June 30, 2020 and June 30, 2019:

Asset Class	2021 Target Asset Allocation	2021 Long-Term Expected Real Rate of Return	2020 Target Asset Allocation	2020 Long-Term Expected Real Rate of Return
Public equity	49.0%	5.0%	49.0%	5.4%
Private equity	8.0%	6.8%	8.0%	6.8%
Investment grade bonds	8.0%	(0.3)%	8.0%	(0.1)%
Core real estate	5.0%	3.3%	5.0%	3.5%
Bonds (immunized cash flows)	5.0%	(0.8)%	5.0%	(0.9)%
Venture / Growth capital	4.0%	7.4%	4.0%	6.6%
Growth real estate	3.0%	6.0%	3.0%	6.1%
Emerging market bonds	3.0%	1.7%	3.0%	2.0%
Private debt	3.0%	4.6%	3.0%	4.4%
Market neutral strategies	3.0%	2.2%	3.0%	2.1%
Private real assets	3.0%	5.7%	3.0%	5.0%
Long-term government bonds	2.0%	0.4%	2.0%	0.2%
Treasury inflation protected securities	2.0%	(0.3)%	2.0%	(0.1)%
High yield bonds	2.0%	2.1%	2.0%	2.6%
Total	100%		100%	

Discount Rate - The discount rates used to measure the total pension liability as of June 30, 2021 and June 30, 2020 were 6.625% and 6.750%, respectively, for the FCERS plan for valuations dated June 30, 2020 and June 30, 2019. It is assumed that members' contributions and City's contributions will be made based on the actuarially determined rates based on the FCERS' Board funding policies. Based on those assumptions, the FCERS' fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

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

The airport's proportionate share of the City's net pension liability was 5.2% at the measurement date June 30, 2021, and on 5.4% at the measurement date June 30, 2020.

As of June 30, 2022:	1% Decrease 5.63%	Measurement Date Discount Rate 6.63%	1% Increase 7.63%
Net pension liability	$ 130,968,214	$ 86,042,375	$ 49,338,671

As of June 30, 2021:	1% Decrease 5.75%	Measurement Date Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	$ 156,996,855	$ 113,362,614	$ 77,785,474

As of June 30, 2020 and June 30, 2019, the actuarial valuation dates, the FCERS' Board was utilizing a discount rate of 6.625% and 6.750%, 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 for the difference between projected and actual earnings on pension plan investments. The other deferred amounts are amortized over the expected average remaining service lifetime. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pension and are to be recognized in future pension expense.

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

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

(f) Payable to the Pension Plan

At June 30, 2022 and June 30, 2021, 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 VII A.4 of the Notes to the Basic Financial Statements in the City's June 30, 2022 ACFR, the City established VEBA for retiree healthcare for the members of the FCERS in FY 18. The City does not make contributions into the VEBA, and the VEBA is not subject to the jurisdiction of the Retirement Board.

Additional information can be found in Section VII A.4 of the Notes to the Basic Financial Statements in the City's June 30, 2022 ACFR.

Contributions

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

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

Subsequently, in October 2014, the Board of Administration of FCERS approved implementing an incremental reduction approach to determining the “actuarial equivalence” for the City’s prefunding of its contribution when the economic expansion has exceeded 58 months in duration and/or the S&P 500 has returns in excess of 130%. This approach was undertaken to ensure that as business expansions and/or market valuations mature and exceed historic norms, FCERS reduces the City’s incentive to prefund its contributions when market valuations and/or economic expansions are beyond historic norms. The incremental reduction is 15% per year, up to a maximum of 45%, 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 year ended June 30, 2020. 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.

Funding Policy

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 contributions to the FCERS Postemployment Healthcare Plan for the Airport and the participating employees for the periods July 1, 2020 through June 30, 2021 July 1, 2021 through June 25, 2022 and June 26, 2022 – June 30, 2022 are shown below.

Postemployment Healthcare Plan	Airport's Contribution		Employees' Contribution	
Pay Period	Tier 1	Tier 2	Tier 1	Tier 2
July 1, 2020 - June 30, 2021	**	**	7.50%	7.50%
July 1, 2021 - June 25, 2022	*	*	7.50%	7.50%
June 26, 2022 – June 30, 2022	***	***	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 amount determined as a flat dollar amount of $19,340,302 for all tiers and not a rate of pay.
** The City's contribution amount determined as a flat dollar amount of $20,948,983 for all tiers and not a rate of pay.The Airport's contributions paid during the fiscal years ended June 30, 2022 and June 30, 2021 were $1,345,925 and $1,424,615, respectively.
*** The City's contribution amount determined as a flat dollar amount of $18,318,395 for all tiers and not a rate of pay.

Net OPEB Liability

As of June 30, 2022, the Airport reported $15,081,641 of net OPEB liability for its proportionate share of the City's net OPEB liability. The Airport's portion of net OPEB liability was based on the Airport's share of its OPEB contributions in Airport Funds to FCERS relative to the total City's OPEB contributions to FCERS. The net OPEB liability of FCERS is measured as of June 30, 2021, and the total OPEB liability for FCERS used to calculate the net OPEB liability is determined using an annual actuarial valuation for the FCERS Postemployment Healthcare Plan as of June 30, 2020 and rolled forward to June 30, 2021 using standard update procedures by the actuary. The Airport's percentage of the City's net OPEB liability of the FCERS' net OPEB liability was 5.4% as of June 30, 2021, the measurement date.

As of June 30, 2021, the Airport reported $18,650,020 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, 2020, 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, 2019 and rolled forward to June 30, 2020 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, 2020 the measurement date.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, states that when a significant change in the net OPEB liability has occurred between the measurement date (i.e., June 30, 2021) and the Airport’s reporting date (i.e., June 30, 2022), a disclosure of that significant change should be made. Accordingly, the following significant changes to the net OPEB liability have occurred after the Airport’s measurement date of June 30, 2021:

As of the measurement date of June 30, 2021, the Airport’s proportionate share of the FCERS plan’s fiduciary net position increased approximately $4.4 million from $16.9 million to $21.3 million due to significant increases in fair value of the plan’s investments. Overall, the increase in the fiduciary net position resulted in a decrease in the Airport’s proportionate share of the net OPEB liability from approximately $18.7 million to $15.1 million. As of the measurement date of June 30, 2022, the FCERS plan’s fiduciary net position decreased approximately $11.0 million from $276.3 million to $265.3 million due to decreases in fair value of the plan’s investments. The Airport will reflect the proportionate share of the City’s net OPEB liability as of the measurement date, June 30, 2022, in FY 23. Additionally, the discount rate was changed from 6.25% to 6.00% for the measurement period June 30, 2022.

The net OPEB liability of FCERS as of June 30, 2022 and June 30, 2021 was measured as of June 30, 2021 and June 30, 2020, respectively, and the total OPEB liability for FCERS used to calculate the net OPEB liability was determined by actuarial valuations as of June 30, 2020 and June 30, 2019 based on the following actuarial methods and assumptions and rolled forward to June 30, 2021 and June 30, 2020, respectively, using standard update procedures.

	Method/Assumption (June 30, 2022)	Method/Assumption (June 30, 2021)
Measurement date	June 30, 2021	June 30, 2020
Valuation date	June 30, 2020	June 30, 2019
Actuarial Cost Method	Entry Age Normal, level of percentage of pay	Entry Age Normal, level of percentage of pay
Actuarial assumptions:		
Inflation Rate	2.25% per year.	2.50%
Discount Rate (net)	6.25% per year. The Board expects a long-term rate of return of 6.2% based on Meketa's 20-year capital market assumptions and the System's current investment policy.	6.75%
Merit Increase	Merit component added based on an individual's years of service ranging from 3.75% at hire to 0.10%.	Merit component added based on an individual's years of service ranging from 3.75% at hire to 0.10%.
Wage Inflation Rate	3.00%	3.00%
Investment Rate of Return	6.25%	6.75%
Mortality Rate*	Mortality is projected on a generational basis using the MP-2020 scale.	Mortality is projected from 2010 on a generational basis using the MP-2019 scale.
Pre-retirement Turnover**	Please see below table.	Please see below table.
Healthcare Cost Trend Rate	The valuation assumes that future medical inflation will be at a rate of 7.66% to 3.78% per annum graded down over a 55 year period for medical-pre age 65 and 4.10% to 3.78% per annum fluctuate over a 55 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 7.66% to 3.94% per annum graded down over a 55 year period for medical-pre age 65 and 4.11% to 3.94% per annum fluctuate over a 55 year period for medical-post age of 65. Dental inflation is assumed to be 3.50%.

* FCERS Mortality Rates

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

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

Rates of Termination

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

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

Long-term Expected Rate of Return on Plan Investments - The assumption for the long-term expected rate of return on investments was selected by estimating the median nominal rate of return based on long-term capital market assumptions adopted by the FCERS Board, including nominal expected rates of return for each of the asset classes, and reducing the estimated median by a margin so that there is estimated to be a greater than 50 percent probability of achieving the returns.

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, 2021 and June 30, 2020 measurement dates, using a long-term expected rate of return on investments of 6.25% and 6.75% with a valuation date of June 30, 2020 and June 30, 2019:

Asset Class	2021 Target Asset Allocation	2021 Long-Term Expected Real Rate of Return	2020 Target Asset Allocation	2020 Long-Term Expected Real Rate of Return
Public equity	56%	5.0%	56%	5.4%
Short-term investment grade bonds	29%	(0.8)%	29%	(0.5)%
Core real estate	10%	3.3%	10%	4.7%
Commodities	5%	1.6%	5%	1.7%
Cash	-	(1.0)%	-	(0.9)%
Total	100%		100%	

Discount Rate - The discount rate used to measure the total OPEB liability as of June 30, 2021 and June 30, 2020 were 6.25% and 6.75%, respectively, based on the long-term expected rate of return on investments, for FCERS plan valuations dated June 30, 2020 and June 30, 2019. 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 position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB 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, 2022, 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 30,2021.

As of June 30, 2022:	1% Decrease (5.25%)	Measurement Date Discount Rate (6.25%)	1% Increase (7.25%)
Net OPEB liability	$ 20,073,221	$ 15,081,641	$ 11,006,912

As of June 30, 2021, 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, 2020 measurement date.

As of June 30, 2021:	1% Decrease (5.75%)	Measurement Date Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	$ 23,635,798	$ 18,650,020	$ 14,595,331

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, 2022, 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, 2021.

As of June 30, 2022:	1% Decrease	Measurement Date Healthcare Trend Rate	1% Increase
Net OPEB liability	$ 10,542,749	$ 15,081,641	$ 20,658,643

As of June 30, 2021, 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, 2020 measurement date.

As of June 30, 2021:	1% Decrease	Measurement Date Healthcare Trend Rate	1% Increase
Net OPEB liability	$ 14,132,628	$ 18,650,020	$ 24,225,518

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 are recognized in OPEB expense systematically over time.

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

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

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

For fiscal year ended June 30, 2022, the Airport recognized OPEB expense of $112,802 for FCERS. As of June 30, 2022, 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	$ 1,345,925	$ -
Differences between expected and actual experience	-	1,692,610
Changes in assumptions	1,248,737	267,916
Net difference between projected and actual earnings on OPEB plan investments	-	1,703,471
Total	$ 2,594,662	$ 3,663,997

As of June 30, 2022, $1,345,925 reported as deferred outflows of resources related to contributions for FCERS subsequent to the June 30, 2021 measurement date will be recognized as a reduction of the net OPEB liability during the fiscal year ending June 30, 2023. Other amounts reported as deferred inflows of resources related to OPEB will be recognized as follows:

	Deferred Outflows (Inflows) of Resources
2023	$ (998,512)
2024	(335,374)
2025	(448,453)
2026	(632,921)
	$ (2,415,260)

For fiscal year ended June 30, 2021, the Airport recognized OPEB negative expense of $1,360,520 for FCERS. As of June 30, 2021, 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	$ 1,424,615	$ -
Differences between expected and actual experience	-	1,116,228
Changes in assumptions	319,064	535,898
Net difference between projected and actual earnings on OPEB plan investments	1,174,368	-
Total	$ 2,918,047	$ 1,652,126

As of June 30, 2021, $1,424,615 reported as deferred outflows of resources related to contributions for FCERS, subsequent to the June 30, 2020 measurement date was recognized as a reduction of the net OPEB liability during the fiscal year ended June 30, 2022.

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

(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, 2022 and 2021, were $5.5 million and $5.4 million, respectively. The City also charged the Airport fees of $18.0 million and $18.2 million for the fiscal years ended June 30, 2022 and 2021, respectively, for airport rescue and firefighting and police services coverage. Additionally, various City departments charge the Airport for services they rendered on its behalf. These fees and service charges totaled $1.3 million and $1.3 million for the fiscal years ended June 30, 2022 and 2021, respectively. All fees charged by the City are included in operating expenses in the accompanying statements of revenues, expenses, and changes in net position.

(9) Risk Management

(a) Insurance Policies

The Airport is covered under the City's annual all-risk property insurance policy with coverage for City property, including coverage for boiler and machinery exposures. The policy also provides coverage for loss due to business interruption and flood coverage. The City does not carry earthquake insurance as it is not available at reasonable rates. A summary of the City's all-risk property insurance policy coverages applicable to the Airport is provided below for the policy periods of October 1, 2021 to October 1, 2022 and October 1, 2020 to October 1, 2021.

October 1, 2021 to October 1, 2022

Coverage	Limit Per Occurrence (1)	Deductible Per Occurrence (2)
Property (3)	$1,000,000,000	$100,000
Business Interruption	$300,000,000	$100,000
Flood Locations - Other Than Low Hazard (4)	$10,000,000 Annual Aggregate	$10,000,000 Per Location

(1) Other sub-limits apply.
(2) Other deductibles apply.
(3) Covers "Certified Acts of Terrorism" under the Termination Risk Insurance Act of 2002, as amended.
(4) Refers to flood locations as defined in the City's insurance policy.

October 1, 2020 to October 1, 2021

Coverage	Limit Per Occurrence[1]	Deductible Per Occurrence[2]
Property[3]	$1,000,000,000	$100,000
Business Interruption	$300,000,000	$100,000
Flood Locations - Other Than Low Hazard[4]	$10,000,000 Annual Aggregate	$10,000,000 Per Location

[1] Other sub-limits apply.
[2] Other deductibles apply.
[3] Covers "Certified Acts of Terrorism" under the Termination Risk Insurance Act of 2002, as amended.
[4] Refers to flood locations as defined in the City's insurance policy.

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

The City has airport liability policies covering the Airport for the policy periods of October 1, 2021 to October 1, 2022 and October 1, 2020 to October 1, 2021 including Control Tower Operators, which provides a $200.0 million combined single limit for bodily injury and property damage subject to a deductible of $0 each occurrence and annual aggregate, with a sublimit of $50.0 million each occurrence and in the annual aggregate for personal injury, and a limit of $200.0 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 automobile liability coverage in excess of the underlying limit of $1.0 million, which is provided by a separate automobile liability policy. For the period of October 1, 2021 to October 1, 2022, the excess automobile liability coverage limit is $25.0 million, which increased from $5.0 million for the period of October 1, 2020 to October 1, 2021. The automobile liability policy provides coverage for the off-premises operation of Airport vehicles including shuttle bus fleets with a limit of $1.0 million per occurrence, combined single limit for bodily injury and property damage, and a $250,000 self-insured retention. Physical damage coverage is obtained for the Airport Shuttle Bus Fleets; the Proterra electric buses are subject to a $10,000 comprehensive and collision deductible, while the Penske Compressed Natural Gas (CNG) buses are subject to a $5,000 comprehensive and collision deductible. Settled claims have not exceeded the City's commercial insurance coverage in any of the past five fiscal years.

For the policy periods of October 1, 2021 to October 1, 2022 and October 1, 2020 to October 1, 2021, 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 $5.0 million per occurrence limit for losses resulting from employee theft, forgery or alteration, and inside the premises – theft of money and securities, and provides for a $1.0 million per occurrence limit for computer fraud, funds transfer fraud, money orders, and counterfeit money. All claims have a $100,000 deductible per occurrence. For the policy period of October 22, 2021 to October 22, 2022, the City purchased liability insurance covering cyber risks to complement the City's cybersecurity efforts.

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

(b) Workers' Compensation

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

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

	2022	2021	2020
Accrued liability, beginning of fiscal year	$2,474,767	$2,680,353	$2,534,343
Claims payments and adjustments	-	(156,507)	(110,154)
Provision for current year claims and changes in prior year estimates	(185,884)	(49,079)	256,164
Accrued liability of end of fiscal year	$2,288,883	$2,474,767	$2,680,353

(c) Airport Owner Controlled Insurance Program

On March 15, 2007, the City obtained liability insurance through American International Group (AIG) for major components of the Airport's Terminal Area Improvement Project (TAIP), through an Owner Controlled Insurance Program (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 $2.9 million has been returned to the Airport. The balance of the TAIP reserve fund as of June 30, 2022 is $1.2 million.

Activities relating to the TAIP OCIP claims reserve fund for the fiscal years ended June 30, 2022, 2021, and 2020 were as follows:

	2022	2021	2020
Beginning balance	$ 1,179,927	$ 1,390,575	$ 1,460,181
Interest earned	935	497	24,651
Reserve returned	-	(652,764)	(57,222)
Losses paid	(1,470)	(1,464)	(37,035)
Adverse Loss Development[1]	-	443,083	-
Ending balance	$ 1,179,392	$ 1,179,927	$ 1,390,575

[1] Adverse Loss Development is a return of collateral resulting from a reduction of estimated losses. AIG holds a collateral based on estimated losses, where estimated losses are the incurred losses times a loss development factor.

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) Purchase Commitments and Capital Outlay Projections

As of June 30, 2022, the Airport was obligated for purchase commitments of approximately $31.6 million primarily for the parking revenue control system upgrade, airfield electrical circuit rehabilitation, parking accessibility upgrades, terminal paging system, and various operating and maintenance agreements. The Airport has projected that it will expend or encumber approximately $244.9 million on construction related capital projects during the next five fiscal years. It is anticipated that funding for such capital projects will be provided primarily by proceeds from federal grants, CP proceeds, and other Airport revenues.

(b) Master Plan

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

The most recent amendment to the Master Plan was approved by the City Council in April 2020. This amendment extended the planning horizon year out to 2037, incorporated the airfield reconfiguration improvements recommended in an FAA-funded Runway Incursion Mitigation/Design Standards Analysis Study, modified the passenger, cargo, and general aviation facility improvement program to serve projected 2037 demand, and added a proposed business hotel to the passenger terminal complex. The Master Plan is currently intended to serve a projected 2037 demand of 22.5 million annual passengers and a total of

184,000 annual aircraft operations and includes up to 42 airline terminal gates in 1.8 million square feet of passenger terminal facilities. The FAA conditionally approved a new ALP in June 2020 displaying the amended Master Plan development program.

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 16 additional airline gates plus a new parking garage. Eight of those 16 future gates will replace existing interim gates bolted on to the south end of Terminal B in 2018 and 2019 to accommodate increases in airline flights and passenger volume. Two of the 16 gates will be relocated from Terminals A and B for operational efficiency. Pursuant to the terms of the current Signatory Airline-Airport Lease and Operating Agreement and subject only to prior consultation with the Signatory Airlines, the City retains sole discretion to proceed to construct the New Terminal Project upon its determination that an increase in terminal capacity to be achieved by the New Terminal Project is needed. After completing its consultation with the Signatory Airlines and having given due consideration to the information provided by the Signatory Airlines, the City may proceed with the New Terminal Project if the City determines, in its sole discretion, that the New Terminal Project continues to be needed and can be financed on reasonable terms.

There are no Master Plan construction projects underway at the time of this report.

(c) FAA Audit of Use of Airport Revenue

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

Cost Allocations - The City uses both direct and indirect methodologies to allocate costs to the Airport. The FAA auditors found the direct cost allocations to be acceptable. The FAA contends that the City's indirect methodology does not correlate to the cost of services actually provided by the City to the Airport. Consequently, the auditors have recommended that the City re-allocate its costs charged to the Airport for FY 05-10 using an allocation methodology that reflects services actually provided to the Airport and repay any overcharges to the Airport, with interest. The City believes the allocation methodology used to allocate costs to the Airport is in compliance with federal cost allocation guidance. In an effort to resolve the issue, the City proposed and implemented a cap on the indirect cost allocations for certain City departments at 10%, which was the approximate rate charged to the Airport in pre-capital intensive years. This resulted in a total credit of $5.6 million that would be applied equally to the Airport cost allocation plan over a seven-year period beginning in FY 13 and ending in FY 19. The City has adjusted its indirect cost allocation methodology in an effort to address FAA concerns, including removal of debt expenditures from the relative expenditures base started in FY 16, continuing with the 10% cap, and monitoring a rolling five-year average of the relative expenditure base to smooth out expenditure fluctuations.

On August 14, 2015, the FAA accepted the corrective actions that the City has already taken, however, the FAA disagrees with the City's inclusion of capital expenditures in the allocation of indirect costs.

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

On May 19, 2022, the City received a letter from the FAA in which the FAA continues to believe that inclusion of capital costs in the indirect cost allocation methodology results in a disproportionate share of indirect costs being charged to the Airport. The FAA notes that the Modified Total Direct Cost (MTDC) is recognized as an equitable allocation base for the distribution of indirect costs and the MTDC allocation method excludes equipment and capital expenditures. The FAA asks the City to take this final finding under advisement. See Note 11 for further information.

(d) Potential Claim from FAA Regarding Reuse of Guadalupe Gardens

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

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

The City 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) FAA Inquiry Regarding Encampments in Guadalupe Gardens

On February 1, 2021, the Director of Aviation received a letter from the FAA Western-Pacific Region Office of Airports regarding encampments of homeless persons in the Guadalupe Gardens. Guadalupe Gardens is 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 these FAA grants include certain restrictions (Grant Assurances) on the City's use of the Guadalupe Gardens properties.

In its letter, the FAA asserts that the presence of encampments of homeless persons in the Guadalupe Gardens is: (a) inconsistent with the Grant Assurances that were a condition of the FAA grants that the City received to acquire the Guadalupe Gardens properties; and (b) contrary to the City's Airport Noise Compatibility Plan (ANCP), both of which prohibit transient and permanent residential uses in the Guadalupe Gardens.

The City does not dispute that encampments of homeless persons in the Guadalupe Gardens is a use of the Guadalupe Gardens properties that is incompatible with the FAA Grant Assurances and with the City's ANCP. The FAA requested and the City provided a Corrective Action Plan to remove and relocate the encampments of homeless persons from the Guadalupe Gardens on March 11, 2021 which was originally scheduled to occur by June 2022. In June 2022, the FAA agreed to extend the time for performance of the actions identified in the Corrective Action Plan to September 30, 2022. See Note 11 for further information.

(f) Federal Aviation Administration Inquiry Regarding Chick-fil-A

The City Council approved a Chick-fil-A subconcession at the Airport on March 6, 2018, as part of its approval of the Fourth Amendment to the Host Food and Beverage Agreement. Chick-fil-A does not have a direct contractual relationship with the City. Rather, Host operates the Chick-fil-A concept at the Airport as a licensee. On April 9, 2019, the City Council approved an amendment to the Host Food and Beverage Agreement that extended the termination date from June 30, 2026 to June 30, 2028. However, the City Council limited the additional two-year extension term only to those Airport concession locations operated by Host that are open 7-days each week. All owned and licensed Chick-fil-A locations, including the Airport location, are closed on Sundays. The City Council approved this limitation after hearing concerns from community members that the owners of Chick-fil-A have made donations to and supported certain organizations that oppose equal rights and protections for the LGBTQ+ communities. The City

Council also directed Airport staff to display the Rainbow and Transgender flags at the Airport terminals to show the City's support for those communities.

On January 22, 2020, the Director of Aviation received a Notice of Investigation from the FAA Office of Civil Rights. The FAA is investigating a complaint received by the FAA that alleges discrimination against Chick-fil-A, "because of the expression of religious beliefs by the owner of the company." The complainant, whose identity has been withheld by the FAA, contends that the City has discriminated against Chick-fil-A for its "perceived religious and ideological convictions" and that this "discrimination" is in violation of federal law. The complainant is requesting that the FAA withhold further grant funding to the City pending its investigation.

The City responded to the FAA Notice of Investigation by letter dated May 21, 2020. In addition to responding to specific questions from the FAA regarding this matter, the City requested the FAA to find that there is no basis for the complaint and to close its investigation. On May 17, 2022, the FAA closed the investigation based upon the following corrective actions: Host confirming that the Chick-fil-A concept could not be operated for 7 days a week per the terms of the contract between Host and Chick-fil-A, Airport leadership staff participating in training regarding obligations under Title VI of the Civil Rights Act of 1964, and the dissemination of the training information to the offices of all members of the City Council.

(g) Workers' Compensation Program

The City is self-insured for workers' compensation, with all claims administered by third party administrator Intercare Holdings Services, Inc (Intercare). Every year, the City reviews a five-year forecast for workersrelated compensation expenditures based on the prior year payout. Based on this review, the City's budget for FY 22 is $25.8 million and the budget for FY 23 is $23.5 million.

The City extended the current agreement with Intercare for an additional three years beginning July 1, 2022, to provide comprehensive workers' compensation services including claims administration services, bill review, utilization review, medical case management, and other ancillary services at a total compensation not to exceed $32.6 million based on an estimated caseload of 2,330 to 2,850 claims. As of June 30, 2022, the open claims inventory handled by Intercare was 2,575.

The total number of open claims has increased (by approximately 3.4%) since June 30, 2021 when the open claim inventory was 2,489. The City is required to submit to the California Department of Industrial Relations (DIR) Office of Self-Insured Plans (OSIP) a Public Self-Insured Annual Report. The Public Self-Insured Annual Report completed jointly with Intercare describes: (1) claims paid in indemnity and medical, (2) future liability on open claims, (3) average number of employees and total wages for each adjusting location, and (4) a list of all open indemnity claims. The annual report for FY 22 was submitted by the October 1, 2022 deadline.

(h) 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.

(i) 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 Airport 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, $53.5 million was reimbursed in FY 21 and $12.1 million was reimbursed in FY 22.

As part of the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA Act) signed into law on December 27, 2020, the FAA established the Airport Coronavirus Response Grant Program (ACRGP) to distribute funds to be awarded as economic relief to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the COVID-19 pandemic. The Airport was awarded $13.4 million in CRRSA Act funds in March 2021, available to the Airport on a reimbursable basis for up to four years to pay for operating expenses. An additional $1.6 million in CRRSA Act funding was awarded to provide relief from rent and minimum annual guarantees to on-airport car rental and in-terminal airport concessions. The Airport received reimbursement for the full $1.6 million in concession relief in FY 21 and the full $13.4 million CRRSA Act funds for operating expenses in FY 22.

As part of the American Rescue Plan Act (ARP Act) signed into law on March 11, 2021, the FAA established the Airport Rescue Grants to distribute funds to be awarded as economic assistance to eligible U.S. airports and eligible concessions at those airports to prevent, prepare for, and respond to the COVID-19 pandemic. The Airport was awarded $48.9 million in ARP Act funds, available to the Airport on a reimbursable basis for up to four years and will be used to pay for operating expenses. An additional $6.6 million in ARP Act funds was awarded to provide relief from rent and minimum annual guarantees to in-terminal airport concessions. In addition, the ARP Act provided $1.6 million in matching funds to increase the federal share of federal FY 21 AIP grants to 100%, eliminating the requirement for the Airport to provide a percentage of funds. The Airport received reimbursement for the full $6.6 million in concession relief in FY 22.

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, and governmental financial aid.

(11) Subsequent Events

On July 7, 2022, the FAA announced that they would award the Airport $10.0 million in Bipartisan Infrastructure Law (BIL) Airport Terminal Program (ATP) funding for Airport Accessibility Upgrades. The project will make significant accessibility improvements to the airport terminal buildings to expand access to those with disabilities and maintain compliance with the federal Americans with Disabilities Act (ADA), state, and local requirements.

On July 15, 2022, the City responded to the FAA’s letter of May 19, 2022 regarding inclusion of capital costs in the indirect cost allocation methodology, explaining that the City is in the process of evaluating the methodology used for the City’s overall CAP. On June 23, 2022, the City posted an RFP to hire an independent consultant to support this evaluation, with the RFP scope of work including an in-depth analysis of the City’s current CAP, as well as scope to develop recommendations for potential changes in the CAP methodology as it relates to all City departments. The City will follow up with the FAA once this evaluation process has been completed. The City cannot predict the final outcome of the audit. See Note 10 for further information.

On August 26, 2022, Fitch affirmed its "A" rating to the Airport Revenue Bonds and also affirmed its subordinated CP notes at "A-". The rating outlook on all obligations remained stable.

In August 2022, Air Transport Research Society (ATRS), one of the most reputable aviation research societies, awarded Mineta San Josè International Airport the 2022 Airport Efficiency Excellence Award, for being the most efficient airport in the 5-15 million passenger category in North America, based on 2020 financial year data.

On September 9, 2022, the Airport was awarded $10.8 million in federal funding for the New Taxiway V Phase 1A project, which is part of the larger Airfield Configuration Updates project.

Beginning October 1, 2022, the minimum deductible to the Airport’s property insurance will increase from $100,000 to $500,000 per occurrence. Expediting costs and extra expense coverage will be reduced from $100.0 million to $25.0 million. The government crime coverage deductible will increase from $100,000 to $250,000 per occurrence.

On October 5, 2022, the City notified the FAA that actions identified in the Corrective Action Plan including the removal and relocation of the encampments from the Guadalupe Gardens had concluded. See Note 10 for additional information.

Starting October 6, 2022, American Airlines will resume daily nonstop flights to Charlotte, North Carolina. Starting November 6, 2022, Southwest Airlines will begin daily (six days a week) round trip service to Palm Springs, California. In December 2022, ZIPAIR (a subsidiary of Japan Airlines) will begin nonstop service to Tokyo, Japan.

On October 25, 2022, the City Council adopted a resolution revising the Airport Air Service Support Program to provide additional benefits for New Entrant Carriers, who have not previously served SJC, waiving landing fees for 18 months, waiving ticket counter and gate fees for 12 months, and providing up to an additional $100,000 in marketing funds in addition to the $25,000 to $500,000 depending on the type of new service provided.

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

	2022	2021	2020	2019	2018
Proportion of the collective net pension liability	5.2%	5.4%	5.4%	5.3%	3.4%
Proportionate share of the collective net pension liability	$ 86,042	$ 113,363	$ 112,615	$ 105,487	$ 108,167
Covered payroll (for measurement period)	$ 17,857	$ 17,270	$ 16,190	$ 15,335	$ 13,694
Proportionate share of the collective net pension liability as percentage of covered payroll	481.8%	656.4%	695.6%	687.9%	789.9%
Plan fiduciary net position as a percentage of the total pension liability	63.7%	51.1%	50.4%	51.0%	50.3%

Schedule of Contributions

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 11,470	$ 10,596	$ 10,634	$ 9,989	$ 8,814
Contributions in relation to the actuarially determined contributions	11,470	10,596	10,634	9,989	8,814
Covered payroll	$ 18,057	$ 17,857	$ 17,270	$ 16,190	$ 15,335
Contributions as a percentage of covered payroll	63.5%	59.3%	61.6%	61.7%	57.5%

Note to Schedules

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

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

(Concluded)

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

	2017	2016
Proportion of the collective net pension liability	3.4%	3.6%
Proportionate share of the collective net pension liability	$ 102,069	$ 81,313
Covered payroll (for measurement period)	$ 13,163	$ 12,903
Proportionate share of the collective net pension liability as percentage of covered payroll	775.4%	630.2%
Plan fiduciary net position as a percentage of the total pension liability	50.4%	57.8%

Schedule of Contributions

	2017	2016
Actuarially determined contribution	$ 8,134	$ 7,374
Contributions in relation to the actuarially determined contributions	8,134	7,374
Covered payroll	$ 13,694	$ 13,163
Contributions as a percentage of covered payroll	59.4%	56.0%

Note to Schedules

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

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

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 OPEB Liability

	2022	2021	2020	2019	2018
Proportion of the collective net OPEB liability	5.4%	5.4%	5.4%	5.4%	5.5%
Proportionate share of the collective net OPEB liability	$ 15,082	$ 18,650	$ 20,342	$ 19,983	$ 28,086
Covered payroll (for measurement period)	$ 17,857	$ 17,270	$ 16,190	$ 15,335	$ 13,694
Proportionate share of the collective net OPEB liability as percentage of covered payroll	84.5%	108.0%	125.6%	130.3%	205.1%
Plan fiduciary net position as a percentage of the total OPEB liability	57.8%	46.7%	43.8%	42.6%	34.0%

Schedule of Contributions

	2022	2021	2020	2019	2018
Actuarially determined contribution	$ 1,346	$ 1,425	$ 1,183	$ 1,872	$ 1,754
Contributions in relation to the actuarially determined contributions	1,346	1,425	1,183	1,872	1,754
Covered payroll	$ 18,057	$ 17,857	$ 17,270	$ 16,190	$ 15,335
Contributions as a percentage of covered payroll	7.5%	8.0%	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) liability. The Airport recognizes OPEB expense and reports deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB.

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

Families with young children can now safely get their pre-flight jitters out thanks to a new play space created by Children's Discovery Museum of San José. A new educational play space called **Zoom Zone**, which was designed around the belief that many children have never flown on an airplane and are fascinated by what they see in the sky, is now open in Terminal B. Zoom Zone was created with sponsorship funding from Zoom Video Communications, Inc. and more than $1.2 million in pro bono and discounted services.

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

Statistical Section
June 30, 2022

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

Contents **Schedule**

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

Statistical Section
June 30, 2022

Contents **Schedule**

<u>Operating Information</u>

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

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Schedule A
(Continued)

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

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

[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 15, because amounts were not available.

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

Schedule A
(Concluded)

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

	2018[3]	2019	2020	2021[4]	2022
Operating revenues:					
Airline rates and charges:					
Landing fees	$ 19,297	$ 18,984	$ 21,682	$ 16,933	$ 24,545
Terminal rental	43,476	42,815	62,690	62,005	68,490
Total airline rates and charges	62,773	61,799	84,372	78,938	93,035
Terminal buildings/concessions	22,375	23,717	20,623	11,106	13,164
Airfield	8,027	8,340	6,535	3,454	5,060
Parking and roadway	59,715	64,507	50,973	25,244	47,023
Fuel handling fees	3,078	2,930	2,289	1,722	2,453
General aviation/other	10,096	10,773	10,499	10,684	11,317
Customer facility charges[1]	2,518	2,762	-	-	5,689
Total operating revenues	168,582	174,828	175,291	131,148	177,741
Operating expenses:					
Terminal buildings/concessions	34,922	37,372	41,025	38,346	39,331
Airfield	20,116	20,062	21,912	22,096	24,777
Parking and roadway	16,283	15,837	16,761	12,217	14,431
Fuel handling costs	59	69	27	63	71
General aviation	2,438	2,383	1,717	962	913
General and administrative	25,118	25,042	24,159	21,231	20,122
Depreciation and amortization	47,486	49,026	55,383	53,235	55,260
Total operating expenses	146,422	149,791	160,984	148,150	154,905
Operating income (loss)	22,160	25,037	14,307	(17,002)	22,836
Nonoperating revenues (expenses):					
Passenger facility charges	27,048	29,735	20,456	9,378	19,674
Customer facility charges for debt service[1]	18,364	18,704	15,394	6,539	7,967
Participating airline net revenue sharing	-	(13,944)	(11,910)	(1,325)	(27,396)
Investment income (loss)	2,842	9,893	11,265	1,236	(4,681)
Lease interest income	-	-	-	288	274
Interest expense	(61,305)	(60,381)	(59,107)	(53,649)	(39,312)
Bond issuance costs	50	-	-	(2,239)	-
Operating grants	809	720	486	619	718
Loss on capital assets disposal	-	(271)	-	(13)	-
CARES Act Airport grants	-	-	-	53,538	12,095
CRRSA Act Airport grants	-	-	-	1,647	13,422
ARP Act Airport grants	-	-	-	-	6,586
Other, net	1,214	1,045	913	1,840	464
Total nonoperating revenues (expenses), net	(10,978)	(14,499)	(22,503)	17,859	(10,189)
Income (loss) before capital contributions	11,182	10,538	(8,196)	857	12,647
Capital contributions	9,287	18,747	3,076	12,023	5,894
Special item - rate stabilization fund and ten-year lookback distribution	-	(16,266)	-	-	-
Change in net position	$ 20,469	$ 13,019	$ (5,120)	$ 12,880	$ 18,541
Net position at year-end					
Net investment in capital assets	$ 100,587	$ 126,419	$ 139,388	$ 171,354	$ 158,168
Restricted	62,014	61,897	44,795	27,538	48,905
Unrestricted	41,921	29,225	28,238	26,409	36,769
Net position at year-end[2][3]	$ 204,522	$ 217,541	$ 212,421	$ 225,301	$ 243,842

(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 18 because amounts were not available.

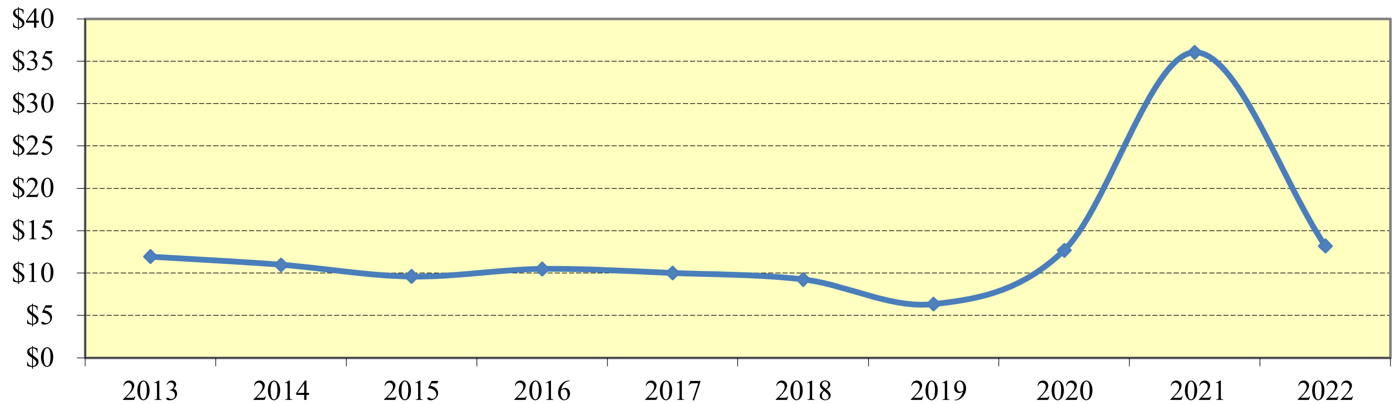
(4) The FY 21 revenues and expenses have been restated due to the implementation of GASB Statement No. 87.

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)

Cost Per Enplaned Passenger



	2013	2014	2015	2016	2017	2018	2019[1]	2020[1]	2021[1]	2022
Airline revenues:										
Terminal rental	$38,256	$38,130	$34,372	$40,800	$39,778	$43,477	$28,871	$50,780	$60,680	$41,094
Landing fees (passenger carriers)	12,298	11,451	11,361	12,528	17,697	18,690	18,453	21,012	15,977	23,754
Total	50,554	49,581	45,733	53,328	57,475	62,167	47,324	71,792	76,657	64,848
Enplaned passengers	4,235	4,517	4,765	5,088	5,740	6,725	7,462	5,660	2,126	4,911
Unadjusted cost per enplaned passenger (not in 000's)	$ 11.94	$ 10.98	$ 9.60	$ 10.48	$ 10.01	$ 9.24	$ 6.34	$ 12.68	$ 36.06	$ 13.20

[1] FY19, FY20, and FY21 Terminal rental revenues were adjusted to include the Net Remaining Revenues as calculated in accordance with the Airline-Airport Lease and Operating Agreement.

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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross concession revenue:[1]										
Public parking[2]	$ 24,814	$ 26,759	$ 27,845	$ 29,392	$ 28,635	$ 31,053	$ 32,330	$ 24,141	$ 9,590	$ 24,288
Rental cars	129,643	142,439	149,384	157,857	162,142	166,291	173,631	129,609	69,030	144,128
Food and beverage	24,216	27,350	30,078	32,870	39,060	45,024	50,588	35,529	9,534	30,550
Advertising	2,355	2,506	2,245	2,368	3,550	4,525	5,022	6,591	7,222	8,009
Gift shop & retail	12,668	13,475	14,130	15,742	17,636	19,739	21,243	16,526	7,736	16,845
In-flight kitchen[3]	10,680	13,114	15,904	22,893	40,790	39,559	29,203	17,578	4,529	17,925
Total gross concession revenue	$ 204,376	$ 225,643	$ 239,586	$ 261,122	$ 291,813	$ 306,191	$ 312,017	$ 229,974	$ 107,641	$ 241,745
Enplaned passengers:	4,235	4,517	4,765	5,088	5,740	6,725	7,462	5,660	2,126	4,911
Gross concession revenue per enplaned passenger (not in 000's)	$ 48.26	$ 49.95	$ 50.28	$ 51.32	$ 50.84	$ 45.53	$ 41.81	$ 40.63	$ 50.63	$ 49.23

(1) Gross revenues of major concessionaires only.

(2) In November 2021, the Airport launched a new online parking reservations system for the Economy Lot 1. Public parking revenues includes revenues from parking reservations and are net of credit card fees and refunds.

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

Source: 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

	2013	2014	2015	2016	2017	Unit
Landing fees:	$ 2.38	$ 2.22	$ 2.09	$ 2.13	$ 2.70	per 1,000 lbs. MGLW[3]
Terminal rental rates:						
Group A						
Ticket counter and queuing, skycap/curbside check-in						
Preferential	296,954	293,680	235,177	287,230	273,042	per counter
Common	90	98	94	88	54	per hour
Airline Ticket Office, Club/VIP	186.55	192.73	178.08	195.75	186.08	per sq. ft.
Holdroom (gate)						
Preferential	886,424	915,350	775,820	883,722	763,701	per gate
Common	607	591	470	552	521	per turn
Group B						
Baggage claim[1]	149.24	154.19	142.47	156.60	148.86	per sq. ft.
Group C						
Baggage make-up[2]/Operations space	93.28	96.37	89.04	97.87	93.04	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

	2018	2019	2020	2021[4]	2022	Unit
Landing fees:	$ 2.45	$ 2.18	$ 2.87	$ 4.30	$ 4.00	per 1,000 lbs. MGLW[3]
Terminal rental rates:						
Group A						
Ticket counter and queuing, skycap/curbside check-in						
Preferential	255,345	233,439	251,675	283,872	243,826	per counter
Common	73	78	131	149	161	per hour
Airline Ticket Office, Club/VIP	206.25	218.88	316.71	283.68	246.54	per sq. ft.
Holdroom (gate)						
Preferential	632,610	720,993	963,503	967,624	991,845	per gate
Common	633	492	660	663	722	per turn
Group B						
Baggage claim[1]	165.00	175.11	253.37	226.95	197.23	per sq. ft.
Group C						
Baggage make-up[2]/Operations space	103.12	109.44	158.36	141.84	123.27	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. On November 1, 2021, an online paking reservation system for the Economy Lot 1 went live.

[3] MGLW - Maximum Gross Landing Weight.

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

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

Schedule E
(Continued)

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)

	2013	2014	2015[6]	2016[6]	2017
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds	$ 1,398,332	$ 1,376,038	$ 1,349,265	$ 1,325,579	$ 1,310,333
Commercial paper notes	45,380	41,159	37,912	34,672	25,461
Total outstanding debt	1,443,712	1,417,197	1,387,177	1,360,251	1,335,794
Enplaned passengers	4,235	4,517	4,765	5,088	5,740
Total outstanding debt per enplaned passenger (not in 000's)	$ 341	$ 314	$ 291	$ 267	$ 233
Debt service					
Revenue Bonds[2]	$ 86,325	$ 95,068	$ 96,083	$ 95,452	$ 95,660
Commercial paper notes[3] [4]	4,043	2,859	2,213	2,116	1,728
Total debt service	90,368	97,927	98,296	97,568	97,388
Less: Funds available for debt service					
Passenger facility charges	22,100	25,747	25,202	24,829	24,789
Customer facility charges[5] [6]	13,385	15,494	17,412	17,701	18,026
Unspent bond proceeds[5] [8]	5,802	11,082	11,082	11,083	4,295
Series 2007 Bond Reserve Fund[7]	-	-	-	-	-
Net debt service	$ 49,081	$ 45,604	$ 44,600	$ 43,955	$ 50,278
Net debt service per enplaned passenger (not in 000's)	$ 11.59	$ 10.10	$ 9.36	$ 8.64	$ 8.76

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

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

(3) As required by the Letter of Credit and Reimbursement Agreements related to the Airport's Commercial Paper (CP) Program, the principal amount of the CP is assumed to be amortized on a substantially level debt service for a period of 25 years commencing on the estimated completion date of the respective project to which such obligations relate or the date of issuance if the CP proceeds were not used for a project. As also required, the interest rate on the CP is assumed to be equal to an interest rate calculated by multiplying the average interest rate during the 90-day period prior to the end of the fiscal year by 1.15, as certified by a certificate of a financial advisor.

Source: Finance and Administration, 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)

	2018	2019	2020	2021	2022
Outstanding debt per enplaned passenger					
Outstanding debt by type:					
Revenue bonds	$ 1,261,909	$ 1,229,409	$ 1,194,784	$ 1,146,872	$ 1,138,859
Commercial paper notes	7,509	52,216	51,930	51,930	34,112
Total outstanding debt	1,269,418	1,281,625	1,246,714	1,198,802	1,172,971
Enplaned passengers	6,725	7,462	5,660	2,126	4,911
Total outstanding debt per enplaned passenger (not in 000's)	$ 189	$ 172	$ 220	$ 564	$ 239
Debt service					
Revenue Bonds[2]	$ 103,766	$ 92,501	$ 93,258	$ 93,907	$ 45,705
Commercial paper notes[3] [4]	686	317	593	586	1,876
Total debt service	104,452	92,818	93,851	94,493	47,581
Less: Funds available for debt service					
Passenger facility charges	24,792	27,026	27,479	14,339	12,420
Customer facility charges[5] [6]	18,364	18,704	19,057	11,142	8,000
Unspent bond proceeds[5] [8]	-	-	-	23	-
Series 2007 Bond Reserve Fund[7]	7,411	-	-	-	-
Net debt service	$ 53,885	$ 47,088	$ 47,315	$ 68,989	$ 27,161
Net debt service per enplaned passenger (not in 000's)	$ 8.01	$ 6.31	$ 8.36	$ 32.45	$ 5.53

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

[5] 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.

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

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

Schedule F

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT

(A Department of the City of San José)

DEBT SERVICE COVERAGE

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**
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**
2021(10)	191,637	89,924	101,713	41,100	142,812	92,718	14,339	78,379	**1.82**	586	**1.81**
2022	213,330	96,936	116,394	32,226	148,620	45,705	12,420	33,285	**4.47**	1,876	**4.23**

(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 2021C (refunding of 2011B). The Airport did not expend CFC revenues on the transportation costs in the fiscal years ended June 30, 2021 and June 30, 2020. The Airport was awarded $65.6 million of funding from the federal Coronavirus Aid, Relief, and Economic Security Act (CARES), which became law on March 27, 2020, to assist with the economic crisis caused by the COVID-19 pandemic. The Airport was also awarded $13.4 million in the Coronavirus Response and Relief Supplemental Appropriation Act (CRRSA) funds on March 22, 2021, which will be used to pay for operating expenses. In August 2021, the Airport was notified that the CRSSA agreement would be amended to increase the award by $11,095. An additional $1.6 million in CRRSA funding was awarded to provide relief from rent and minimum annual guarantees to on-airport car rental and in-terminal airport concessions. In March 2021, the Airport was also awarded $48.9 million in American Rescue Plan (ARP Act) funds to use for operating expenses and an additional $6.6 million to provide relief to in-terminal airport concessions. In fiscal year (FY) 2021, the Airport used $53.5 million of CARES funding toward debt service payments and payroll expenses and received reimbursement for the full $1.6 million in concession relief. Both CARES and CRRSA funding are classified as nonoperating revenue in the Statements of Revenues, Expenses, and Changes in Net Position in accordance with Government Accounting Standard Board (GASB) Technical Bulletin 2020-1. In FY 2022, the Airport used $6.6 million in ARP Act to provide relief to eligible in-terminal airport concessions. Grants funding is available for any purpose for which the Airport revenues may lawfully be used per the Master Trust Agreement (MTA). Therefore, they are classified as General Airport Revenue and included in operating revenue for the purpose of debt service coverage.

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

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

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

(5) As required by the LOC and Reimbursement Agreements related to the Airport's Subordinated CP Notes, the principal amount of the Subordinated CP Notes is assumed to be amortized on a substantially level debt service for a period of 25 years commencing on the estimated completion date of the respective project to which such obligations relate or the date of issuance if the Subordinated CP Notes proceeds were not used for a project. As also required, the interest rate on the Subordinated CP Notes is assumed to be equal to an interest rate calculated by multiplying the average interest rate during the 90-day period prior to the end of the FY by 1.15, as certified by a certificate of a financial advisor.

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

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

(8) Other Available Funds include the Rolling Coverage Amount, uncommitted monies in the General Revenue Fund from the prior FY, unspent bond proceeds in FY 13 through FY 17, and CFC Revenues, in an amount not to exceed the amount of eligible debt service and transportation costs.

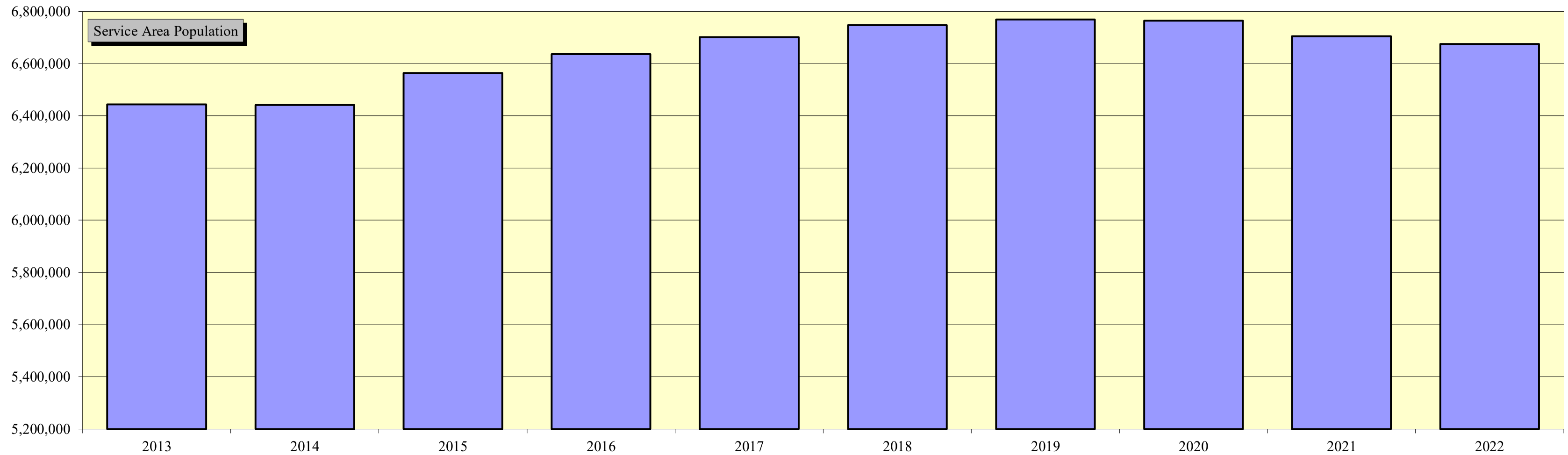
(9) Other Available Funds was restated to include CFC revenues available for debt services not to exceed the amount of CFC eligible debt service and transportation costs.

(10) FY 2021 amounts were revised to reflect restated revenues and expenses related to GASB Statement No. 87.

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

Schedule G

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



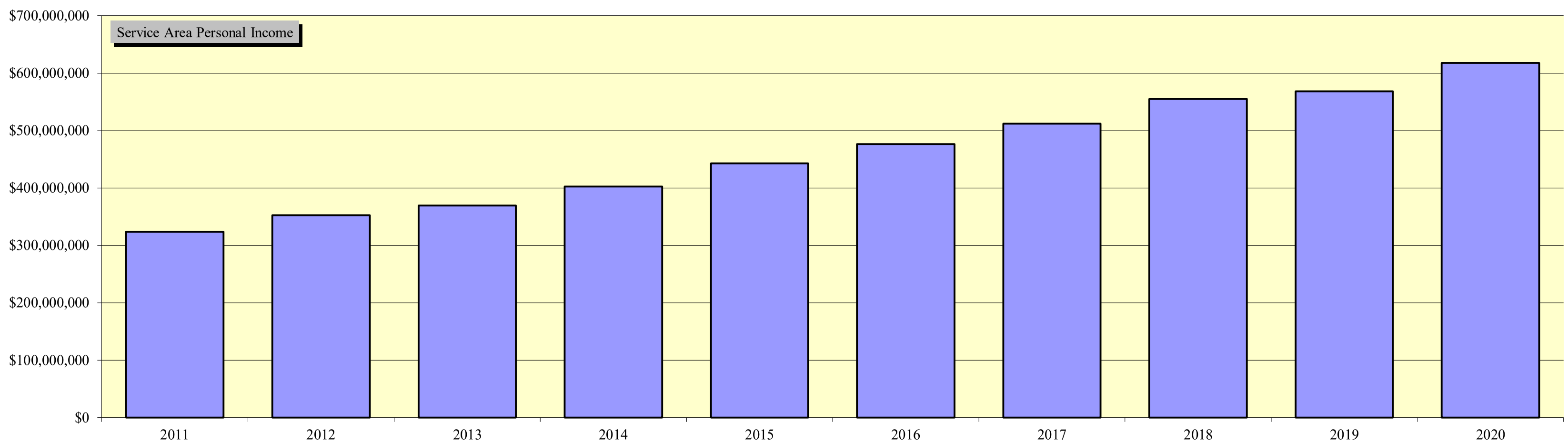
	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2013	1,573,254	425,756	57,517	745,193	1,868,558	271,595	264,922	710,731	526,042	6,443,568
2014	1,574,497	424,774	57,909	745,635	1,868,038	269,322	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	1,664,783	441,304	61,513	774,231	1,954,833	272,501	280,735	765,556	554,018	6,769,474
2020	1,663,114	440,393	62,486	771,061	1,945,166	270,373	283,352	773,505	554,931	6,764,381
2021[(1)]	1,662,370	435,721	64,769	751,596	1,907,693	266,553	281,874	782,372	551,737	6,704,685
2022	1,651,979	433,716	65,479	744,662	1,894,783	266,564	284,338	784,298	549,466	6,675,285

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

Source: California Department of Finance, Demographic Research Unit

Schedule H

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)

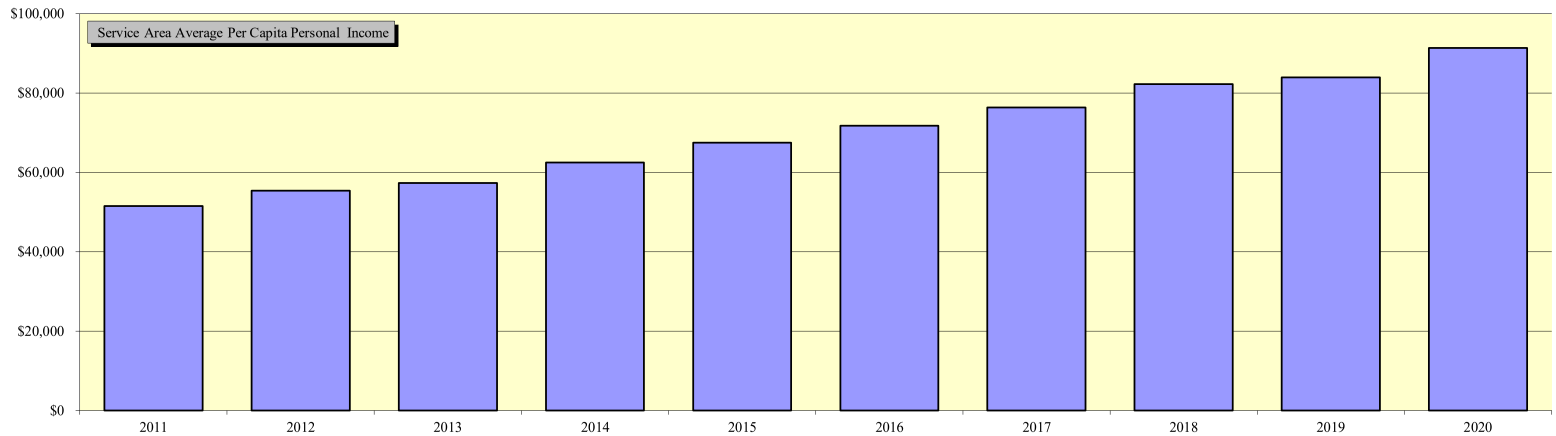


	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Total
2011	$ 78,550,471	$ 17,668,188	$ 2,037,248	$ 51,931,876	$ 113,461,610	$ 13,284,573	$ 7,797,651	$ 22,369,055	$ 17,095,084	$ 324,195,756
2012	84,503,175	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	118,655,307	23,511,124	3,067,422	90,249,278	193,680,090	17,854,678	10,320,877	31,475,861	23,094,445	511,909,082
2018	128,728,021	24,576,499	3,235,448	98,568,258	213,221,976	18,697,119	10,696,798	33,634,157	23,915,119	555,273,395
2019[(2)]	131,535,494	24,505,664	3,316,389	101,056,496	220,402,406	18,825,262	10,517,004	34,327,494	23,860,986	568,347,195
2020	144,751,041	26,504,847	3,894,963	107,559,149	235,835,442	20,502,635	12,263,094	39,793,150	26,928,822	618,033,143

(1) Information for calendar years 2021 and 2022 is not available.
(2) Some data reported previously were revised to reflect the most recent information.

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

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



	Primary Service Area						Secondary Service Area			
Years	Alameda	Monterey	San Benito	San Mateo	Santa Clara	Santa Cruz	Merced	San Joaquin	Stanislaus	Average PCPI[3]
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	71,560	53,989	50,955	117,389	100,177	64,901	38,037	42,391	42,354	76,381
2018	77,233	56,634	52,637	128,230	110,344	68,277	39,018	44,697	43,631	82,291
2019[2]	78,839	56,545	52,806	132,133	114,649	68,990	37,952	45,075	43,402	83,957
2020	87,078	61,510	60,807	141,841	123,661	75,957	43,914	51,816	48,954	91,366

(1) Information for calendar years 2021 and 2022 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 YEAR AND NINE YEARS AGO

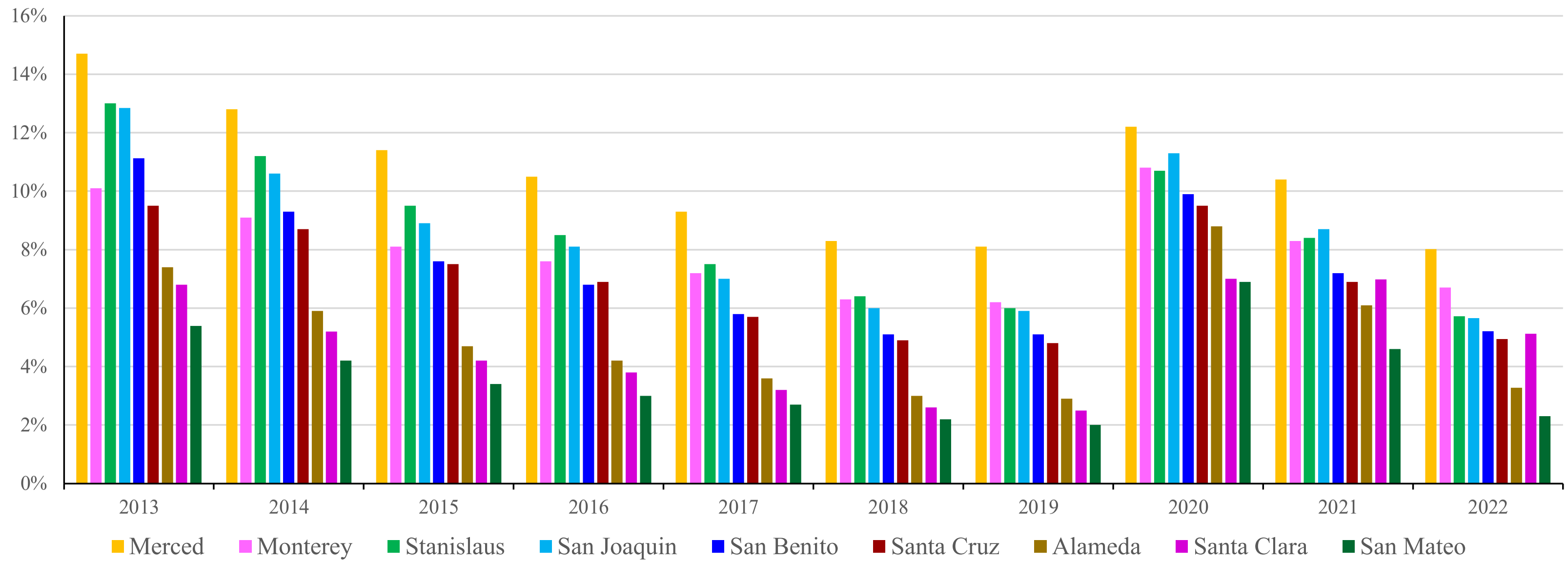
	2022			2013		
Company or Organization	Number of Employees	Rank	Percent of Total Employment[3]	Number of Employees	Rank	Percent of Total Employment[3]
County of Santa Clara	18,700	1	1.8%	14,950	1	1.6%
Cisco Systems	7,500	2	0.7%	13,600	2	1.5%
City of San José[1]	6,592	3	0.6%	5,651	3	0.6%
PayPal, Inc.	3,868	4	0.4%	n/a[2]	n/a[2]	-
San José State University	3,650	5	0.3%	3,119	7	0.3%
Adobe Systems Inc.	3,400	6	0.3%	2,000	10	0.2%
Kaiser Permanente	3,035	7	0.3%	1,940	12	0.2%
eBay	2,800	8	0.3%	4,700	4	0.5%
Western Digital	2,759	9	0.3%	n/a[2]	n/a[2]	-
San José Unified School District	2,679	10	0.3%	2,330	8	0.3%
Target Stores	2,437	11	0.2%	n/a[2]	n/a[2]	-
Super Micro Computer	2,230	12	0.2%	n/a[2]	n/a[2]	-
IBM	2,200	13	0.2%	4,200	5	0.5%
Cadence Design Systems	1,956	14	0.2%	1,800	13	0.2%
Good Samaritan Health System	1,850	15	0.2%	1,950	11	0.2%

(1) Full-time employees
(2) Companies or organizations not included in top 15 principal employers in 2013
(3) Percentage of total employment is calculated based on San José -Sunnyvale-Santa Clara MSA employment data.

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



	2013	2014	2015	2016	2017	2018	2019	2020	2021[1]	2022[2]
Merced	14.7%	12.8%	11.4%	10.5%	9.3%	8.3%	8.1%	12.2%	10.4%	8.0%
Monterey	10.1%	9.1%	8.1%	7.6%	7.2%	6.3%	6.2%	10.8%	8.3%	6.7%
Stanislaus	13.0%	11.2%	9.5%	8.5%	7.5%	6.4%	6.0%	10.7%	8.4%	5.7%
San Joaquin	12.8%	10.6%	8.9%	8.1%	7.0%	6.0%	5.9%	11.3%	8.7%	5.7%
San Benito	11.1%	9.3%	7.6%	6.8%	5.8%	5.1%	5.1%	9.9%	7.2%	5.2%
Santa Cruz	9.5%	8.7%	7.5%	6.9%	5.7%	4.9%	4.8%	9.5%	6.9%	4.9%
Alameda	7.4%	5.9%	4.7%	4.2%	3.6%	3.0%	2.9%	8.8%	6.1%	3.3%
Santa Clara	6.8%	5.2%	4.2%	3.8%	3.2%	2.6%	2.5%	7.0%	7.0%	5.1%
San Mateo	5.4%	4.2%	3.4%	3.0%	2.7%	2.2%	2.0%	6.9%	4.6%	2.3%

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

(2) Information for 2022 is the average of January through June 2022.

Source: California Employment Development Department, Labor Market Information Division

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

	Budgeted Full-time-Equivalent[1] Employees as of Fiscal Year-End									
Functional Area	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Administration	27	27	28	28	30	30	31	32	30	30
Air service development	1	1	1	1	1	1	1	1	1	1
Airport technology services	13	13	13	11	11	11	11	11	11	12
Airside operations	42	43	43	43	51	51	50	52	53	53
Customer service and outreach	7	7	6	8	10	10	11	13	11	11
Capital and airport development	15	15	15	18	19	19	20	21	20	20
Environmental	1	1	1	1	2	2	2	2	2	2
Facilities (building services, trades, and maintenance)	64	64	64	61	68	68	70	73	66	66
Landside operations and services	9	8	8	8	9	9	10	10	10	10
Property management	8	8	8	8	10	10	10	11	10	10
	187	187	187	187	211	211	216	226	214	215

[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, 2022

Location:	Four miles north of downtown San José, "Capital of Silicon Valley"			
Area:	1,000 acres			
Elevation:	62.2 ft.			
Airport Code:	SJC			
Runways:	12R/30L	North/South	11,000 × 150	ft. ILS/VOR/GPS
	12L/30R	North/South	11,000 × 150	ft. GPS (VOR 30R only)
Terminal:	Airlines		279,569	sq. ft.
	Concessions and Other Rentables		80,460	sq. ft.
	Public/Common		537,694	sq. ft.
	Vacant		22,829	sq. ft.
	Other		98,257	sq. ft.
	Total		1,018,809	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 open concessionaires in terminal		38	
		16 Food & Beverage Concessions		
		22 Retail Concessions		
	Number of rental car brands		11	
Apron:	Commercial Airlines		1,330,140	sq. ft.
	Cargo Airlines		596,482	sq. ft.
	Fixed Base Operator (FBO) Specialized Aviation Service Operator (SASO)		1,515,294	sq. ft.
	General Aviation West		308,218	sq. ft.
	Total		3,750,134	sq. ft.
Public Parking Spaces:	Lot 1 (Economy Lot 1)[(1)]		2,509	
	Lot 2 (Terminal A Garage)		1,053	
	Lot 3 (Terminal B Garage & Surface)		296	
	Lot 4		732	
	Lot 5		942	
	Total		5,532	
Cargo:	Air Freight Building		18,977	sq. ft.
International:	Customs / Federal Inspection Service Facility			
Tower:	Operational hours 0600 - 0000, after hours CTAF 124.0/TRACON 24/7			
FBOs:	Atlantic Aviation			
	Signature Flight Support			
SASO:	AvBase			

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

[(1)] Parking spaces as of July 1, 2022.

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
FISCAL YEARS 2013 THROUGH 2017
(Ranked by Fiscal Year 2022 Results)

Airline	2013[1] Enplanements	2013[1] % of Total	2014 Enplanements	2014 % of Total	2015 Enplanements	2015 % of Total	2016 Enplanements	2016 % of Total	2017 Enplanements	2017 % of Total
Southwest Airlines	2,169,956	51.2%	2,280,346	50.5%	2,420,333	50.8%	2,507,648	49.3%	2,607,667	45.4%
Alaska Airlines[2]	727,616	17.2%	704,944	15.6%	750,673	15.8%	795,136	15.6%	988,852	17.2%
Delta Airlines[3]	228,824	5.4%	332,544	7.4%	463,746	9.7%	551,084	10.8%	648,825	11.3%
American Airlines[4]	587,829	13.9%	601,104	13.3%	604,952	12.7%	642,626	12.6%	634,827	11.1%
United Airlines[5]	253,837	6.0%	231,287	5.1%	186,656	3.9%	184,570	3.6%	237,281	4.1%
Volaris	49,700	1.2%	51,056	1.1%	51,185	1.1%	58,385	1.1%	61,585	1.1%
Hawaiian Airlines	116,928	2.8%	113,381	2.5%	161,707	3.4%	164,088	3.2%	153,379	2.7%
JetBlue Airways	71,506	1.7%	70,860	1.6%	71,577	1.5%	73,950	1.5%	151,587	2.6%
Frontier Airlines	-	-	-	-	-	-	-	-	-	-
British Airways	-	-	-	-	-	-	9,872	0.2%	54,145	0.9%
Air Canada	-	-	-	-	-	-	6,882	0.1%	46,701	0.8%
All Nippon Airways	3,273	0.1%	42,999	1.0%	47,560	1.0%	49,717	1.0%	49,160	0.9%
Hainan Airlines	-	-	-	-	1,849	-	34,939	0.7%	44,123	0.8%
AeroMexico	-	-	-	-	-	-	-	-	-	-
Lufthansa	-	-	-	-	-	-	-	-	40,490	0.7%
Air China	-	-	-	-	-	-	-	-	15,511	0.3%
All other airlines[6]	25,284	0.6%	88,500	2.0%	4,763	0.1%	8,808	0.2%	5,636	0.1%
Total[7]	4,234,753	100%	4,517,021	100%	4,765,001	100%	5,087,705	100%	5,739,769	100%

(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

NORMAN Y. MINETA SAN JOSE INTERNATIONAL AIRPORT
(A Department of the City of San José)
ENPLANED COMMERCIAL PASSENGERS BY AIRLINE
FISCAL YEARS 2018 THROUGH 2022
(Ranked by Fiscal Year 2022 Results)

	2018		2019		2020		2021		2022	
Airline	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total	Enplanements	% of Total
Southwest Airlines	3,050,314	45.4%	3,569,213	47.8%	2,893,513	51.1%	1,151,709	54.2%	2,800,739	57.0%
Alaska Airlines[(2)]	1,183,145	17.6%	1,416,446	19.0%	1,004,249	17.7%	394,867	18.6%	888,396	18.1%
Delta Airlines[(3)]	701,037	10.4%	783,809	10.5%	640,408	11.3%	159,862	7.5%	421,620	8.6%
American Airlines[(4)]	628,683	9.3%	606,477	8.1%	443,899	7.8%	195,189	9.2%	300,852	6.1%
United Airlines[(5)]	314,024	4.7%	323,965	4.3%	215,104	3.8%	69,106	3.3%	192,677	3.9%
Volaris	60,602	0.9%	91,784	1.2%	89,250	1.6%	90,049	4.2%	131,547	2.7%
Hawaiian Airlines	169,044	2.5%	143,314	1.9%	88,139	1.6%	42,474	2.0%	107,849	2.2%
JetBlue Airways	222,987	3.3%	155,313	2.1%	92,699	1.6%	3,726	0.2%	50,761	1.0%
Frontier Airlines	80,943	1.2%	99,539	1.3%	52,646	0.9%	15,010	0.7%	6,847	0.1%
British Airways	54,092	0.8%	59,099	0.8%	37,503	0.7%	-	-	2,965	0.1%
Air Canada	57,145	0.8%	56,389	0.8%	37,232	0.7%	-	-	-	-
All Nippon Airways	49,735	0.7%	48,901	0.7%	31,735	0.6%	-	-	-	-
Hainan Airlines	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	30,057	0.4%	17,756	0.2%	-	-	-	-	-	-
Air China	25,829	0.4%	4,436	0.1%	-	-	-	-	-	-
All other airlines[(6)]	7,169	0.1%	8,899	0.1%	4,909	0.1%	3,831	0.2%	6,953	0.1%
Total[(7)]	6,725,127	100%	7,462,126	100%	5,660,067	100%	2,125,823	100%	4,911,206	100%

(5) 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]	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
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	806,403	790,691	825,699	864,768	1,127,836	1,359,717	1,682,496	1,334,216	726,375	1,090,775
All Nippon Airways	9,880	138,114	138,700	140,925	138,790	141,175	139,285	100,995	-	-
American Airlines	664,570	669,391	653,971	726,312	730,283	735,296	688,165	528,987	272,518	346,462
British Airways	-	-	-	24,650	152,150	138,460	146,625	98,175	-	5,835
Delta Airlines	252,297	386,609	537,959	677,209	829,238	849,208	894,266	810,877	328,342	537,224
Frontier Airlines	672	499	269	-	-	80,893	94,850	53,660	26,802	5,561
Hainan Airlines	-	-	4,180	80,559	97,695	82,815	85,785	56,534	12,368	-
Hawaiian Airlines	161,560	154,290	230,520	230,052	206,901	229,459	184,495	95,472	69,248	127,864
JetBlue Airways	79,348	77,215	75,508	82,039	199,784	302,960	216,553	135,081	4,379	61,730
Lufthanasa	-	-	-	-	99,364	62,646	35,556	-	-	-
Southwest Airlines	2,838,160	2,819,208	2,884,182	2,976,117	3,161,461	3,635,596	4,223,415	3,944,466	2,052,349	3,494,415
United Airlines	293,930	269,572	206,682	214,585	268,074	353,304	347,168	259,896	103,010	229,038
Volaris	52,014	51,472	55,653	59,565	61,549	61,549	96,214	98,045	101,256	141,140
All other airlines	54,361	179,532	15,137	29,020	19,857	27,580	29,505	17,826	18,555	31,581
Subtotal	5,213,194	5,536,593	5,628,460	6,113,904	7,202,172	8,244,933	8,984,703	7,591,258	3,715,202	6,071,623
Cargo Carriers										
Fedex	158,845	152,417	150,160	164,527	149,908	146,996	147,188	143,939	122,582	86,622
United Parcel Service	88,940	82,584	86,546	101,377	98,944	100,450	97,171	89,692	87,193	111,040
All other cargo airlines	283	-	-	440	168	161	82	-	630	-
Subtotal	248,067	235,002	236,706	266,344	249,020	247,607	244,440	233,630	210,406	197,662
Total	5,461,261	5,771,595	5,865,167	6,380,248	7,451,193	8,492,540	9,229,143	7,824,888	3,925,608	6,269,285

(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)]	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
AeroMexico	-	-	-	-	-	722	526	64	-	-
Air Canada	-	-	-	214	1,538	1,920	1,952	1,396	-	-
Air China	-	-	-	-	256	306	48	-	-	-
Alaska Airlines	15,172	13,960	13,936	14,314	20,330	25,400	30,784	23,948	14,764	20,242
All Nippon Airways	52	726	730	732	730	730	730	528	-	-
American Airlines	12,672	12,374	12,172	12,356	12,042	12,256	11,452	8,614	3,844	5,674
British Airways	-	-	-	116	716	652	690	462	-	30
Delta Airlines	4,810	8,596	12,702	14,300	15,958	16,496	17,338	14,872	7,848	11,010
Frontier Airlines	10	8	4	-	-	1,132	1,294	682	358	74
Hainan Airlines	-	-	22	424	504	420	420	268	60	-
Hawaiian Airlines	1,036	1,014	1,462	1,462	1,324	1,466	1,454	1,078	788	1,462
JetBlue Airways	1,116	1,086	1,062	1,146	2,740	4,126	2,924	1,856	58	826
Lufthansa	-	-	-	-	476	296	168	-	-	-
Southwest Airlines	45,486	44,942	45,654	46,918	48,538	55,466	64,484	59,594	29,792	51,234
United Airlines	5,600	5,052	3,714	3,444	4,042	5,624	5,434	4,052	2,102	3,670
Volaris	770	752	774	820	846	846	1,328	1,352	1,392	1,940
All other airlines	784	2,546	226	394	296	384	428	252	252	472
Subtotal	87,508	91,056	92,458	96,640	110,336	128,242	141,454	119,018	61,258	96,634
Cargo Carriers										
Air Transport Int'l.	2	-	-	-	-	-	-	-	-	-
FedEx	918	918	920	936	928	918	916	922	802	510
United Parcel Service	610	550	580	670	664	676	644	572	540	760
All other cargo airlines	6	-	-	8	4	2	2	-	2	-
Subtotal	1,536	1,468	1,500	1,614	1,596	1,596	1,562	1,494	1,344	1,270
Total	89,044	92,524	93,958	98,254	111,932	129,838	143,016	120,512	62,602	97,904

(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/CARGO AIRLINE SERVICE

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

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

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

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

Schedule R

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Passengers (1,000's):										
Enplanements	4,235	4,517	4,765	5,088	5,740	6,725	7,462	5,660	2,126	4,911
Deplanements	4,254	4,546	4,790	5,125	5,775	6,765	7,488	5,669	2,100	4,903
Total Passengers	8,489	9,063	9,555	10,213	11,515	13,490	14,950	11,329	4,226	9,814
Mail/freight/cargo (1,000 lbs):										
Mail	1,431	1,135	1,546	1,786	1,856	4,132	3,497	760	1,474	1,851
Freight/express	6,172	16,156	18,257	22,344	42,126	43,228	42,402	27,287	10,321	8,477
Cargo	78,766	86,239	84,203	92,294	78,013	74,868	68,887	69,556	68,924	61,025
Total mail/freight/cargo	86,369	103,530	104,006	116,424	121,995	122,228	114,786	97,603	80,719	71,353

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
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
2021	61,258	1,344	62,602	56.1%	48,959	99	111,660
2022	96,634	1,270	97,904	64.7%	53,125	204	151,233

Annual compound growth rate

FY 2013 through FY 2022	1.0%	(1.9)%	1.0%		5.4%	(0.3)%	2.3%

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

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

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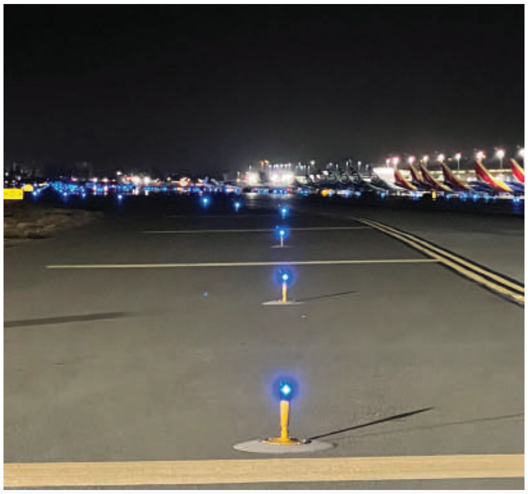
After serving the Airport for nearly 60 years, the newly relocated **San José Fire Department** (SJFD) Station 20 is now housed in a state-of-the-art facility located just north of Airport Boulevard. The new station also includes expanded SJFD coverage beyond the airport to better serve the adjacent community, including residents and businesses.

Engineering News-Record (ENR) California, one of the construction industry's most authoritative publications, awarded Station 20 its 2022 Best Projects Award of Merit in the Airport/Transit category for Northern California.

Bond Disclosure

Construction is underway on the **Airfield Electrical Rehabilitation** project, which is funded with $6.1 million in FAA grant funding.

The replacement of the Taxiway Lighting System and Airfield Signage System will help ensure the integrity and reliability of the airfield lighting system, further supporting airfield safety and security.



CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

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

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

Bond Disclosure Report

June 30, 2022

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

In April 2021, the City issued Airport Revenue Refunding Bonds Series 2021A, 2021B, and 2021C (the 2021 ARBs), to current refund all of the City's outstanding Airport Revenue Bonds Series 2011A-1, 2011A-2, and 2011B and to advance refund a portion of the City's outstanding ARBs Series 2014A, 2017A, and 2017B. Additional information about the ARBs can be found in Note 5 to the financial statements.

Section 4 of the Disclosure Agreements requires the City to provide an Annual Report, which is consistent with the requirements of Section 4 of the Disclosure Agreements, no later than 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, 2022, an update of this table is not required.

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

  Refer to Table 1, page B-3 of the Bond Disclosure Section of this report.

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

  Refer to Schedule S, page S-26 of the Statistical Section of this report.

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

  Refer to Table 2, page B-4 of the Bond Disclosure Section of this report.

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

  Refer to Schedule Q, pages S-23 and S-24 of the Statistical Section of this report.

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

  Refer to Schedule N, pages S-19 and S-20 of the Statistical Section of this report

(Continued)

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

  Refer to Financial Section, Exhibit II, page 21 of this report.

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

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

REPORTING OF SIGNIFICANT EVENTS

Airport revenue refunding bond ratings

The underlying ratings of the outstanding Airport Revenue Bonds and ARBs were "A", "A2", and "A" by S&P Global Ratings (S&P), Moody's Investors Service (Moody's), and Fitch Ratings, Inc. (Fitch), respectively. On June 23, 2022, S&P upgraded the Airport's rating from "A-" to "A" with a stable outlook. On August 3, 2021, Fitch revised the outlook from negative to stable, while the ratings remained at "A" on the Airport Revenue Bonds and ARBs and "A-" on the bank note associated with the Airport's Subordinated Commercial Paper Notes.

(Concluded)

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
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)%
2021	1,988,654	137,169	2,125,823	(62.4)%
2022	4,672,808	238,398	4,911,206	131.0%
Annual compound growth rate				
FY 2013 through FY 2022	1.3%	8.0%	1.5%	

[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]
2013[4]	5,213,194	248,067	5,461,261
2014[4]	5,536,593	235,002	5,771,595
2015	5,628,460	236,706	5,865,167
2016	6,113,904	266,344	6,380,248
2017	7,202,172	249,020	7,451,193
2018	8,244,933	247,607	8,492,540
2019	8,984,703	244,440	9,229,143
2020	7,591,258	233,630	7,824,888
2021	3,715,202	210,406	3,925,608
2022	6,071,623	197,662	6,269,285
Annual compound growth rate			
FY 2013 through FY 2022	1.5%	(2.2)%	1.4%

[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